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 2013



CONTENTS

Corporate Structure	2
Corporate Profile	3
Corporate Information	5
Financial Highlights	6
Corporate Milestones	9
Key Achievements and Awards	10
Chairman's Statement	13
Profiles of Directors	20
Statement on Corporate Governance	24
Audit Committee Report	30
Statement on Risk Management and Internal Control	36
Additional Compliance Information Nomination Committee Statement	38
Directors' Responsibility Statement	40
Financial Statements	43
List of Properties	86
Analysis of Shareholdings	90
Notice of Annual General Meeting	96
Statement Accompanying Notice of Annual General Meeting	100
Form of Proxy	

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:

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

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)
14 August 2007

Jurisdiction of Incorporation
Bermuda

100%
Sunwealth
22 February 2005
Investment Holding

100%
Campus
3 December 2002
Investment Holding

BVI

100%
Ruiyuan
16 February 2006
Production and sale of plastic tape printer and ink

100%
Sakura Plastic
5 November 1993
R&D, production of PP Sheets

100%
Sakura Stationery
15 July 1991
Production and sale of Plastic stationery

PRC

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

CORPORATE PROFILE

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

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

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

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

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

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

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

OUR AWARD WINNING BRANDS



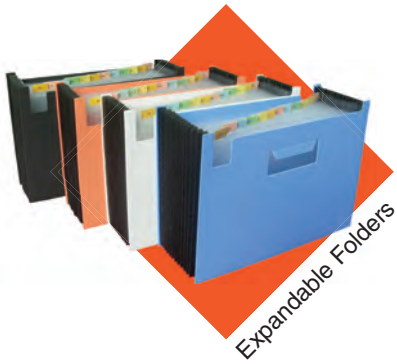
OUR PRODUCTS

Plastic filing and storage products


Expandable Files


Document Files


Movable Document Cases


Expandable Folders


CD Holders


Filing Bags


Display Books


Pocket Files


Lever Clip Files

Patented Products

Plastic tape printer







CORPORATE INFORMATION
AS AT 17 JULY 2014

BOARD OF DIRECTORS

1.	Chan Fung @ Kwan Wing Yin	*Executive Chairman and Chief Executive Officer*
2.	Angus Kwan Chun Jut	*Executive Director*
3.	Datuk Tan Choon Hwa, JP, JMK	*Non-Independent Non-Executive Director*
4.	Dr. Risambessy Izaac	*Independent Non-Executive Director*
5.	Herman Widjaja	*Independent 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. Datuk Tan Choon Hwa, JP, JMK *(Member)*
3. Herman Widjaja *(Member)*

REMUNERATION COMMITTEE
1. Datuk Tan Choon Hwa, JP, JMK *(Member)*
2. Dr. Risambessy Izaac *(Member)*
3. Chan Fung @ Kwan Wing Yin *(Member)*

NOMINATION COMMITTEE
1. Datuk Tan Choon Hwa, JP, JMK *(Member)*
2. Dr. Risambessy Izaac *(Member)*
3. Herman Widjaja *(Member)*

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

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

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

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

BUSINESS OFFICE IN MALAYSIA
Lot A, Level 8
Tower 2, Etiqa Twins
11, Jalan Pinang
50450 Kuala Lumpur

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

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

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

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 FYE2009 – FYE2013

	FYE2009	FYE2010	FYE2011	FYE2012	**FYE2013**
PBT (RMB'000)	411,290	518,716	650,337	657,692	**547,704**
PAT (RMB'000)	327,029	397,626	464,706	465,489	**388,207**

REVENUE FOR FYE2009 – FYE2013

	FYE2009 (RMB'000)	FYE2010 (RMB'000)	FYE2011 (RMB'000)	FYE2012 (RMB'000)	**FYE2013 (RMB'000)**
Revenue	1,079,573	1,408,786	1,774,710	1,980,628	**1,799,687**

GROSS PROFIT AND GROSS PROFIT MARGIN BY PRODUCT MIX

Gross Profit

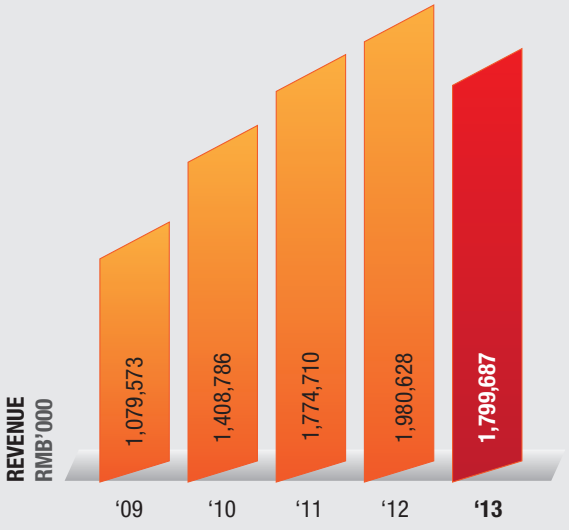
	FYE2009		**FYE2010**		**FYE2011**		**FYE2012**		**FYE2013**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Patented Products	210,139	40.3	236,220	36.6	280,523	35.3	345,161	39.7	**239,373**	**30.2**
Non-Patented Products	311,250	59.7	408,428	63.4	514,980	64.7	524,947	60.3	**555,563**	**69.8**
Total	**521,389**	**100.0**	**644,648**	**100.0**	**795,503**	**100.0**	**870,108**	**100.0**	**794,936**	**100.0**

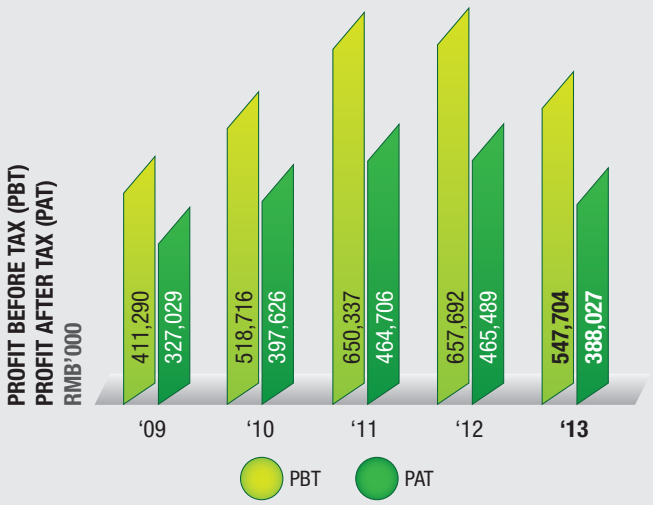
Gross profit margin

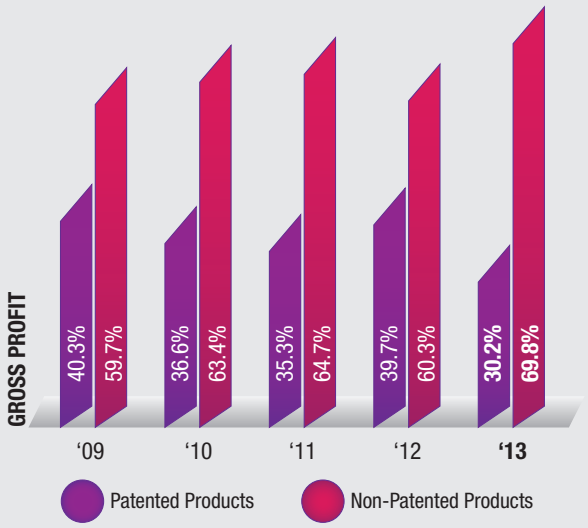
	FYE2009	FYE2010	FYE2011	FYE2012	FYE2013
Patented Products	60.9%	59.5%	58.1%	55.3%	**54.51%**
Non-Patented Products	42.4%	40.4%	39.9%	38.7%	**40.86%**
Overall	48.3%	45.8%	44.8%	43.9%	**44.2%**

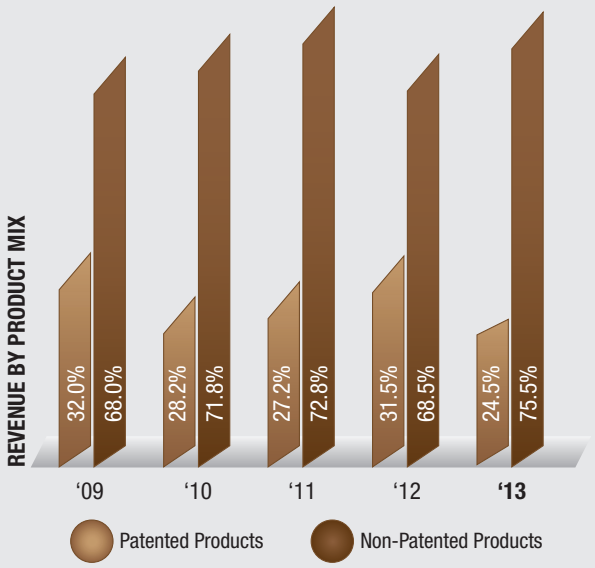
REVENUE BY PRODUCT MIX

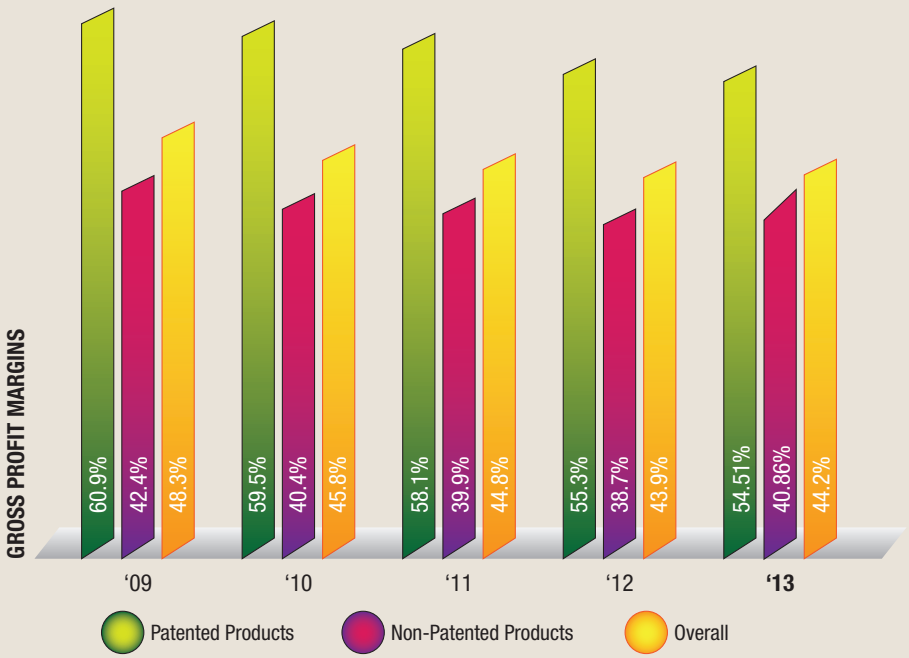
	FYE2009		FYE2010		FYE2011		FYE2012		FYE2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	345,240	32.0	396,836	28.2	482,793	27.2	624,055	31.5	**440,049**	**24.5**
Non-Patented Products	734,333	68.0	1,011,950	71.8	1,291,917	72.8	1,356,573	68.5	**1,359,638**	**75.5**
Total	**1,079,573**	**100.0**	**1,408,786**	**100.0**	**1,774,710**	**100.0**	**1,980,628**	**100.0**	**1,799,687**	**100.0**






GROSS PROFIT
40.3%
59.7%
36.6%
63.4%
35.3%
64.7%
39.7%
60.3%
30.2%
69.8%
'09
'10
'11
'12
'13
Patented Products
Non-Patented Products


REVENUE BY PRODUCT MIX
32.0%
68.0%
28.2%
71.8%
27.2%
72.8%
31.5%
68.5%
24.5%
75.5%
'09
'10
'11
'12
'13
Patented Products
Non-Patented Products


GROSS PROFIT MARGINS
60.9%
42.4%
48.3%
59.5%
40.4%
45.8%
58.1%
39.9%
44.8%
55.3%
38.7%
43.9%
54.51%
40.86%
44.2%
'09
'10
'11
'12
'13
Patented Products
Non-Patented Products
Overall

CORPORATE MILESTONES

'91 Formation of our group via Sakura Stationery

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

'93 Moved from the leased premises to our first production plant at Zhenfu Road, Jiangkou Town, Hanjing District, Putian, China. Sakura Plastic was established as our upstream operation for PP sheet production.

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

'95 Overseas expansion to diversify income and reduce dependency.

