

CHINA STATIONERY LIMITED

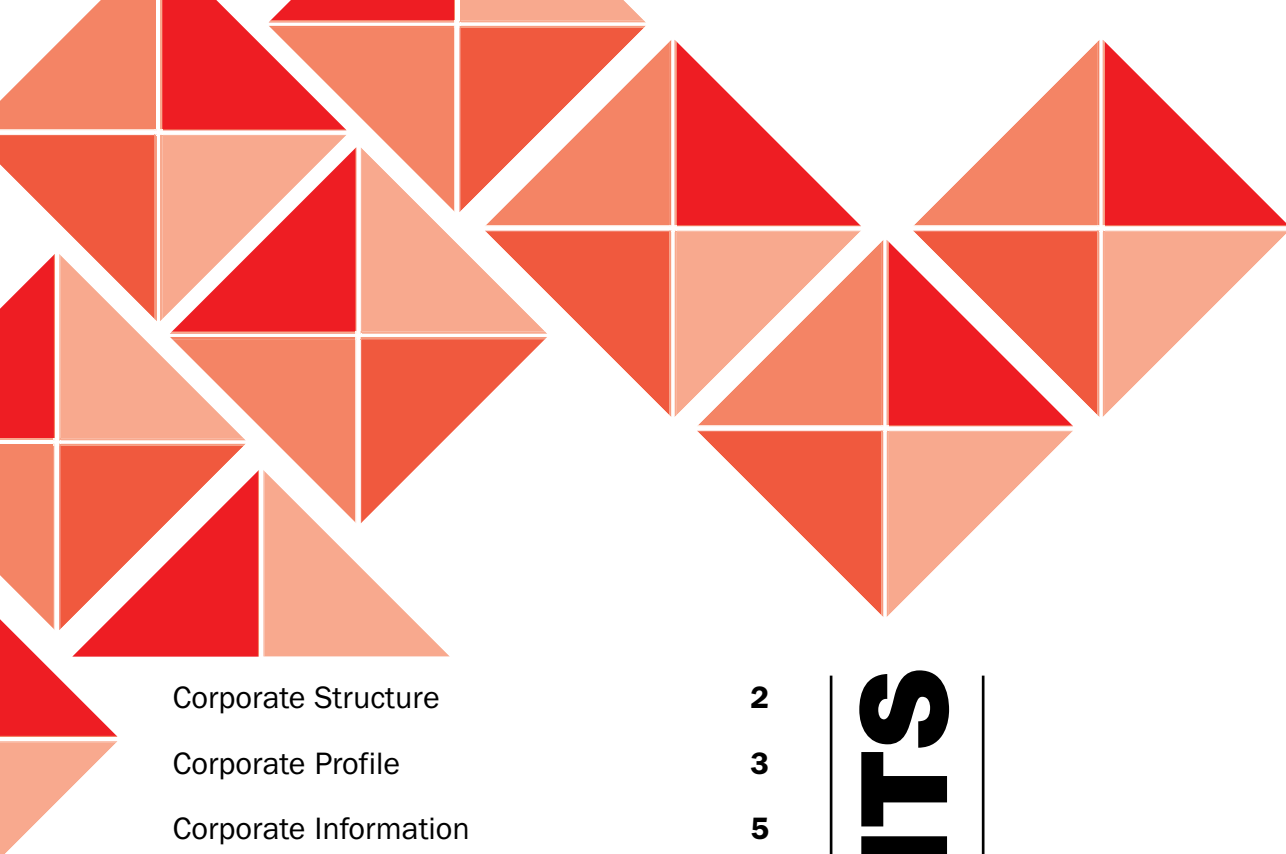
(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)

(Company Registration No.: 40535)

(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)

(Malaysian Branch Registration No.: 995224-W)





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CORPORATE STRUCTURE

Our Company was incorporated as an exempted company with limited liabilities in Bermuda on 14 August 2007 under the Companies Act 1981 of Bermuda with the name of China Stationery Limited ("China Stationery" or the "Company"). On 26 October 2009, our Company was registered in Malaysia under the Companies Act 1965 of Malaysia as a foreign company.