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

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

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

'08 Advertising efforts to increase presence in PRC.

Established the shop-in-shop concept.

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

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

Launched of Second Generation Plastic Tape Printer.

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

Signed dealership agreement with Pelikan International Corporation Berhad.

KEY ACHIEVEMENTS AND AWARDS

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

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

KEY ACHIEVEMENTS AND AWARDS (cont'd)

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

Note:-

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

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

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 2013 (FYE2013).

The year 2013 was another year full of challenges, with the recovery of the global economy remained sluggish. The European sovereign debt crises continued to haunt the global economy and remained far from resolved. The situation was further complicated by a widely-perceived soft-landing of China's economy with the gross domestic product (GDP) growth moderated to 7.7% for year 2013. The prolonged uncertainties in the global economy have greatly affected the market sentiment and spending desire amongst China consumers.

China Stationery managed to sustain its performance despite having to operate under increasingly difficult conditions as the year progressed. This was achieved primarily due to increase in sales volume from our Non-Patented Products segment which consists of filing and storage products and expandable files products.

During the year under review, we have decided not to proceed with the dealership agreement with Pelikan International Corporation Berhad due to cultural differences between the two companies, and differences of opinion over the pricing strategy.

FIRE INCIDENT

We regret to inform our shareholders that a fire had occurred at 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") at about 1:30am on 4 April 2014.

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

The Company has a total of five (5) production plants located in the PRC measuring approximately 50,000 square metres in total area, of which the area of the plant gutted by the fire measuring approximately 10,000 square metres, constituting 20% of the total floor area.

The fire did not spread to the other production plant of the Company. The production capacity of the affected plant represents 40% out of the total production capacity of all the plants of China Stationery for 2013 financial year.

The affected production plant is currently sealed off by police authority of PRC and prohibited from entrance by outsiders save for the investigating police. In view thereof, Management of China Stationery and insurance representatives are unable to access to the scene to ascertain the total damage caused by the fire incident as of to-date.

There is insurance coverage against the damage caused by fire to the equipment, raw materials and finished products housed and/or kept in the affected plant. The Company and the insurance company are unable to ascertain the amount of damage and loss to the equipment, raw materials and finished products due to the current inaccessibility to the affected plant.

Management of the Company is in the midst of liaising with the customers of the Company in regard to the fire incident and looking for their understanding on such incident. None of the customers have initiated legal proceedings to demand for compensation in view of the delays in fulfilling their orders due to the fire incident.

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

Bursa Securities has granted China Stationery an extension of time of:

i. Two (2) months from 1 May 2014 until 30 June 2014 ("Extended Deadline") to announce its Audited Financial Statements for FYE2013, which is due on 30 April 2014; and

ii. Two (2) months from 1 June 2014 until 31 July 2014 ("Extended Deadline") to announce the 1QFY2014 report for the financial period ended 31 March 2014 which is due on 31 May 2014.

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

Nonetheless, China Stationery had on 8 July 2014 submitted the Audited Financial Statements for FYE2013, a day before the Company's shares being suspended from trading. The Company however was categorised as a Practice Note 17 (PN17) company by Bursa Securities as the External Auditors put a "disclaimer opinion" on the Company's audited financial accounts for FYE2013 reason being not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

The Management wasted no time in evaluating various options, in their endeavour to uplift the Company from being classified as PN17 company. The Company will make the necessary announcements on the regularisation plan and appointment of Adviser in due course.

Going forward, we see ourselves facing more challenges under the current economic environment and after the fire incident as the insurance company in PRC, would not cover for loss of business income applies to the loss suffered by the Company during the time required to repair or replace the damaged property. Nevertheless, the Company is preparing for remedial works to commence once the affected plant is allowed for access by the PRC police.

To help us take on these challenges we will be investing in research and development in order for us to come out with more innovative products as well as exploring new markets to further expand our product presence.

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

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

FINANCIAL REVIEW

Despite a challenging operating environment, our Group has managed to achieve a healthy financial performance. For FYE2013, China Stationery's revenue and profit after taxation (PAT) remained positive at the level of RMB1.80 billion (RM949.52 million) and RMB387.66 million (RM204.53 million) respectively, slightly lower as compared to RMB1.98 billion (RM964.97 million) and RMB465.49 million (RM226.69 million) achieved a year ago. The decline in revenue and PAT was mainly due to decrease in sales of our Patented Products, higher advertisement cost and loss on disposal of Pelikan share. Earnings per share for the 12 months period was RMB0.32 (RM0.17).

Sales of our Patented Products decreased by RMB184.01 million (RM99.05 million) or 29.5% to RMB440.05 million (RM236.88 million) in FYE2013 from RMB624.06 million (RM335.93 million) a year ago due to the decrease in sales volume for plastic tape printers.

Meanwhile, sales of our Non-Patented Products increased by RMB3.07 million (RM1.65 million) or 0.2% to RMB1.356 billion (RM729.93 million) in FYE2013 from RMB1.359 billion (RM731.55 million) previously due to the increase in sales volume from our filing and storage products and expandable files products.

On overall, the gross profit margin increased by 0.3% to 44.2% from 43.9% for last year as this was mainly due to increase in sales volume from our Non-Patented Products segment.

I am proud to say that China Stationery generated RMB 563.19 million (RM297.14 million) in cash flow from operating activities, which is commendable.

Our Company as at end-December last year had cash and bank balances amounting to RMB2.37 billion (RM1.27 billion). On the other side of the balance sheet, China Stationary had RMB54.40 million (RM29.28 million) in bank borrowings.

To illustrate further our strength, China Stationery had shareholders' funds amounting to RMB2.926 billion (RM1.575 billion).

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

SHARE BUY-BACK

During the financial year ended 31 December 2013, the Company purchased a total of 10,000,100 ordinary shares of the issued share capital from the open market at an average price of RM0.207 per share. The total consideration for the share buy-back was RMB3.99 million (RM 2.07 million) and was financed by internally generated funds.

All the shares purchased during the financial year had been retained as treasury shares and the total number of shares retained as treasury shares as at 31 December 2013 was 10,000,100 ordinary shares of RM 0.2073 each.

FUTURE PROSPECTS

In FYE2014, we forecast the Group continuing to grow underpinned by our innovative products. At China Stationery we pride ourselves in our research and development, our market analysis and our ability to produce items that the market requires. This comes from having years of experience in the sector we are involved in.

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

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

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

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

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

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

Research firm Frost & Sullivan says that the global plastic stationery market is largely driven by innovative product designs, and increasing levels of literacy, supported by strong economic conditions and increased consumer spending. As such, the industry is slated to grow at a compounded annual growth rate of 5.3% over the next two years, between 2013 and 2014.
Barring unforeseen circumstances, the Group is optimistic about its performance in FYE2014.

CORPORATE GOVERNANCE

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

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

CORPORATE SOCIAL RESPONSIBILITY OR CSR

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

We are saddened by the demise of the Chief Executive Officer of the Company, Mr Jiang Danping on 1 October 2013. He is dearly missed and fondly remembered by the Board and all employees and customers of the Group.

On behalf of the Board, I am pleased to welcome on the Board Mr Herman Widjaja who joined us as our Independent Non-Executive Director.

I also take this opportunity to thank Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman who has stepped down as the Senior Independent Non-Executive Director of the Company on 2 July 2014 for his contribution towards the Group.

To the Shareholders, allow me to take this opportunity to extend my sincere gratitude for persevering with your belief in our stewardship of the Group.

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

My thanks also go out to the staff for their efforts and sacrifices, both of which have enabled the Group to attain these results despite the challenging environment. Their hard work and unfailing dedication continue to be the critical ingredients to the Group's success.

Chan Fung @ Kwan Wing Yin
Executive Chairman & Chief Executive Director

敬爱的股东，

本人谨代表中国文具有限公司（简称中国文具或公司）董事部，向各位提呈公司截至2013年12月31日止财政年的常年报告和财务报告。

2013年是另一个充满挑战的年份，全球经济复苏依然迟缓。欧洲主权债务危机继续困扰全球经济，至今远远无法完善解决。2013年中国国内生产总值（GDP）成长放缓至7.7%，这个广泛视为软着陆的现象，加剧了局势的恶化。全球经济的不确定因素毫无改善，大大影响了市场情绪，也打击了中国消费者的消费情绪。
全年来看，虽然中国文具的经营难度提升，但仍成功保持良好表现，这归功于公司文件夹、收纳产品、伸展型文件夹等非专利产品的销售增加。

过去一年，我们决定中止百利金国际（Pelikan International Corp Bhd）的代理协议，因为彼此存在相异的企业文化，也无法就定价策略达成共识。

火灾

不幸的，我们谨此告知股东，中国文具位于No. 2899, Jin Jiang West Road, Hanjing District, Putian, Fujian Province, The People's Republic of China的制造厂在2014年4月4日凌晨1时30分发生火灾。

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

公司在中国共有5座制造厂，总面积达5万平方米，而案发工厂占地1万平方米，是总面积的20%。

大火并未扩至其他厂房。受影响工厂的产能占中国文具2013财政年总产能的40%。

目前，中国警方已经封锁上述工厂，仅允许查案警察进出。有鉴于此，中国文具管理层和保险公司代表至今无从进入，因此无法估计火灾造成的损失总额。

虽然公司早为工厂的设备、原料和制成品库存投保火险，但碍于公司和保险公司尚无法进厂清楚计算灾后设备、原料和制成品的损失，因此无法提供有关数据。

公司管理层正与客户讨论因上述火灾而造成订货无法递送的善后事宜。目前，并无任何客户透过初步法律程序，要求公司因火灾而造成的订单延迟递交而赔偿。

灾后，公司在2014年4月17日提出申请，以延迟两个月发出截至2013年12月31日止财政年稽查财务报告和截至2014年3月31日止季度财务报告。这些财务报告是配合马来西亚证券有限公司设定的主要交易板上市条例9.23(2)和9.22而公布的。

马来西亚证券有限公司决定批准中国文具延迟递交以下财务报告：

i. 延迟两个月（2014年5月1日至2014年6月30日）（延长期限）公布截至2013年12月31日止财政年稽查财务报告，原定期限为2014年4月30日；以及

ii. 延迟两个月（2014年6月1日至2014年7月31日）（延长期限）公布截至2014年3月31日止第一季财务报告，原定期限为2014年5月31日。

基于管理层需要更多时间为外部稽查师Messrs RT LLP准备充分的证明，以完成稽查程序和发出稽查报告，导致公司无法赶在2014年6月30日如期提呈2013财政年财务报告。

不过，中国文具赶在股票可能停牌的前一天，即2014年7月8日交上2013财政年稽查账目。无论如何，由于外部稽查师无法获得充分且合适的会计证明，以提供稽查意见，因此他们对公司2013财政年稽查账目持保留意见（disclaimer opinion），以致马来西亚证券有限公司将公司列为PN17公司。

管理层会尽快让公司脱离PN17公司。公司将在适当时机公布重组计划 及委任顾问的公告。

展望未来，鉴于现有经济局势欠佳，中国保险公司也不会赔偿资产修复期间公司面对的营收减少损失，我们相信未来将面对更多的挑战。不过，一旦中国警方允许我们进入灾后工厂，我们将尽快采取补救措施。

为了迎接这些挑战，我们将继续加强研发活动，以开发更多创新产品，并进军新的市场，进一步拓展旗下产品的市场地位。

必须补充的是，诸位股东的董事部和管理层一直秉持审慎、远见和远虑的做法，为中国文具鞠躬尽瘁。
我们看好公司可以在多年来所建立下来的基础上占有先机。

财报回顾

虽然经营环境挑战重重，公司仍成功取得稳定的财务表现。在2013财政年，中国文具的营业额和税后盈利（PAT）维持正面水平，各报18亿元（人民币，下同，约9亿4千952万令吉）和3亿8千766万元（约2亿零453万令吉），略低于前一年的19亿8千万元（约9亿6千497万令吉）和4亿6千549万元（约2亿2千669万令吉）。营业额和税前盈利下跌，主要原因在于专利产品销量减少、广宣开销增加，以及脱售百利金股权蒙受亏损。12个月每股盈利为0.32元（约0.17令吉）。

在2013财政年，公司专利产品的销量减少1亿8千401万元（约9千905万令吉）或29.5%，至4亿4千零5万元（约2亿3千688万令吉），比较前一年是6亿2千406万元（约3亿3千593万令吉），归咎于标签机的销量逊色。
同时，2013财政年公司非专利产品的销量从前期的13亿5千900万元（约7亿3千155万令吉）提高307万元（约165万令吉）或0.2%至13亿5千600万元（约7亿2千993万令吉），受惠于文件夹、收纳产品和伸展型文件夹的销量增加。

整体来看，累计盈利赚幅提高0.3%，从上一年的43.9% 增至44.2%，主要是因为非专利产品的销售提升。

本人自豪地说，中国文具从业务营运中取得的现金流量达5亿6千319万元（约2亿9千714万令吉），这是难能可贵的。

公司截至去年12月底为止的现金和银行结余为23亿7千万元（约12亿7千万令吉）。资产负债表也显示，中国文具的银行贷款是5千440万元（约2千928万令吉）

中国文具的股东基金报29亿2千600万元（约15亿7千500万令吉），这进一步展现了公司的财务实力。
明显的，公司的财务健全，现财政年势可保持成长。

股票回购

截至2013年12月31日止财政年，公司在公开市场回购了总共1千万零100股股票，每股平均价为0.207令吉。股票回购总额为399万元（约207万令吉），全数透过内部资金融资。

所有回购股票将纳为库存股。截至2013年12月31日止，公司的库存股总数达1千万零100股，每股0.2073令吉。

未来展望

在2014财政年，我们看好公司可在创新产品的带动下维持业务增长。中国文具向以研发能力、市场分析和制造符合市场需求的产品等能力为荣。这些优势出自于我们在文具业的多年经验。我们获奖无数的品牌包括Sakura、Nachi和Foldersys都深受世界消费者的认可，此外我们也努力打进新的市场。由于公司产品都可循环使用，符合全球消费者越来越注重环保的趋势，我们看好旗下产品将可获得市场良好的回响。

公司拥有较低生产成本、高素质产品等竞争优势，发展潜能是无限的。

本人向各位中国文具的股东保证，未来会有更多令人振奋的好消息。

公司目前积极开发新的市场，并加强原有核心业务，包括参与贸易展、展销会，以及广告牌宣传、中国其他媒体管道的广宣活动等。

同时，本人也必须强调，本人乐观看待公司的业务成长展望，因为全球塑胶文具市场预期可在2011至2014年维持近5.3%的累计常年增长。

随着消费者的影响力提升，教育也日益普及，本人看好消费者对优质塑胶文具的需求将逐步提升。

研究机构Frost & Sullivan表示，全球文具市场主要受到创新产品设计，以及教育普及化的带动，并获得经济条件强稳、消费开销增加等趋势的推动。有鉴于此，文具业可望在未来2013至2014年的两年期间取得5.3%的累计常年成长。

排除不可预见的意外事件，公司乐观看待2014财政年的业务表现。

企业监管

中国文具董事部注重廉政、透明和诚信等价值观，这些都是我们优先考虑的事项。

我们对公司高标准的企业监管感到自豪，也时时寻求为股东创造最高的价值。公司

企业社会责任（CSR）

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

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

鸣谢

我们对于首席执行官，蒋丹平先生，于2013年10月1日逝世感到难过。他将被董事们及本集团的员工和客户深深地怀念着。

本人谨代表董事部，欢迎Herman Widjaja先生担任独立非执行董事。

我也借此机会感谢，已经在2014年7月2日辞去本公司资深独立非执行董事职位的Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman，为本集团所做出的贡献。

对于公司股东，本人借此良机表达诚挚的谢意，感谢各位继续信任公司的管理团队。

我承诺，中国文具将继续捍卫全体股东的价值。

对于管理层和员工，我无言感激各位竭诚的付出和贡献，让公司得以在挑战重重的环境中保持稳定业绩。他们辛勤的付出和奉献，是公司继续成功的关键。

关永贤
执行主席 & 首席执行官

PROFILE OF DIRECTORS



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

Mr Chan Fung @ Kwan Wing Yin, aged 64, Hong Kong citizen, is our Executive Chairman and Chief Executive Officer. He was appointed to our Board on 31 August 2007. He is also a member of the Remuneration Committee of our Company.

Mr Chan is the founder of our Group and is responsible for the business strategy and development of our Group in foreign markets outside China. He has more than 20 years of experience in the plastic stationery industry. He has been both the Chairman of the Board of Directors and the General Manager of Sakura (Fujian) Packaging & Stationery Co., Ltd ("Sakura Stationery") since 1991 and Sakura (Fujian) Plastic Enterprise Co., Ltd ("Sakura Plastic") since 1993. He has also been the Chairman of the Board of Directors of Sunwealth Group Limited since 2005 and Campus Developments Limited ("Campus") since 2002. Prior to that he founded Kawan Kita (Hong Kong) Co., Ltd. ("Kawan Kita") in 1980, being the former holding company of Sakura Stationery, where he held the role of Chairman of the Board of Directors and General Manager. With his relevant expertise and experience in the plastic stationery industry, Mr Chan plays a key role in consolidating our Group's position in existing markets and in its expansion in new markets with his experiences and networking relationship. He received his middle school education from Putian Jingjiang Middle School. As at 31 December 2013, he is direct interested in 1,827,700 shares (0.14%) and deemed interested in 289,100,000 shares (23.45%) in the Company by virtue of his own name and interests in Lead Champion Group Limited ("Lead Champion"), the substantial shareholder of the Company.

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



MR ANGUS KWAN CHUN JUT
(Executive Director)

Angus Kwan Chun Jut, aged 43, Hong Kong citizen, is our Executive Director. He was appointed to our Board on 31 August 2007. He assists Mr Chan Fung @ Kwan Wing Yin in the day-to-day operations and management of the Group. Prior to joining our Group in 2007, Mr Kwan was in charge of information technology in Kawan Kita, the former holding company of Sakura Stationery from 2000 to 2007. From 1996 to 2003, he was a director of In2net Network Inc., a Canadian company which he co-founded in 1996. In2net Network Inc. was an internet service provider and later a web-hosting company. He was a director of Smart Printing Co Ltd from August 2006 to August 2007. Smart Printing Co Ltd was deregistered in Hong Kong in 2007. He received his secondary school diploma from Kingston College, Vancouver, Canada in 1994. Thereafter, he attended Kingston College, Vancouver, Canada reading Organisation Behaviour Course. As at 31 December 2013, he is deemed interested in 289,100,000 shares (23.45%) in the Company by virtue of his interests in Lead Champion Group Limited ("Lead Champion"), the substantial shareholder of the Company.

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

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



Tan Choon Hwa, aged 56, Malaysian, was appointed as our Non-Independent Non-Executive Director on 28 December 2011. He is member of Audit Committee, Remuneration Committee and Nomination Committee. He is a director of VTI Vintage Berhad, Aturmaju Resources Berhad, China Stationery Limited and Metronic Global Berhad, companies listed on the Main Market of Bursa Securities.

He is a businessman with twenty (20) years of experiences in various industries such as timber, mining, hotel resort, housing, land development and finance investment holding. He is the Executive Chairman of TCH International Group. He also holds directorship in Wazlian Group and CNB Auto Sdn Bhd (Volks Wagon Group.

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

DR. RISAMBESSY IZAAC
(Independent Non-Executive Director)



Dr. Risambessy Izaac, aged 61, Indonesian, was appointed as our Independent Non-Executive Director on 28 December 2011. He is the Chairman of Audit Committee and member of Remuneration Committee and Nomination Committee. He graduated with a bachelor's degree in Economics (majoring in Accountancy) from Universitas Airlangga in 1982. He also obtained a master's degree in Science (in financial management) and a doctorate in Economics from Universitas Airlangga and 17 Agustus-45 University at Surabaya in 1990 and 2009 respectively.

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

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

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

HERMAN WIDJAJA
(Independent Non-Executive Director)



Herman Widjaja, aged 63, Indonesian, was appointed as our Independent Non-Executive Director on 5 December 2013. He is also appointed as member of Audit Committee. He holds a Master Degree (MBA) in Business Administration from California State University, Los Angeles in 1980 and a Bachelor of Science Degree (BSc) from University of Southern California in 1978. Both are majoring in Business Finance. From 1980 to 1989, he was the Managing Director of Intralube Corporation; a California chartered private limited company which involved in exporting automotive and industrial lubricating oil to South East Asia.

He joined Lippo Group, one of the prominent Indonesian Financial Conglomerate. As a Director in the Group units in 1990. He was responsible for various Group's business development. Initially was appointed as an Executive Director of Bankers Lease Company, a joint venture Corporate Financial Leasing between Lippo Group and Bankers Trust of New York. In 1991 Lippo Group diversified into Real Estate Development, he was appointed as Director of PT. Gunung Cermai 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 has no family relationship with any other Director and/or major shareholder of China Stationery Limited, has no conflict of interest with China Stationery Limited and has no convictions for offences within the past 10 years other than traffic offences.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of China Stationery Limited is committed to ensuring that good corporate governance practices are applied throughout the Group to protect and enhance shareholders' value and safeguard the Group's assets. In accordance with Paragraph 15.25 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is pleased to provide a statement which explains 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 2013, 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.

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

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

Board Balance and Independence

As at the date of this Annual Report, the Board consists of five (5) members comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The profile of each Director is presented on pages 20 to 23 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.

Recommendation 3.5 of MCCG 2012 states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Chairman of the Board is Mr Chan Fung @ Kwan Wing Yin, an Executive Chairman. He is the founder of the Group and is responsible for the business strategy and development of the Group in foreign markets outside China. He has approximately 21 years of experience in the plastic stationery industry.

THE BOARD OF DIRECTORS *cont'd*

Board Balance and Independence *cont'd*

The Board has appointed Mr Herman Widjaja as Independent Non-Executive Director and Member of Audit Committee on 5 December 2013, to strengthen the independence of the Board composition.

During the financial year under review, the demise of the Chief Executive Officer ("CEO"), Mr. Jian DanPing on 1 October 2013, has caused a vacant position for CEO in the Company. As at the date of this Annual Report, Management is still in the midst of recruiting a suitable candidate to fill the said vacant position of CEO in the Company.

The Board has on 16 April 2014 resolved to appoint the Executive Chairman, Mr Chan Fung @ Kwan Wing Yin as CEO during the interim period. Mr Chan Fung @ Kwan Wing Yin has considerable experience in the Group's businesses and provides leadership for the Board in considering and setting the overall strategies and objectives of the Company. The Board is of the view that it is in the interest of the Company for the Executive Chairman to assume the position of CEO during the interim, so that the Board could have the benefit of Mr Chan Fung @ Kwan Wing Yin who is knowledgeable about the business of the Group and is capable to guide the discussion and brief the Board in a timely manner on key issues and developments in the Group's business.

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 chairman and CEO should be assumed by different persons. The Board is of the view that there are experienced and independent minded Directors on the Board to provide the assurance that there is sufficient check and balance. There is a strong independent element on the Board to ensure the check and balance of the perceived ascendency and influence of the Executive Chairman. Nevertheless, the ultimate responsibility for the final decision on all matters lies with the Board.

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

The Board acknowledges and takes cognisance that the current size and composition of the Board are considered adequate to provide an optimum mix of skills and experience. The Board will continue to monitor and review that Board size and composition as may be needed. Following the resignation of Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman on 2 July 2014, the Board will identify a suitable candidate among the Board of Directors to act as a Senior Independent Director in order to serve as an intermediary where by concerns may be conveyed by other Directors and shareholders if necessary.

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

Appointment and Re-election

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

Bye-Law 88(6) of the Bye-Laws of the Company provides that any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

THE BOARD OF DIRECTORS *cont'd*

Board Meeting

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

During the financial year ended 31 December 2013, the Board met six (6) times and the attendances of the Directors are as follows:

Name of Director	No. of meetings attended
Chan Fung @ Kwan Wing Yin *Executive Chairman*	4/6
Jiang DanPing (Demised on 1 October 2013) *Chief Executive Officer*	2/4
Angus Kwan Chun Jut *Executive Director*	6/6
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Resigned on 2 July 2014) *Senior Independent Non-Executive Director*	6/6
Dr. Risambessy Izaac *Independent Non-Executive Director*	5/6
Datuk Tan Choon Hwa JP., JMK *Non-Independent Non-Executive Director*	6/6
Herman Widjaja (Appointed on 5 December 2013) *Independent Non-Executive Director*	1/1

Board Support and Information

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

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

Board Committees

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

THE BOARD OF DIRECTORS *cont'd*

Nomination Committee

A summary about the activities of the Nomination Committee in the discharge of its duties during the financial year ended 31 December 2013 are set out in the Statement of Nomination Committee in pages 40 to 41 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.

Remuneration Committee

The Remuneration Committee consists of three (3) members:

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Resigned on 2 July 2014)
Senior Independent Non-Executive Directors – Chairman of the Committee

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

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

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

Following the resignation of Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman on 2 July 2014, the Board will identify the Chairman of Remuneration Committee in due course.