Our current Group Structure is as follows:

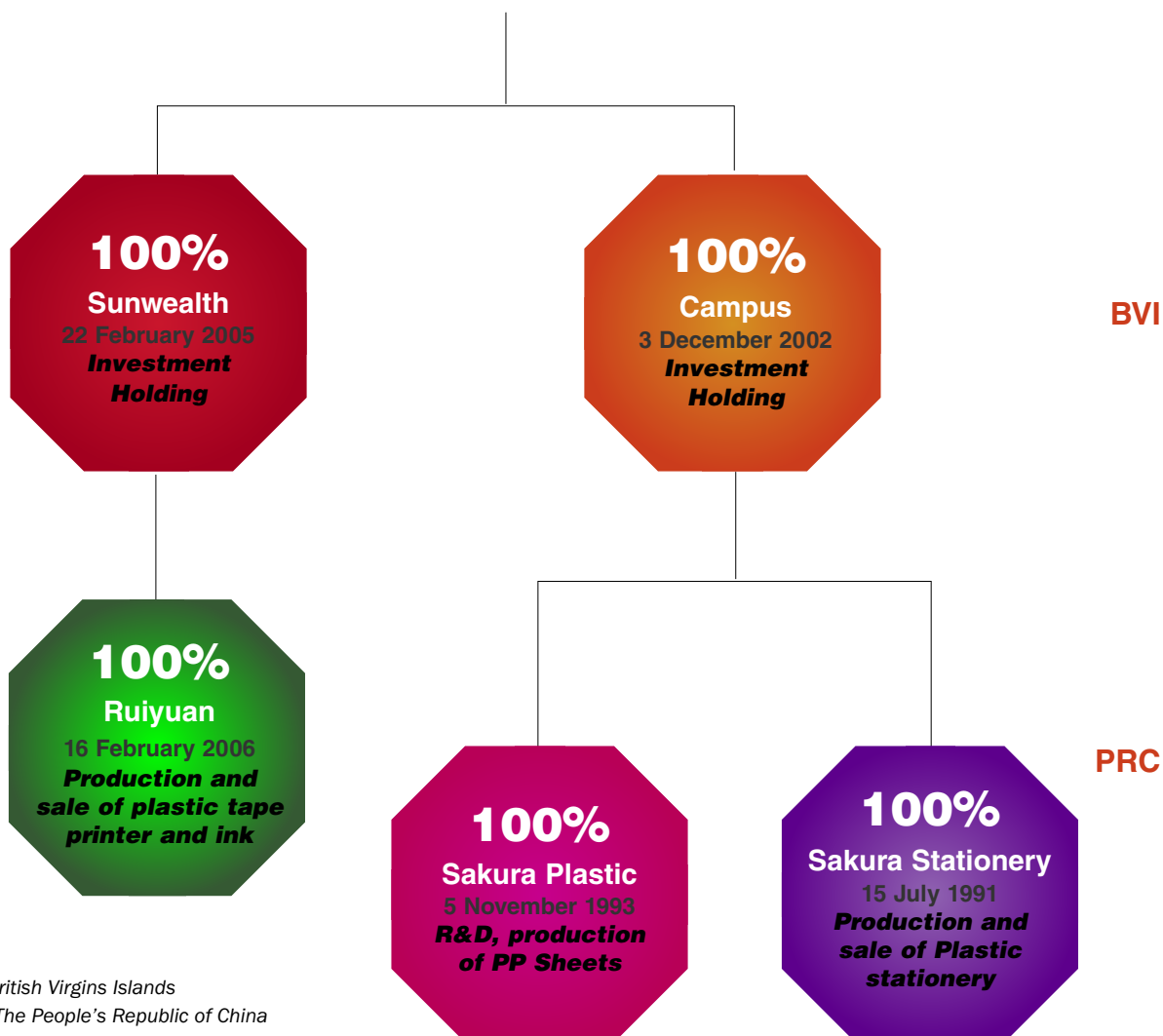


CHINA STATIONERY LIMITED

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

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14 August 2007

Jurisdiction of Incorporation
Bermuda



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

CORPORATE PROFILE

OUR AWARD WINNING BRANDS



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

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

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

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

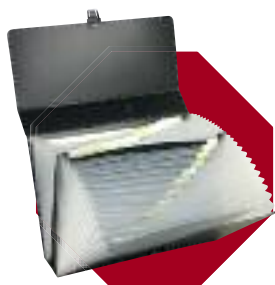
Led by Mr Chan Fung @ Kwan Wing Yin with more than 20 years of industry experience, the Group has built a reputation for its ability to consistently offer high quality products to our customers. China Stationery Group has obtained numerous awards, accolades and certification for our products and brand,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

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

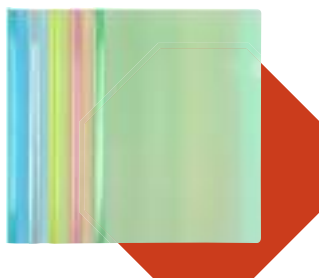
In 2006, China Stationery was one of only 5 manufacturers in China invited to co-author the industry standards for files published by the State Development and Reform Commission (中华人民共和国国家发展和改革委员会) in China.

OUR PRODUCTS

Plastic filing and storage products



Expandable Files



Document Files



Movable Document Cases



Expandable Folders



CD Holders



Filing Bags



Display Books



Pocket Files



Lever Clip Files

PATENTED PRODUCTS

Plastic tape printer



CORPORATE INFORMATION

AS AT 31 MARCH 2017

BOARD OF DIRECTORS

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

Executive Chairman and Chief Executive Officer
Executive Director
Senior Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director
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. Mr Herman Widjaja
(Member)
3. Mr Ang Wei Chuan
(Member)
4. Mr Lim Kim Huat
(Member)

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

REGISTERED OFFICE IN BERMUDA

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

REGISTERED OFFICE IN MALAYSIA

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

PRINCIPAL PLACE OF BUSINESS/HEAD OFFICE

Donglou Village, Wuli Ting
Jiangkou Town
Hanjiang District, Putian
Fujian Province
The People's Republic of 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

Unit 29-01, Level 29, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No: (603) 2783 9632
Fax No: (603) 2783 9666

MALAYSIA SHARE REGISTRAR

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

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

COMPANY AGENT IN MALAYSIA

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

PRINCIPAL BANKERS

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

AUDITORS

RT LLP
Public Accountants and Chartered
Accountants
1 Raffles Place #17-02
One Raffles Place
Singapore 048616

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 FYE2012 – FYE2016

	FYE2012	FYE2013	FYE2014	FYE2015	FYE2016
PBT (RMB'000)	657,692	547,704	(379,364)	142,714	73,311
PAT (RMB'000)	465,489	388,207	(302,395)	91,794	29,751

REVENUE FOR FYE2012 – FYE2016

	FYE2012	FYE2013	FYE2014	FYE2015	FYE2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	1,980,628	1,799,687	602,748	381,283	495,598

GROSS PROFIT AND GROSS PROFIT MARGIN BY PRODUCT MIX

Gross Profit

	FYE2012		FYE2013		FYE2014		FYE2015		FYE2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	345,161	39.7	239,373	30.2	71,722	25.6	78,312	42.0%	59,108	24.5%
Non-Patented Products	524,947	60.3	555,563	69.8	208,089	74.4	108,080	58.0%	182,353	75.5%
Total	870,108	100.0	794,936	100.0	279,811	100.0	186,392	100.0%	241,461	100%