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

The Directors' remuneration package is linked to the experience, scope of responsibility, seniority, performance and industrial practices. The remuneration of Executive Directors consists of basic salary and bonus whereby the Non-Executive Directors receive fixed director fees and other emoluments. Details of the Directors' remuneration in aggregate for financial year ended 31 December 2013 are tabulated as below:

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

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

Remuneration bands per annum	Executive Director	Non-Executive Director
RM 500,001 to RM 550,000	1	–
RM 550,001 to RM 600,000	–	–
RM 600,001 to RM 650,000	–	–
RM 650,001 to RM 700,000	–	–
RM 700,001 to RM 750,000	1	–
RM 750,001 to RM 800,000	–	–
RM 800,001 to RM 850,000	1	–

THE BOARD OF DIRECTORS *cont'd*

Remuneration Committee *cont'd*

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 30 to 35 of the Annual Report.

Directors' Training

All the Directors except Mr Herman Widjaja have attended the Risk Awareness Program conducted by Tricor Roots Consulting on 22 August 2013. Mr Herman Widjaja has attended the Mandatory Accreditation Programme as prescribed by Bursa Securities on 15 and 16 January 2014. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge to discharging their duties and responsibilities as Directors.

SHAREHOLDERS AND INVESTORS RELATIONS

The Company values dialogues with the investors and is constantly striving to improve its communication with the public. The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major developments of the Company. Information disseminated is in accordance to the disclosure rules and regulations of Bursa Securities and all others relevant laws and regulations.

The Board has taken steps to ensure that no market sensitive information is disclosed to any party prior to making an official announcement to Bursa Securities. The Board support the use of information technology for the effective dissemination of information as per Recommendation 7.2 of MCCG 2012. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's website (www.cstationery.com).

The Annual General Meeting 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 present a comprehensive review of the progress and performance of the Company, and provides answers to the questions raised by the shareholders during the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual audited 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 36 and 37 of this Annual Report provides further details of the activities of the internal audit function for the current financial year.

Recommendation 6.1 of MCCG 2012 states that the Board should establish a sound framework to manage risks. The Board is fully aware that the Board should determine the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets.

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

Relationship with Auditors

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

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2013.

ESTABLISHMENT AND COMPOSITION

The Audit Committee comprises the following members:-

Chairman:

Dr. Risambessy Izaac
Independent Non-Executive Director

Members:

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Resigned on 2 July 2014)
Senior Independent Non-Executive Director

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

Herman Widjaja (Appointed on 5 December 2013)
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 Attended	**No. of meetings attended**
Dr Risambessy Izaac	6/6
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Resigned on 2 July 2014)	6/6
Datuk Tan Choon Hwa, JP, JMK	6/6
Herman Widjaja	1/1

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 any particular meeting only at the Committee's invitation.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit Committee carried out its duties in accordance with its terms of reference and he following activities were carried by the Audit Committee during the financial year 31 December 2013:-

1. Reviewed the quarterly financial results and annual unaudited financial statements to ensure compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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;

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

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. Considered and recommended to the Board of seeking shareholders' approval for the change of external auditors for the financial year ended 31 December 2013;

5. Reviewed the external auditors' scope of work and audit plan for the financial year ended 31 December 2013 and recommended the proposed audit fees to the Board for approval;

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

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

8. Reviewed related party transactions within the Group, if any;

9. 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; and

10. Met with the external auditors in the absence of Executive Directors and Management.

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 2013 amounted to RMB92,885.

The outsourced internal auditors table the results of their reviews to the Audit Committee t their scheduled meetings 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 2013.

TERMS OF REFERENCE

Composition and Size

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

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

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

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

(iv) at least one member of the Audit Committee must fulfill the financial expertise requisite of the Bursa Securities Main Market Listing Requirements ("LR") as follows:

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

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

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

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

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

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

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

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

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

CHAIRMAN

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

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

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

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

SECRETARY

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

MEETINGS

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

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

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

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

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

(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 Audit Committee 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.

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 LR and any other relevant statutory or regulatory requirements;

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

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

- review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit plan and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendation of the internal audit function; and
- ensure that the internal audit function is independent of the activities it audits and free from interference in determining the scope of internal audit, performing work and communicating results.

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

KEY FUNCTIONS AND RESPONSIBILITIES *cont'd*

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

(f) consider and recommend the appointment or re-appointment of the external auditors after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit, and matters relating to the resignation or dismissal of the auditors;

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

(h) review related party transactions (if any) falling within the scope of the 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) monitor the operations of China subsidiaries and recommend appropriate actions to the Board, if any issues are identified;

(m) generally undertake such other functions and duties as may be required by statute or theLR, or by such amendments as may be made thereto from time to time; and

(n) Verify the allocation of options under a share issuance scheme (where applicable) at the end of each financial year as being in compliance with the criteria of allocation pursuant to the share issuance scheme and to issue a statement verifying such allocation to be included in the annual report.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2013.

This Statement is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as guided by the *Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers* ("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 system has been delegated to the Audit Committee, which is empowered by its terms of reference to seek assurance on the adequacy and effectiveness of the internal control system through reports it receives from independent reviews conducted by the internal audit function and Management.

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

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

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

1. CONTROL ENVIRONMENT AND RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

2. INTERNAL AUDIT FUNCTION

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

During the financial year ended 31 December 2013, 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 risk management reports and the internal audit reports on a periodic basis. Discussions with Management were held to deliberate on the actions that are required to be taken to address any internal control matters identified by the outsourced internal audit function.

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

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

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2013. Their review was performed in accordance with Recommended Practice Guide 5 (Revised) (RPG 5) issued by the Malaysian Institute of Accountants. Their review has been conducted to assess whether this Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

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

ADDITIONAL COMPLIANCE INFORMATION

STATUS OF UTILISATION OF PROCEEDS

The gross proceeds of RM85.5 million raised from the Initial Public Offering in conjunction with the Company's listing on the Main Market of Bursa Malaysia Securities Berhad and its status of utilisation as at 17 July 2014 is as follows:-

The Group	Proceeds Raised RMB'000	Amount Utilised RMB'000	Amounts Unutilised RMB'000	Intended time frame for utilisation
Advertising, branding and promotional activities	10,777	10,777	–	24 Months
Purchase of machineries	29,418	29,418	–	24 Months
Purchase of machineries for R&D department	25,005	25,005	–	36 Months*
Working capital	10,000	10,000	–	12 Months
Estimated listing expenses	10,300	10,300	–	6 Months
Total	85,500	85,500		

SHARES BUY-BACK

During the financial year ended 31 December 2013, the Company repurchased 10,000,100 of its own shares at the total transaction cost of RMB3,992,013 equivalent to approximately RM 2,073,452. 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 costs) (RM)
August 2013	100	0.215	21.50
September 2013	10,000,000	0.207	2,073,428

OPTIONS OR CONVERTILBLE SECURITIES

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

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

No warrants were exercised during the financial year ended 31 December 2013. The number of warrants outstanding as at 31 December 2013 are 596,295,388.

DEPOSITORY RECEIPT PROGRAMME

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

SANCTIONS AND/OR PENALITIES

There were no 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 Foo Kon Tan Grant Thornton LLP, the former Auditors, and RT LLP and its affiliates, the exsiting auditors, 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 2013 from the unaudited results as previously announced.

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 2013.

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 2013 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 2013.

SHARE ISSUANCE SCHEME

The Company has not implemented any share issuance scheme during the financial year ended 31 December 2013.

NOMINATION COMMITTEE STATEMENT

The Board has established the Nomination Committee, comprising wholly Non-Executive Directors with majority of them being Independent Non-Executive Directors.

The members of the Nomination Committee are:

Chairman
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Resigned on 2 July 2014)
(Senior Independent Non-Executive Director)

Members
Dr Risambessy Izaac
(Independent Non-Executive Director)

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

Mr Herman Widjaja (appointed as member on 16 April 2014)
(Independent Non-Executive Director)

Following the resignation of Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman on 2 July 2014, the Board will identify the Chairman of Nomination Committee in due course.

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

In making the selection, the Board is assisted by the Nomination Committee to consider the following aspects:

- Integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.

- Competence and capability – the person must have the necessary qualification and experience, skills, ability and commitment to carry out the role.

The Nomination Committee met once during the financial year ended 31 December 2013 and details of attendance of members of the Nomination Committee are as follows:

Name of Committee Members	Attendance
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Resigned on 2 July 2014)	1/1
Dr Risambessy Izaac	1/1
Datuk Tan Choon Hwa, JP, JMK	1/1

The Board takes cognisance 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 gender 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. Female representation will be considered when vacancies arise and suitable candidates are identified.

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

- To recommend candidates for all directorships to be approved by the Board and shareholders;

- 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; and
- To assess the effectiveness of the Board as a whole, as well as that of the Board Committees and the contribution of each individual Director; and
- To consider other matters as referred to the Committee by the Board.

BOARD EFFECTIVENESS ASSESSMENT

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Self Assessment and an Assessment of Independence of the Independent Directors and an Assessment of Independence of the Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. For Individual Self Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

The Nomination Committee conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Director and Board Committees in respect of the financial year ended 31 December 2013. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretary were tabled to the Board for review and deliberation.

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

FINANCIAL STATEMENTS

Directors' Report	**44**
Statement by Directors	**48**
Statutory Declaration	**48**
Independent Auditor's Report	**49**
Statements of Financial Position	**51**
Consolidated Statements of Comprehensive Income	**52**
Consolidated Statements of Changes in Equity	**53**
Consolidated Statements of Cash Flows	**54**
Notes to the Financial Statements	**55**

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

The Group

	Group RMB'000	Company RMB'000
Profit/(loss) for the financial year attributable to owners of the Company	**388,027**	**(51,136)**

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.

Dividends

The Company and the Group	2013 RMB'000	2012 RMB'000
Interim tax-exempt dividend of RM 0.018 (approximately RMB 0.0367 per ordinary share paid in 2012) in respect of financial year ended 31 December 2012	**–**	43,708
Final tax-exempt dividend of RM 0.016 (approximate RMB 0.0297 per ordinary share paid in 2013) in respect of financial year ended 31 December 2012	**36,937**	–
10% withholding tax	**4,104**	4,874
Total	**41,041**	48,582

DIRECTORS

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

Chan Fung @ Kwan Wing Yin

Jiang Dan Ping (Demised on 1 October 2013)
Angus Kwan Chun Jut
Datuk Tan Choon Hwa
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman (Resigned on 2 July 2014)
Dr Risambessy Izaac
Herman Widjaja (Appointed on 5 December 2013)

DIRECTORS *(Cont'd)*

Directors' Benefits

Neither at the end of the financial year, nor at any time during the financial year did there subsist any arrangements to which the Company was a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 19 to the financial statements by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
The Company	**As at 1.1.2013**	**As at 31.12.2013**	**As at 1.1.2013**	**As at 31.12.2013**
	Number of ordinary shares '000			
Chan Fung @ Kwan Wing Yin [(1)]	**1,828**	**1,828**	**893,000**	**289,100**
Angus Kwan Chun Jut [(1)]	**–**	**–**	**893,000**	**289,100**

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

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
The Company	**As at 1.1.2013**	**As at 31.12.2013**	**As at 1.1.2013**	**As at 31.12.2013**
	Number of warrants '000			
Chan Fung @ Kwan Wing Yin [(1)]	**–**	**–**	**446,500**	**446,500**
Angus Kwan Chun Jut [(1)]	**–**	**–**	**446,500**	**446,500**

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

ISSUE OF SHARES AND DEBENTURES

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

During the Company's annual general meeting held on 28 June 2013, shareholders of the Company have approved the Company to repurchase its own shares. During the third quarter of the financial year, the Company repurchased 10,000,100 shares at the cost of RMB 4,006,421 / RM 2,073,452, 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 2013	–	–	–	–
Repurchase of shares during the year	10,000,100	4,006,421	2,073,452	0.2103
As at 31 December 2013	10,000,100	4,006,421	2,073,452	*0.2103*

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

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

OTHER STATUTORY INFORMATION *(Cont'd)*

In the opinion of Directors:-

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

(b) no contingent or other liability has become enforceable or is likely to become enforceable within theperiod 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) except for the fire incident as disclosed in Note 32, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 31 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 32 to the financial statements.

INDEPENDENT AUDITOR

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

On behalf of the Directors

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

Date: 8 July 2014
Putian City, Fujian Province, PRC

STATEMENT BY DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 2013 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 29 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 Insitute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material aspects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

On behalf of the Directors

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

Date: 8 July 2014
Putian City, Fujian Province, PRC

STATUTORY DECLARATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 51 to 85 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Oaths and Declarations Ordinance (Cap 11) of Laws of Hong Kong.

Subscribed and solemnly declared by the abovementioned
Mr. Angus Kwan Chun Jut in Hong Kong
Date: 8 July 2014

ANGUS KWAN CHUN JUT

Before me:

Commissioner for Oaths/Notary Public

CHENG KA WAI
Solicitor Hong Kong Special Administrative Region
LEUNG & LAU

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA STATIONERY LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the financial statements of China Stationery Limited ("the Company") and its subsidiaries ("the Group") set out on page 51 to 85, which comprise the statements of financial position of the Group and the Company as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial 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 on whether the financial statements are free from material misstatement.

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

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

As described in Note 32 to the financial statements, a fire broke out at a subsidiary's factory on 4 April 2014. As a result of the fire, the accounting records for the period prior to 4 April 2014 were destroyed. Therefore, the management was not able to provide the accounting records of the Company and its subsidiaries for the period from 1 February 2014 up to the date of our audit report for the purposes of our completion of post balance sheet procedures.

Accordingly, we were neither able to perform the necessary audit procedures nor obtain sufficient and appropriate audit evidence in relation to the following matters:

1. Property, plant and equipment

   The management had informed us that the factory premise that was affected by the fire has been sealed off from public access. Therefore, we were not able to visit the factory premise to physically verify the state of the assets.

   There has been no reports from the relevant authorities and insurance company as at the date of our report. Management has also not been able to estimate the financial losses to its subsidiary arising from the fire. Consequently, we were not able to ascertain the extent of impairment to property, plant and equipment and the adjustment that might be required to be made or disclosed in the financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Cont'd)*

2. Trade receivables

   Stated on the face of the consolidated statement of financial position as at 31 December 2013 was trade receivables of approximately RMB325,506,000. To date, we have not received any confirmation replies from circularized trade receivables amounting to RMB134,744,000. We have performed alternative procedures in respect of subsequent collections for the circularised balance which amounted to approximately RMB18,956,000. As we were not able to obtain financial records from February 2014 onwards, we were not able to carry out necessary procedures to ascertain the recoverability and existence of the balances not collected amounting to RMB306,550,000 as at balance sheet date. Therefore, we were unable to determine if there are any adjustment that would need to be made for the impairment of overdue debts.

3. Trade payables

   Stated on the face of the consolidated statement of financial position as at 31 December 2013 were trade payables of approximately RMB56,700,000. To date, we have not received any confirmation replies from circularized trade payables amounting to approximately RMB39,261,000. We have performed alternative procedures in respect of subsequent payments for the circularised balance which amounted to approximately RMB39,261,000. As we were not able to obtain financial records from February 2014 onwards, we were not able to carry out necessary procedures to enable us to conclude on the completeness of trade payables as at 31 December 2013.

4. Post balance sheet information

   Due to the fire, the management has not been able to provide us with the financial records of the Company and its subsidiaries from 1 February 2014 up to the date of our audit report. Management is not able to quantify the extent of the financial losses resulting from the suspension of its plastic folder business. Furthermore, additional and consequential damages resulting from the fire, such as compensation to customers for delivery failure and/or third party damages have not been provided for in the accounts. In the absence of post balance sheet financial information, we were not able to perform post balance sheet procedures and determine whether any potential audit adjustments are required to be made to the financial statements for the financial year ended 31 December 2013.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

OTHER MATTER

The consolidated financial statements for the financial year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2013.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 29 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: **Adrian Yap Pong Ngee**

Singapore, 8 July 2014

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	The Group 2013 RMB'000	The Group 2012 RMB'000	The Company 2013 RMB'000	The Company 2012 RMB'000
ASSETS					
Non-current assets					
Investment in subsidiary companies	1	**–**	–	**828**	828
Land use rights	4	**14,573**	14,889	**–**	–
Property, plant and equipment	5	**368,282**	321,081	**–**	–
Non-current receivables	6	**–**	1,163	**–**	–
Investment property					
Other investment	7	**145**	145	**–**	–
	8	**–**	74,974	**–**	74,974
		383,000	412,252	**828**	75,802
Current					
Inventories	9	**37,019**	53,012	**–**	–
Trade and other receivables	10	**326,308**	448,167	**374,834**	332,189
Amount due from a shareholder	17	**276**	–	**–**	–
Cash and bank balances	11	**2,366,087**	1,889,491	**579**	327
		2,729,690	2,390,670	**375,413**	332,516
Total assets		**3,112,690**	2,802,922	**376,241**	408,318
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	**6,226**	6,226	**6,226**	6,226
Reserves	13	**2,920,260**	2,577,280	**227,586**	82,728
Total equity		**2,926,486**	2,583,506	**233,812**	288,954
Non-Current Liability					
Deferred tax liability	14	**38,623**	29,650	**38,632**	29,650
Current Liabilities					
Trade and other payables	15	**66,046**	98,005	**103,758**	89,676
Borrowings	16	**54,400**	54,400	**–**	–
Amount due to a shareholder	17	**4,113**	38	**39**	38
Current tax payable	20	**23,022**	37,323	**–**	–
		147,581	189,766	**103,797**	89,714
Total equity and liabilities		**3,112,690**	2,802,922	**376,241**	408,318

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

Chan Fung @ Kwan Wing Yin
Director
Date: 8 July 2014

Angus Kwan Chun Jut
Director
Date: 8 July 2014

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 2013

Year ended	Year ended		
	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
Revenue	3	**1,799,687**	1,980,628
Cost of sales		**(1,004,751)**	(1,110,626)
Gross profit		**794,936**	870,002
Other income	3	**7,287**	7,205
Selling and distribution expenses		**(158,265)**	(132,863)
Administrative expenses		**(52,814)**	(47,768)
Other operating expenses	8	**(40,025)**	(30,623)
Finance costs	18	**(3,415)**	(8,261)
Profit before taxation	19	**547,704**	657,692
Taxation	20	**(159,677)**	(192,203)
Total comprehensive income attributable to the owner of the parent		**388,027**	465,489
Earnings per share (RMB cents)			
-Basic	21	**31.22**	39.31
-Diluted	21	**31.22**	39.31

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 2013

	Share capital RMB'000 (Note12)	Capital reserve RMB'000 (Note 13)	Share premium RMB'000 (Note 13)	Treasury shares RMB'000 (Note 13)	Merger Deficit RMB'000 (Note 13)	Statutory Reserve RMB'000 (Note 13)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2012	**5,777**	**64**	**177,982**	**(1,645)**	**(4,150)**	**96,887**	**1,617,636**	**1,892,551**
Total comprehensive income	–	–	–	–	–	–	465,489	465,489
Issue of shares	462	–	287,784	–	–	–	–	288,246
Share issue expenses	–	–	(14,198)	–	–	–	–	(14,198)
Cancelled treasury shares	(13)	–	(1,632)	1,645	–	–	–	–
Transfer to statutory reserves	–	–	–	–	–	3,742	(3,742)	–
Dividend paid (Note 13)	–	–	–	–	–	–	(48,582)	(48,582)
Balance at 31 December 2012	**6,226**	**64**	**449,936**	**–**	**(4,150)**	**100,629**	**2,030,801**	**2,583,506**
Total comprehensive income	–	–	–	–	–	–	388,027	388,027
Purchase of treasury shares	–	–	–	(4,006)	–	–	–	(4,006)
Transfer to statutory reserves	–	–	–	–	–	1,320	(1,320)	–
Dividend paid (Note 13)	–	–	–	–	–	–	(41,041)	(41,041)
Balance at 31 December 2013	**6,226**	**64**	**449,936**	**(4,006)**	**(4,150)**	**101,949**	**2,376,467**	**2,926,486**

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 2013

	Note	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
Cash flows from operating activities			
Profit before taxation		**547,704**	657,692
Adjustments for:			
Depreciation of property, plant and equipment	5	**30,600**	24,753
Amortisation of land use rights	4	**316**	317
Loss on disposal on property, plant and equipment	19	**438**	–
Interest expense	18	**3,415**	8,261
Interest income	3	**(7,157)**	(7,014)
Loss/Impairment loss on other investment	8	**40,025**	30,623
Acquisition cost for other investment by issuing share		**–**	6,716
Operating profit before working capital changes		**615,341**	721,348
Decrease in non-current receivables		**1,163**	46,352
Decrease in inventories		**15,993**	4,763
Decrease in trade and other receivables		**121,859**	13,488
(Decrease) in trade and other payables		**(31,959)**	(7,092)
Net cash generated from operations		**722,397**	778,859
Interest paid		**(3,415)**	(8,261)
Income tax paid	20	**(165,005)**	(195,200)
Interest received	3	**7,157**	7,014
Net cash generated from operating activities		**561,134**	582,412
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	**(78,239)**	(66,743)
Proceeds from disposal of other investment	8	**34,949**	–
Cash used in investing activities		**(43,290)**	(66,743)
Cash flows from financing activities			
Bank loans obtained		**87,000**	64,900
Repayment of bank loans		**(87,000)**	(59,600)
Proceed from issue if new shares, net of share issue expenses		**–**	161,735
Dividends paid		**(41,041)**	(48,582)
Advances to /(repayment) of shareholder's loan		**3,799**	(71,708)
Purchase of treasury shares		**(4,006)**	–
Net cash used in financing activities		**(41,248)**	46,745
Net increase in cash and cash equivalents		**476,596**	562,414
Cash and cash equivalents at beginning		**1,889,491**	1,327,077
Cash and cash equivalents at end	11	**2,366,087**	1,889,491

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

1 GENERAL INFORMATION

The financial statements of the Group for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

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

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

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

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of Investment		Percentage of equity held		Principal activities
		2013	2012	2013	2012	
		RMB'000	RMB'000	%	%	
Directly Held						
Sunwealth Group Limited ("Sunwealth") [1]	BVI	414	414	**100**	100	Investment holding
Campus Developments Limited ("Campus")[2]	BVI	414	414	**100**	100	Investment holding
Indirectly Held						
Ruiyuan (Fujian) Enterprise Co., Ltd ("Ruiyuan") [3]	The People's Republic of China	–	–	**100**	100	Production and sale of plastic tape printer and ink
Sakura (Fujian) Plastic Enterprise Co., Ltd ("Sakura Plastic") [3]	The People's Republic of China	–	–	**100**	100	Research, development and production of PP sheets
Sakura (Fujian) Packaging & Stationery Co., Ltd ("Sakura Stationery") [3]	The People's Republic of China	–	–	**100**	100	Production and sale of plastic stationery

[1] *The financial statement for the year ended 31 December 2013 was audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.*

[2] *The financial statement for the year ended 31 December 2013 was audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.*

[3] *Audited by Shenzhen Xi He Certified Public Accountant for statutory purposes and RT LLP for the purpose of expressing an opinion on the consolidated financial statements.*

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 and judgements

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

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

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. The carrying amounts of the Group's property, plant and equipment as at 31 December 2013 were RMB368,282,000 (2012 - RMB321,081,000). 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 each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realizable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for bad and doubtful debts

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

2(B) BASIS OF PREPARATION

The Group has adopted the following new and revised IFRSs, which are applicable to the Group, for the first time in current year's financial statements.

Reference	Description
IFRS 1 Amendments	Amendments to IFRS 1 'First time adoption', on government loan
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Diclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statments
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in other entities
IFRS 10, IFRS 11 and IFRS 12 Amendment	Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance
IFRS 13	Fair Value Measurement
IAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
Annual Improvements	Amendments to a number of IFRSs issued in June 2012 2009-2011 Cycle
IFRS(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

2(C) IFRS NOT YET EFFECTIVE

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 9	Financial Instruments [3]
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 3 IFRS 10, IFRS 12 and Amendments to IFRS 10 and IFRS 12
IAS 27 (2011) Amendments	IAS 27 (2011) – Investment Entities [1]
IAS 19 Amendments	Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions [2]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities [1]
IAS 36 Amendments	Amendments to Impairment of assets on recoverable amount disclosures [1]
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting [1]
IFRS(IFRIC) – Int 21	Levies [1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] No mandatory effective date yet determined but is available for adoption

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

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 the Bursa Malaysia Securities Berhad. The acquisition pursuant to the Restructuring exercise under common control has been accounted for using the pooling-of-interests method of consolidation. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the restructuring has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method 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.

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 adate 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 the income statement.

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 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

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets

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

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

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

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

Loan and receivables

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

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

Inventories

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

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

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share capital and treasury shares

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

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

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

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

Dividends

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

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

Financial liabilities

The Group's financial liabilities include trade 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 the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

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

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

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.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions (Cont'd)

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 recognized on a straight-line basis over the lease term.