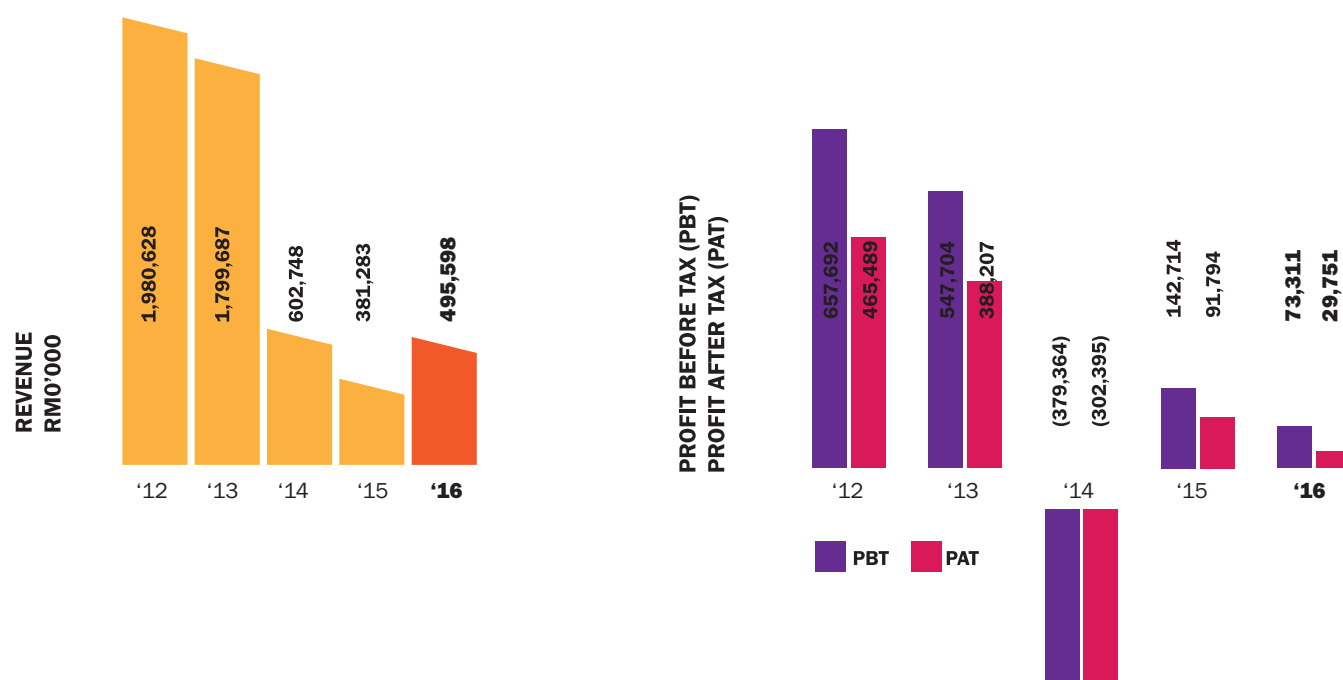
FINANCIAL HIGHLIGHTS (cont'd)