Income tax

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

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

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

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

Deferred income tax is measured:

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

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

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

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee benefits

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

Key management personnel

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

Related parties

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

Impairment of non-financial assets

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

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

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

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

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

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

Revenue recognition

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

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

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

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition (Cont'd)

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

Foreign currencies

Functional and presentation currency

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

Conversion of foreign currencies

Transactions and balances

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

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

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

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	2013 RMB'000	2012 RMB'000
Revenue		
Sale of goods	**1,799,687**	1,980,628
Other income		
Interest income	**7,157**	7,014
Sale of scrap	**58**	50
Rental income from investment property	**37**	37
Others	**35**	104
	7,287	7,205

4 LAND USE RIGHTS

The Group	Land use rights RMB'000
Cost	
At 1 January 2012	15,786
Additions	–
At 31 December 2012	15,786
Additions	–
At 31 December 2013	**15,786**
Accumulated amortisation	
At 1 January 2012	580
Amortisation for the year (Note 19)	317
At 31 December 2012	897
Amortisation for the year (Note 19)	316
At 31 December 2013	**1,213**
Net book value	
At 31 December 2013	**14,573**
At 31 December 2012	14,889

Land use rights represent leasehold interests in land located in Putian, Fujian province, PRC. Certain land use rights with net book value amounting to RMB138,000 and RMB134,000 are pledged to a bank as securities for borrowings granted to the Group for the years ended 31 December 2012 and 2013 respectively as set out in Note 16.

5 PROPERTY, PLANT AND EQUIPMENT

The Group	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2012	187,851	1,852	139,547	1,273	35,569	366,092
Additions	31,942	265	5,335	697	23,538	61,777
Reclassification to investment property (Note 7)	–	–	(1,451)	–	–	(1,451)
At 31 December 2012	219,793	2,117	143,431	1,970	59,107	426,418
Additions	75,908	26	–	–	2,305	78,239
Transfers	–	–	54,958	–	(54,958)	–
Disposal	(4,075)	(429)	–	–	–	(4,504)
At 31 December 2013	**291,626**	**1,714**	**198,389**	**1,970**	**6,454**	**500,153**
Accumulated depreciation						
At 1 January 2012	69,986	694	10,270	864	–	81,814
Depreciation for the year	18,027	276	6,390	136	–	24,829
Reclassification to investment property (Note 7)	–	–	(1,306)	–	–	(1,306)
At 31 December 2012	88,013	970	15,354	1,000	–	105,337
Depreciation for the year	21,807	298	8,309	186	–	30,600
Disposal	(3,667)	(399)	–	–	–	(4,066)
At 31 December 2013	**106,153**	**869**	**23,663**	**1,186**	**–**	**131,871**
Net book value						
At 31 December 2013	**185,473**	**845**	**174,726**	**784**	**6,454**	**368,282**
At 31 December 2012	131,780	1,147	128,077	970	59,107	321,081

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

Certain property, plant and equipment with net book value amounting to RMB31,486,076 and RMB45,581,923 as at 31 December 2012 and 31 December 2013 respectively were pledged to a bank as securities for borrowings granted to the Group (Note 16). Construction in progress consists of one factory building located at Putian, Fujian province, PRC.

Depreciation expense

The Group	2013 RMB'000	2012 RMB'000
Depreciation expense charged to:		
Cost of sales	**25,695**	21,266
Administrative expenses	**4,905**	3,563
	30,600	24,829

6 NON-CURRENT RECEIVABLES

The Group	2013 RMB'000	2012 RMB'000
Non-current receivables	–	1,163

Non-current receivables relates to the renovation cost for a total of 52 shops located in PRC which have been fully amortised during the financial year ended 31 December 2013 (2012 – RMB1,163,250).

Non-current receivables are denominated in Renminbi.

7 INVESTMENT PROPERTY

The Group	2013 RMB'000	2012 RMB'000
At 1 January and 31 December	**145**	145

Investment property comprises a factory building which is leased to a third party. This lease contains a non-cancellable period of 10 years with monthly rental of RMB3,078. This factory building was transferred from property, plant and equipment (Note 5) to investment property in 2012.

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

The balance as at 31 December 2012 and 31 December 2013 represents the residual value of the factory building.

As at 31 December 2013, investment property of the Group with a carrying amount of RMB145,096 (2012 – RMB145,096) was pledged as security to secure bank borrowings (Note 16).

8 OTHER INVESTMENTS

On 27 November 2012, the Group issued of 50,169,812 new shares to acquired 9.79% equity interest in Pelikan International Corporation Berhad ("Pelikan") for a total purchase consideration of RM50,000,000 (approximately RMB105,597,000). The Pelikan shares have been fully disposed in open market during the financial year ended 31 December 2013.

The Company and the Group	2013 RMB'000	2012 RMB'000
Investment in quoted shares - at cost	**105,597**	105,597
At market value		
Investment in quoted shares – at market value	**74,974**	74,974
Proceeds from disposal of quoted shares	**34,949**	**–**
Impairment loss	**–**	30,623
Loss on disposal of quoted shares	**40,025**	–

9 INVENTORIES

The Group	2013 RMB'000	2012 RMB'000
Raw materials	**21,606**	22,279
Work-in-progress	**11,747**	11,420
Finished goods	**3,666**	19,313
	37,019	53,012

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

10 TRADE AND OTHER RECEIVABLES

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

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade receivables – Gross	**325,506**	421,679	**–**	–
Amount due from subsidiaries	**–**	–	**374,796**	332,189
Other receivables	**802**	**–**	**38**	–
Prepayments	**–**	26,488	**–**	–
	326,308	448,167	**374,834**	332,189

Trade receivables did not consist of balances that are past due or impaired.

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

Other receivables mainly consist of downpayment for renovation works.

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Renminbi	**146,034**	203,182	**374,796**	332,189
United States Dollar	**180,236**	244,255	**–**	–
Malaysia Ringgit	**38**	730	**38**	–
	326,308	448,167	**374,834**	332,189

11 Cash and bank balances

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash on hand	**30**	42	**–**	–
Cash at bank	**2,366,057**	1,889,449	**579**	327
	2,366,087	1,889,491	**579**	327

	The Group		The Company	
Cash at bank comprises:	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current account	**766,057**	1,889,449	**579**	327
Fixed deposits	**1,600,000**	–	**–**	–
	2,366,057	1,889,449	**579**	327

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Renminbi	**2,364,990**	1,888,615	**–**	–
United States Dollar	**516**	547	**–**	–
Hong Kong Dollar	**2**	2	**–**	–
Malaysia Ringgit	**579**	327	**579**	327
	2,366,087	1,889,491	**579**	327

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

Current account bears effective interest rate of 0.35% per annum (2012: 0.35% per annum). Fixed deposits bear effective interest rate of 3% per annum.

12 SHARE CAPITAL

	Number of shares' 000		Amount SGD' 000	
	2013	**2012**	**2013**	**2012**
Authorised:				
Balance at beginning and end of the year	**10,000,000**	10,000,000	**10,000**	10,000
Issued and fully paid				
Ordinary share at par value SGD0.001 each				
Balance at beginning of the year	**1,242,761**	1,105,326	**1,242**	1,105
Shares cancelled [1]	**–**	(2,735)	**–**	(3)
Issue new share (IPO) [2]	**–**	90,000	**–**	90
Issue new share (Pelikan share exchange) [3]	**–**	50,170	**–**	50
Balance at end of year	**1,242,761**	1,242,761	**1,242**	1,242

	RMB'000	**RMB'000**
Renminbi equivalent	**6,226**	6,226

[1] Pursuant to the cancellation of 2,735,540 treasury shares.

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

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

13 RESERVES

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Capital reserve	**64**	64	**–**	–
Share premium	**449,936**	449,936	**449,936**	449,936
Treasury shares	**(4,006)**	–	**(4,006)**	–
Merger deficit	**(4,150)**	(4,150)	**(4,150)**	(4,150)
Statutory reserve	**101,949**	100,629	**–**	–
Retained earnings	**2,376,467**	2,030,801	**(214,194)**	(163,058)
	2,920,260	2,577,280	**227,586**	282,728

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.

13 RESERVES (CONT'D)

Treasury shares

During the Company's annual general meeting held on 28 June 2013, shareholders of the Company approved the Company to repurchase its own shares. During the financial year, the Company repurchased 10,000,100 shares at the cost of RMB 4,006,421 which are held as treasury shares.

Merger deficit

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

Statutory reserve

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

Dividends

The following dividends were declared and paid by the Group:

	The Group	
	2013	**2012**
	RMB'000	**RMB'000**
Interim tax-exempt dividend of RM 0.018 (approximately RMB 0.0367 per ordinary share paid in 2012) in respect of financial year ended 31 December 2012	**–**	43,708
Final tax-exempt dividend of RM 0.016 (approximate RMB 0.0297 per ordinary share paid in 2013) in respect of financial year ended 31 December 2012	**36,937**	–
10% withholding tax	**4,104**	4,874
	41,041	48,582

14 DEFERRED TAX LIABILITY

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Deferred tax liability	**38,623**	29,650	**38,623**	29,650
Movements:				
At 1 January	**29,650**	18,865	**29,650**	18,865
Charged to income statement during the year (Note 20)	**8,973**	10,785	**8,973**	10,785
At 31 December	**38,623**	29,650	**38,623**	29,650

14 DEFERRED TAX LIABILITY (CONT'D)

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 2012 and 2013, 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.

15 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade payables	**56,799**	76,074	**–**	–
Amount due to subsidiaries	**–**	–	**103,758**	89,476
Accruals	**4,817**	4,272	**–**	200
Other tax payables	**3,814**	2,304	**–**	–
Advances from customers	**413**	14,796	**–**	–
Accrued IPO expenses	**–**	5	**–**	–
Property, plant and machinery payables	**203**	554	**–**	–
	66,046	98,005	**103,758**	89,676

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, accrued expenses and related tax.

Trade and other payables are denominated in the following currencies

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Renminbi	**39,444**	66,301	**103,758**	89,676
United States Dollar	**26,443**	31,699	**–**	–
Malaysia Ringgit	**159**	5	**–**	–
	66,046	98,005	**103,758**	89,676

16 BORROWINGS

The Group	2013 RMB'000	2012 RMB'000
Bank loans		
Secured and repayable within one year	**54,400**	54,400

16 BORROWINGS (CONT'D)

The Group's borrowings are secured by:-

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

Short-term bank borrowings bear effective interest rates ranging from of 6.3% to 6.6% (2012 - 6.0% to 6.56%) per annum as at 31 December 2013. Short term bank borrowings bear fixed interest rates which are contractually repriced every 12 months.

17 AMOUNTS DUE FROM/DUE TO A SHAREHOLDER

The amounts due from and due to a shareholder are unsecured, interest-free and repayable on demand. The fair values approximate its carrying amount as at 31 December 2013 and 31 December 2012 respectively.

18 FINANCE COSTS

The Group	2013 RMB'000	2012 RMB'000
Interest expense:		
Bank borrowings	**3,415**	3,340
Convertible loan and convertible bond	**–**	4,921
	3,415	8,261

19 PROFIT BEFORE TAXATION

The Group	Note	2013 RMB'000	2012 RMB'000
Profit before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	5	**30,600**	24,753
Amortization of land use rights [(1)]	4	**316**	317
Amortization of shop renovation costs	6	**1,163**	1,163
Loss on disposal on property, plant and equipment		**438**	–
Exchange loss		**18,477**	3,512
Research and development cost		**1,352**	1,186
Cost of inventories recognised as expenses		**997,571**	1,102,539
Directors' remuneration			
- salaries and related costs		**4,650**	4,789
- retirement scheme contribution		**4**	9
Key management personnel (other than directors)			
- salaries and related costs		**1,642**	1,758
- retirement scheme contribution		**73**	43
Other than directors and key management personnel			
- salaries and related costs		**34,603**	32,353
- retirement scheme contribution		**5,087**	4,563
Advertisement expense [(2)]		**112,189**	79,507
Operating lease expense		**120**	120
Listing expenses		**–**	22,926

19 PROFIT BEFORE TAXATION (CONT'D)

(1) Amortization charge on land use rights of approximately RMB 316,000 (2012 - RMB 317,000) have been charged to the administrative expenses on the face of the statement of comprehensive income.

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

20 TAXATION

The Group	2013 RMB'000	2012 RMB'000
Current year provision		
- PRC income tax	**150,704**	181,418
	150,704	181,418
Deferred tax liability (Note 14)	**8,973**	10,785
	159,677	192,203

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

The Group	2013 RMB'000	2012 RMB'000
Profit before taxation	**547,704**	657,692
Tax at applicable tax rate of 25% (2012 - 25%)	**136,926**	164,423
Tax effect on non-deductible expenses	**13,778**	16,995
Withholding tax related to undistributed profits of PRC subsidiaries	**8,973**	10,785
	159,677	192,203

Movement in current income tax liabilities is as follows:

The Group	2013 RMB'000	2012 RMB'000
At 1 January	**37,323**	51,105
Income tax paid	**(165,005)**	(195,200)
Current income tax	**150,704**	181,418
At 31 December	**23,022**	37,323

Note:
The provision for PRC income tax is calculated based on statutory income tax at a rate of 25% for years ended 31 December 2012 and 2013 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.

21 EARNINGS PER SHARE

Basic earnings per share is calculated based on the consolidated profits attributable to owners oof the parent divided by the weighted average number of shares in issue of 1,242,761,000 (2012 – 1,184,147,000) 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 (2012 – 1,184,147,000) 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 reflects the profit or loss and share data used in the computation of basic and diluted earnings per share from continuing operations for the years ended 31 December:

The Group	2013 RMB'000	2012 RMB'000
Profit attributable to shareholders	**388,027**	465,489
	388,027	465,489
Basic earnings per share (RMB cents)	**31.22**	39.31
Diluted earnings per share (RMB cents)	**31.22**	39.31

	No. of shares '000	No. of shares '000
Issued ordinary shares at beginning of the year	**1,242,761**	1,105,326
Potential shares issuable and cancelled under:		
- Shares cancelled	**–**	(2,735)
- IPO share issue	**–**	90,000
- Pelikan share exchange	**–**	50,170
Weighted average number of ordinary shares at the end of the year	**1,242,761**	1,184,147

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

22 COMMITMENTS

22.1 Capital commitments

The Group	2013 RMB'000	2012 RMB'000
Capital expenditure contracted but not provided for in the financial statements	**60,908**	106,689

22 COMMITMENTS (CONT'D)

22.2 Operating lease commitments

Leases as lessee

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

The Group	2013 RMB'000	2012 RMB'000
Not later than one year	**370**	30
Later than one year and not later than five years	**306**	–
	676	30

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

Leases as lessor

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

The Group	2013 RMB'000	2012 RMB'000
Not later than one year	**37**	37
Later than one year and not later than five years	**148**	148
Later than five years	**68**	105
	253	290

As at 31 December 2013, RMB36,936 was recognized as rental income in profit and loss by the Group (Note 3)(2012 – RMB36,936).

22.3 Other commitments

(i) As at 31 December 2013, the Group has unpaid capital contribution in Ruiyuan amounting to USD5,600,000 (2012 - USD5,600,000).

(ii) As at 31 December 2013, the Group has unpaid capital contribution in Sakura Stationery amounting to USD5,920,000 (2012–USD5,920,000).

(iii) As at 31 December 2013, the Group entered into agreements with two foreign companies, who will supply a subsidiary, Sakura Plastics, with raw materials as required and at a market price to be determined. The agreements are for a period of one year commencing 1 November 2007 and are automatically renewable annually unless terminated by either party.

(iv) As at 31 December 2013, 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 2013, the Group has unpaid expenditure in Sakura Stationery of an amount approximately RMB1,850,000 (2012: RMB2,850,000) in relation to its advertisement campaign.

22 COMMITMENTS (CONT'D)

22.3 Other commitments (Cont'd)

(vi) As at 31 December 2013, the Group has entered into an agreement with a PRC company, who will supply a subsidiary, Ruiyuan, with raw materials not less than 2,500,000 pieces each for ink and ink boxes and at a market price to be determined. The agreement is for a period of 2 years commencing 25 February 2011 and is automatically renewable for 2 years and so on thereafter unless otherwise terminated by either parties.

23 CONTINGENT LIABILITY

Sakura Stationery was the defendant in a legal case whereby it was sued by a few of its employees for RMB1,800,000 in damages for their employment dispute. As the plaintiffs in the legal case is still currently employed by Sakura Stationery, the legal counsel of Sakura Stationery is of the opinion that the likelihood of Sakura Stationery being ordered to pay the compensation of RMB1,800,000 is minimal.

24 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	2013 RMB'000	2012 RMB'000
Rental paid to a related party [1]	120	120

[1] Related party relates to the spouse of a director.

25 SEGMENT INFORMATION

25.1 Business segments

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

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

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

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

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

25 SEGMENT INFORMATION (CONT'D)

25.1 Business segments (Cont'd)

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

Year ended 31 December 2013	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	**440,049**	**1,359,638**	**–**	**1,799,687**
Inter-segment revenue	**81,502**	**251,822**	**(333,324)**	**–**
	521,551	**1,611,460**	**(333,324)**	**1,799,687**
Results				
Segment results	**239,373**	**555,563**		**794,936**
Other income	**1,782**	**5,505**		**7,287**
Corporate expenses				**(251,104)**
Finance costs				**(3,415)**
Profit before taxation				**547,704**
Income tax expenses				**(159,677)**
Profit after taxation				**388,027**
Other information				
Segment assets	**182,257**	**563,123**		**745,380**
Unallocated assets				
- Investment property				**145**
- Other receivables				**802**
- Amount due from a shareholder				**276**
- Cash and bank balances				**2,366,087**
Total assets				**3,112,690**
Segment liabilities	**13,888**	**42,911**		**56,799**
Unallocated liabilities				
- Other payables				**9,247**
- Amount due to a shareholder				**4,113**
- Borrowings				**54,400**
- Current tax payable				**23,022**
- Deferred tax liability				**38,623**
Total liabilities				**186,204**
Capital expenditure	**19,131**	**59,108**		**78,239**
Depreciation of property, plant and equipment	**7,482**	**23,118**		**30,600**
Amortisation of land use rights	**77**	**239**		**316**

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

25 SEGMENT INFORMATION (CONT'D)

25.1 Business segments (Cont'd)

Year ended 31 December 2012	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	624,055	1,356,573	–	1,980,628
Inter-segment revenue	128,227	278,739	(406,966)	–
	752,282	1,635,312	(406,966)	1,980,628
Results				
Segment results	345,161	524,841	–	870,002
Other income	2,270	4,935		7,205
Corporate expenses				(211,254)
Finance costs				(8,261)
Profit before taxation				657,692
Income tax expenses				(192,203)
Profit after taxation				465,489
Other information				
Segment assets	255,423	555,238		810,661
Unallocated assets				
- Investment property				145
- Other Investment				74,974
- Other receivables				27,651
- Cash and bank balances				1,889,491
Total assets				2,802,922
Segment liabilities	23,969	52,105		76,074
Unallocated liabilities				
- Other payables				21,931
- Borrowing				54,400
- Amount due to a shareholder				38
- Current tax payable				37,323
- Deferred tax liability				29,650
Total liabilities				219,416
Capital expenditure	21,029	45,714		66,743
Depreciation of property, plant and equipment	7,799	16,954		24,753
Amortisation of land use rights	100	217		317

25 SEGMENT INFORMATION (CONT'D)

25.2 Geographical segments

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

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

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

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

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

Others include Australia and New Zealand.

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

The Group	2013 Revenues[(a)] RMB'000	2012 Revenues[(a)] RMB'000
PRC	**603,099**	650,630
Asia	**509,944**	577,632
Americas	**260,262**	289,323
Europe	**280,765**	326,641
Africa	**69,212**	67,243
Others	**76,405**	69,159
Total	**1,799,687**	1,980,628

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

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group risk management policies has been approved by board of directors on 22 August 2013. Hence the Board of directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its 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 2013, the Group's financial instruments consisted mainly of cash and bank balances, trade receivables and other receivables, trade payables, accrued liabilities and other payables and bank borrowings.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

26.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from short-term bank borrowings, and deposits with the bank. The Group's policy is to maintain all its borrowings on a fixed rate basis. The Group's exposure to the investment in other financial assets with floating rate is not expected to be significant. Thus, fluctuations in the interest rate will not have an impact on the Group's net profit for the years ended 31 December 2012 and 2013. Accordingly, there is no sensitivity analysis being presented.

26.2 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 2012 and 2013 respectively would have had the following impact on the profit by the amounts shown below:

	Increase/(Decrease) in profit for the years ended 31 December	
	2013	**2012**
The Group	**RMB'000**	**RMB'000**
strengthened	**7,738**	10,665
weakened	**(7,738)**	(10,665)

26.3 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.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

26.3 Liquidity risk (Cont'd)

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

The Group	Effective interest rate %	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2013					
Trade and other payables	–	**70,159**	–	–	**70,159**
Borrowings	6.35-6.65	**54,400**	–	–	**54,400**
		124,559	–	–	**124,559**

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

As at 31 December 2012					
Trade and other payables	–	98,005	–	–	98,005
Amount due to a shareholder	–	39	–	–	39
Borrowings	6.00-6.56	54,400	–	–	54,400
		152,443	–	–	152,443

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.

26.4 Credit risk

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

The carrying amounts of trade and other receivables and cash and bank balances represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group's top three trade receivables contributed in aggregate to 6.47% and 7.37% of the total trade receivable balances as at 31 December 2013 and 31 December 2012 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.

26.5 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.

27 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

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

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

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

The subsidiaries of the Group in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authority in the PRC. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2013 and 2012.

28 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.

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

The breakdown of the retained profits of the Group as at 31 December 2013 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	2,337,844
- Unrealised	38,623
	2,376,467
Less: Consolidation adjustments	–
Total retained earnings	2,376,467

30 WARRANTS ISSUED

At the Extraordinary General Meeting ("EGM") held on 24 August 2012, the Company's shareholders approved Warrants to be issued to the 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.

The exercise price per share was RM 1.15.

The fair value of the warrant was determined to be zero as there is no consideration received for the warrant.

The number of warrants outstanding as at 31 December 2013 are 596,295,388.

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

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

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

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

31 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the Group disposed its quoted share investment in Pelikan International Corporation Berhad ("Pelikan").

32 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

There were no other item, transaction or event of a material or unusual nature that has arisen in the interval between 31 December 2013 and the date of the report from the independent auditor except for the following:

An announcement was made on 8 April 2014 on Bursa Malaysia relating to the breakout of fire at the Group's production plant located at No. 2899, Jin Jiang West Road, Hanjiang District, Putian City, Fujian Province, the People's Republic of China on 4 April 2014 at 1.30 am.

A site examination revealed that a section of the Plant No. 4 measuring approximately 10,000 sqm, out of the total floor area of 15,000 sqm was gutted by the fire. The affected area involved the production floor, raw materials, finished and semi-finished products kept within the production floor as well as the administration office.

The production capacity of the Group has been seriously affected by the fire and based on the management's conservative estimate, the loss of production capacity is estimated at more than 12,000 tons, which could cause some disruption to certain operations of the Group for at least the next two or three months.

Further to the announcement made on 8 April 2014, a follow up announcement was made on 8 May 2014 on Bursa Malaysia to update the status of the fire incident.

There is insurance coverage against the damage caused by fire to the equipment, raw materials and finished products housed and/or kept in the affected plant. However, the affected production plant has been sealed off by the police authority of PRC and prohibited from entrance by outsiders save for the investigating police. In view thereof, Management of CSL and insurance representatives are unable to access to the scene to ascertain the total damage caused by the fire incident.

32 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR (CONT'D)

As a result, the Group and the insurance company are unable to ascertain the amount of damage and loss to the equipment, raw materials and finished products due to the current inaccessibility to the affected plant. Nevertheless, the Group is preparing for remedial works to commence once the affected plant is allowed for access by the PRC police. In addition, the Group has also made in the announcement that the services offered by the insurance company in PRC would not cover for loss of business income suffered by the Group during the time required to repair or replace the damaged property.

At the date of these financial statements, there has been no updates from the police and fire departments on the investigation results that are currently still ongoing. Consequently, the management is not in a position to make an assessment of the financial impact arising from the fire.