Gross Profit Margin

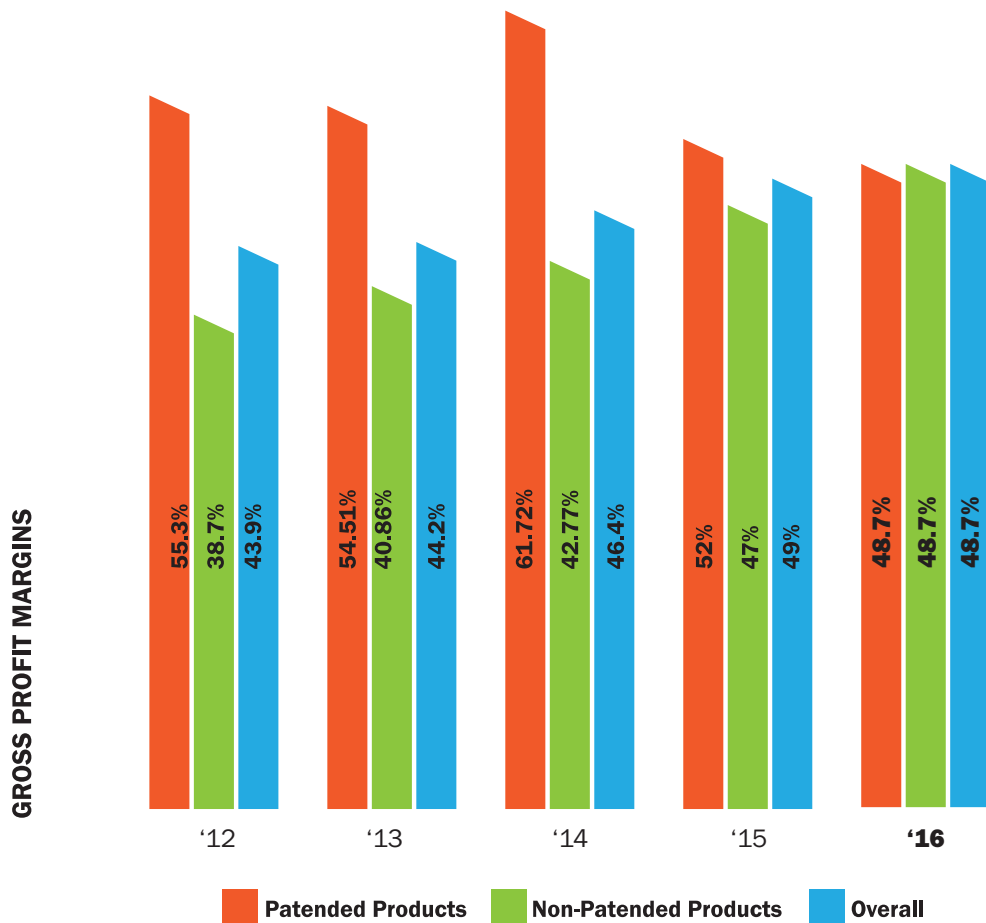
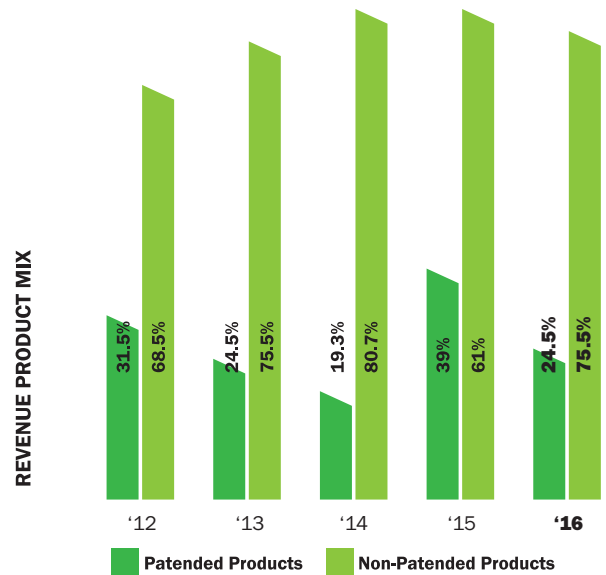
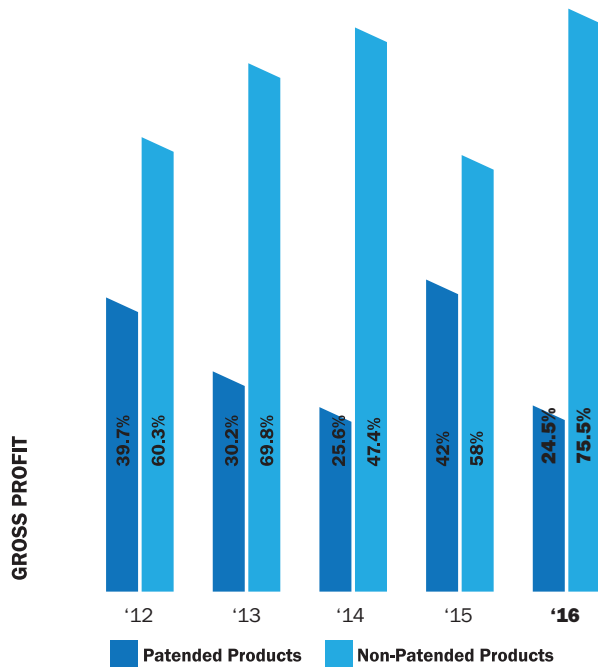
	FYE2012	FYE2013	FYE2014	FYE2015	FYE2016
Patented Products	55.3%	54.51%	61.72%	52%	48.7%
Non-Patented Products	38.7%	40.86%	42.77%	47%	48.7%
Overall	43.9%	44.2%	46.4%	49%	48.7%