LIST OF PROPERTIES
AS AT 31 DECEMBER 2013

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 FYE2013 净值 31/12/2013		Detailed description and existing use
								Land 土地	Building 建筑	
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	RMB134,490 (RM72,814)[2]	RMB145,096 (RM78,557)[2]	An individual designed 5 storey detached factory and vacant
				Workshop (Second Plant)		4,165.5	Please see Note 1 below		RMB958,699 (RM519,049)[2]	An individual designed 3 storey detached factory used for off set colour printing division
	No.5, 12th Group, Wu Xing Village, Jiangkou Town, Hanjiang District, Putian, China. (中国莆田市涵江区江口镇五星村十二组五号)	50 years ending on 10 January 2044	Residential Use	Residential Use	201.8	390.4	Nil		RMB85,811 (RM46,459)[2]	An individual designed 2 storey detached residential house and vacant
Sakura Plastic 塑胶	Wuxin & Donglou Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星,东楼村)	50 years ending on 7 August 2053	Industrial land (New Plant)	Factory Building (New Plant)	21,597.0	2,692.9	Nil	RMB1,325,103 (RM717,424)[2]	RMB609,338 (RM329,902)[2]	An individual designed 2 storey detached factory building used for moulding and assembling of tape printer

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 FYE2013 净值 31/12/2013 Land 土地	Net book value as at FYE2013 净值 31/12/2013 Building 建筑	Detailed description and existing use
	Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星,东楼村)									An individual designed 2 storey detached factory building used for moulding and assembling of tape printer
						596.3	Nil		RMB4,995,348 (RM2,704,531) [2]	Joint bridge
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		4,270.38	Nil		RMB12,832,525 (RM6,947,657)[2]	An individual designed 3 storey detached factory building used for production of PP sheets, warehouse for PP resin, PP sheets and recycle PP resin.
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		15,422.59			RMB39,021,334 (RM21,126,541)[2]	An individual designed 5 storey detached factory building used for manufacturing of PP films, warehouse for finished goods, accessories, parts and storage boxes, assembling line for stationery products and future production for envelopes.

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 FYE2013 净值 31/12/2013		Detailed description and existing use
								Land 土地	Building 建筑	
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		6,988.04	Nil		RMB21970612.27 **(RM11,895,109)**[3]	An individual designed 7 storey detached factory buildings used as a dormitory and cafeteria for our employees.
						–	Nil		RMB9045007.6 **(RM4,897,058)** [2]	Drainage work
						–	Nil		RMB28849951.06 **(RM15,619,652)** [2]	Plant Road
						148	Nil		RMB3252685.02 **(RM1,761,036)** [2]	Power generator
						16,600.67			RMB53102921.01 **(RM28,750,452)** [2]	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.

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 FYE2013 净值 31/12/2013 Land 土地	Building 建筑	Detailed description and existing use
Sakura Plastic 塑胶	Wuxin Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星村)	50 years ending on 31 December 2060	Industrial use(3)	–	45,600.6	–	Nil	RMB12,575,685 (RM6,808,602)(2)	–	Vacant piece of industrial land
Ruiyuan 瑞源	Within Putian City High-Tech Industrial Development Zone, China (中国莆田市高新技术产业开发区内)	50 years ending on 12 April 2057	(New Plant) Industrial use	–	6,530.9	–	Nil	RMB537,376 (RM290,941)(2)	–	–

Notes:

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

(2) Using exchange of RMB1.00: RM0.4735 as at FYE2013.

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

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

ANALYSIS OF SHAREHOLDINGS
AS AT 17 JULY 2014

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

ANALYSIS BY SIZE OF HOLDINGS AS AT 17 JULY 2014

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	9	0.112	272	0.000
100 - 1,000	451	5.637	231,791	0.018
1,001 - 10,000	2,061	25.762	13,885,593	1.126
10,001 - 100,000	4,139	51.737	183,812,326	14.910
100,001 - 61,638,018 (*)	1,339	16.737	791,830,406	64.232
61,638,019 AND ABOVE (**)	1	0.012	243,000,000	19.711
TOTAL	**8,000**	**100.000**	**1,232,760,388**	**100.000**

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

INFORMATION ON SUBTANTIAL SHAREHOLDERS AS AT 17 JULY 2014

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

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

INFORMATION ON DIRECTORS' SHAREHOLDINGS AS AT 17 JULY 2014

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

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

LIST OF TOP 30 HOLDERS AS AT 17 JULY 2014

No.	Name	Holdings	%
1	UOBM NOMINEES (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR LEAD CHAMPION GROUP LIMITED*	243,000,000	19.711
2	KENANGA NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEAD CHAMPION GROUP LIMITED*	46,100,000	3.739
3	KENANGA NOMINEES (ASING) SDN BHD *EXEMPT AN FOR GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED (CLIENT ACCOUNT)*	39,689,600	3.219
4	UOBM NOMINEES (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED*	31,000,000	2.514
5	JF APEX NOMINEES (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	24,717,000	2.005
6	HO SWEE CHOON	14,310,600	1.160
7	THZEW BEE CHOO	9,170,000	0.743
8	RHB NOMINEES (TEMPATAN) SDN BHD *YONG HON CHONG*	9,000,000	0.730
9	LIM KIM BOON	8,500,000	0.689
10	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PBS OFFICE SUPPLIES HOLDING SDN BHD*	8,405,991	0.681
11	CHIN NYUK CHIN	8,000,000	0.648
12	LIM EIK HOY	8,000,000	0.648
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL)*	7,000,000	0.567
14	MERCSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA*	6,000,000	0.486
15	CITIGROUP NOMINEES (ASING) SDN BHD *UBS AG*	5,997,700	0.486
16	TANG KEE HIONG	5,300,000	0.429
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NG KIAN BOON*	5,254,500	0.426
18	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG*	5,000,000	0.405
19	LEE AH YEW	4,300,000	0.348
20	LAI PATT	4,050,000	0.328

LIST OF TOP 30 HOLDERS AS AT 17 JULY 2014

No.	Name	Holdings	%
21	NGO SEH TEE	4,000,000	0.324
22	YAP GEAK HENG	4,000,000	0.324
23	CHNG KIM CHYE	3,700,000	0.300
24	LEE KOK CHUAN	*3,500,000*	*0.283*
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD *TANG SING LING*	3,390,000	0.274
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE KIN KHEONG (E-IMO)*	*3,250,000*	*0.263*
27	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *CHEW HIN YUEN (8063346)*	3,100,000	0.251
28	DATO' NG TIONG SENG @ NG BA	3,000,000	0.243
29	GOH TECK YIEW	2,958,900	0.240
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG PENG KUAN (CURVE-CL)*	2,850,000	0.231
	Total	**526,544,291**	**42.712**

ANALYSIS OF WARRANT HOLDINGS
AS AT 17 JULY 2014

No. of Warrant	:	596,295,388
Exercise Price	:	RM1.15 per ordinary share of SGD0.001 each
Exercise Rights	:	One warrant for every two existing ordinary shares of SGD0.001 each
Exercise Period	:	5 years
No. of Warrant exercised during the year ended 31 December 2013	:	Nil

ANALYSIS BY SIZE OF HOLDINGS AS AT 17 JULY 2014

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 - 99	251	9.940	12,368	0.002
100 - 1,000	334	13.227	221,269	0.037
1,001 - 10,000	828	32.792	3,829,000	0.642
10,001 - 100,000	709	28.079	36,543,300	6.128
100,001 - 29,814,768 (*)	402	15.920	193,852,250	32.509
29,814,769 AND ABOVE (**)	1	0.039	361,837,201	60.680
TOTAL	2,525	100.000	596,295,388	100.000

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

ANALYSIS OF WARRANT HOLDINGS
AS AT 17 JULY 2014 (cont'd)

LIST OF TOP 30 HOLDERS AS AT 17 JULY 2014

No.	Name	Holdings	%
1	UOBM NOMINEES (ASING) SDN BHD *SANSTON FINANCIAL GROUP LIMITED FOR LEAD CHAMPION GROUP LIMITED*	361,837,201	60.680
2	JF APEX NOMINEES (ASING) SDN BHD *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	12,358,500	2.072
3	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	LEE SOO HAR	3,357,200	0.563
6	WONG WAI LUM	3,266,000	0.547
7	LEE KOK CHUAN	3,000,000	0.503
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUAH SWEE HUAT (E-KLC)*	3,000,000	0.503
9	ZULKIFLI BIN OSMAN	2,750,000	0.461
10	GOH AH WAT	2,501,000	0.419
11	NGUAN HOCK SENG	2,448,400	0.410
12	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOH NG KWA @ LOH NG KAW*	2,443,900	0.409
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD *YEAP HOCK CHONG*	2,287,000	0.383
14	LIM CHEOH TOW	2,180,000	0.365
15	KHO SOW GAN	2,000,000	0.335
16	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MOHD BILAL BIN ABDULLAH (SMT)*	2,000,000	0.335
17	UOB KAY HIAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	2,000,000	0.335
18	ZAINAL ARIFFIN BIN OSMAN	2,000,000	0.335
19	LIM KWEE KIM	1,800,000	0.301
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD *JOSEPH LIM ONG CHUONG (E-PDG)*	1,700,000	0.285
21	THONG LOU HOONG	1,666,500	0.279

LIST OF TOP 30 HOLDERS AS AT 17 JULY 2014

No.	Name	Holdings	%
22	JF APEX NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHNG CHENG CHUAN (STA 2)*	1,499,900	0.251
23	LIM BEE LAN	1,300,000	0.218
24	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NA, SINGAPORE (JULIUS BAER)*	1,250,000	0.209
25	YII KIE CHEW	1,232,300	0.206
26	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEW YEK WAI (CCTS)*	1,230,000	0.206
27	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHAN LAM SANG @ CHAN LAM*	1,200,000	0.201
28	NG KIM HOCK	1,200,000	0.201
29	ONG YOK FO	1,200,000	0.201
30	OOI CHAI HOP	1,197,500	0.200
	Total	**435,405,401**	**73.018**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN That the 2014 Annual General Meeting of the Company will be held at Langkawi Room, First Floor, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Friday, 5 September 2014 at 10.00 a.m., for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon. ***Please refer to Explanatory Note 1***

2. To approve the payment of Directors' fees of RM240,000.00 for the financial year ending 31 December 2014. ***Ordinary Resolution 1***

3. To re-elect Dr Risambessy Izaac who retires pursuant to Bye-law 89 of the Company's Bye-Laws. ***Ordinary Resolution 2***

4. To re-elect Herman Widjaja who retires pursuant to Bye-law 88(6) of the Company's Bye-Laws. ***Ordinary Resolution 3***

5. To re-appoint Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 4***

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. **Ordinary Resolution** ***Ordinary Resolution 5***
Authority To Issue Shares

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

8. **Ordinary Resolution** ***Ordinary Resolution 6***
Proposed Renewal Of Share-Buy Back Authority

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

i) the maximum number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the issued and paid-up share capital for the time being of the Company ("Shares"); and
ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and the share premium account of the Company. As of 31 December 2013, the company accumulated profit and share premium accounts are RMB2,376,467,000 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: 14 August 2014

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. A proxy need not be a Member.*

2. *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.*

3. *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.*

4. *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.*

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

6. *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.*

7. *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.*

8. *For the purpose of determining a Member who shall be entitled to attend the 2014 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 28 August 2014. 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 2014 are calculated based on the number of scheduled Board and Committee meetings for 2014 and assuming that all Non-Executive Directors will hold office until the end of the financial year. This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

Explanatory Notes on Special Business:

3. 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 (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company.

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

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

The Company did not issue any shares pursuant to the mandate granted to the Directors at the 2013 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.

4. 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 14 August 2014 accompanying the Company's Annual Report for the year ended 31 December 2013.

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 2014 Annual General Meeting of the Company.

FORM OF PROXY

CDs Account No

No. of shares held

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)

I/We _____ Tel: _____

[Full name in block, NRIC No./Company No. and telephone number]

of _____

_____

[Address]

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

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us and on my/our behalf and, if necessary, to demand a poll at the 2014 Annual General Meeting of the Company to be held at Langkawi Room, First Floor, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Friday, 5 September 2014 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 2014.	Ordinary Resolution 1		
Re-election of Dr Risambessy Izaac 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 _____ , 2014

_____
Signature of Shareholder/Common Seal

Notes:

1. *Any Member entitled to attend and vote at a meeting of the Company who is the holder of two (2) or more shares shall be entitled to appoint not more than two (2) proxies to attend and vote instead of him at the same general meeting provided that if the Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 of Malaysia, it may appoint 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. A proxy need not be a Member.*
2. *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.*
3. *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.*
4. *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.*
5. *The instrument appointing a proxy must be deposited at the Share Registrar of the Company in Malaysia at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding the meeting or adjourned meeting.*
6. *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.*
7. *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.*
8. *For the purpose of determining a Member who shall be entitled to attend the 2014 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 28 August 2014. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his stead.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP
RM0.80

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

1st fold here



CHINA STATIONERY LIMITED
(Incorporated in Bermuda under the Companies Act 1981 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)

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

Tel: (86) 594 369 7883

c s t a t i o n e r y . c o m