REVENUE BY PRODUCT MIX

	FYE2012		FYE2013		FYE2014		FYE2015		FYE2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	624,055	31.5	440,049	24.5	116,208	19.3	149,546	39%	121,319	24.5%
Non-Patented Products	1,356,573	68.5	1,359,638	75.5	486,540	80.7	231,737	61%	374,279	75.5%
Total	1,980,628	100.0	1,799,687	100.0	602,748	100.0	381,283	100%	495,698	100%



FINANCIAL HIGHLIGHTS (cont'd)



CHAIRMAN'S STATEMENT

**DEAR
SHAREHOLDERS,**

On behalf of the Board of Directors and the Management of China Stationery Limited ("China Stationery" or "the Company"), I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2016 ("FYE2016").



CHAIRMAN'S STATEMENT (cont'd)

The plastic stationery industry in China was not spared the market and economic challenges of 2016. But by any reckoning, our Group has performed commendably in such adverse conditions, which have affected markets worldwide.

In China, our principal market, there was a slowdown in market demands amidst increased competition. Despite this, we managed to weather the storm and chalk up another profitable year for the period under review.

We will continue to be prudent and proactive in our management and operations to put our Group on a stronger footing to further boost investor confidence.

Responding to market demands and changes in a timely manner and adapting to technological advancements will remain key to our success. Our products will continue to be of quality, innovative, attractive and cost competitive.

GROUP PERFORMANCE REVIEW

Our extensive distribution network is a testament to our global presence and the fact that we are not dependent on any single market. As at FYE2016, our Group has more than 141 distributors worldwide, including nine (9) exclusive distributors which on-sell our products to various retailers in their respective territories.

For the period under review, sales through distributors contributed more than 99.0% of our total revenue. We are targeting distributors as a major marketing strategy to achieve quicker market penetration. We now manufacture and sell a wide assortment of more than 450 types of plastic filing and storage products.

In view of the depressed market environment in the year under review, we have exercised caution in assessing plans and proposals for business expansion and corporate exercise. To be in line with our business philosophy, we are always on the lookout for opportunities that can generate all-round value to our Group and shareholders and contribute positively to our earnings.

REVIEW OF FINANCIAL PERFORMANCE

For FYE2016, China Stationery's revenue and profit after tax (PAT) remained positive at RMB495.60 million and RMB29.75 million respectively, compared with RMB381.28 million and RMB91.79 million achieved a year ago.

The higher revenue was mainly due to the increase in sales of our Non-Patented Products. Our wholly owned subsidiaries, Sakura Plastic and Sakura Stationery have resumed its production beginning of May 2015 after the fire incident.

Meanwhile, the lower PAT was mainly due to RMB58.5 million and RMB93 million of advertisement cost incurred in May 2016 and November 2016 respectively.

Sales of our Non-Patented Products increased by RMB142.54 million or 61.50% to RMB374.28 million in FYE2016 from RMB231.74 million previously due to the increase in sales volume from our filing and storage products and expandable files products. The increase was in line with our increased marketing and advertisement efforts and increase in orders for our products from our existing customers.

However, sales of our Patented Products decreased by RMB28.23 million or 18.88% to RMB121.32 million in FYE2016 from RMB149.55 million a year ago due to the global economic slowdown.

Our Company as at FYE2016 had cash and bank balances amounting to RMB1.85 billion.

To illustrate further our strength, China Stationery had shareholders' funds amounting to RMB2.75 billion.

FUTURE PROSPECTS

Being in an industry that is largely consumer driven, we will remain focused on our mission to be Asia's leading owner and provider of quality and innovative products that are preferred by consumers.

To achieve this, we will strengthen our existing 11-member Research and Development team, which is tasked with improving the quality of our existing products and developing new products.

Over the years, all the products we developed have been successfully commercialized. Going forward, the market can look forward to more new patented and non-patented products from our Group.

Apart from widening our range of product offerings, we are also continuously enhancing our production process to ensure our operations are sustainable and cost effective.

We will continue to promote our own brands, namely "SAKURA", "NACHI" and FOLDERSYS", through various advertising and promotion activities.

Given the prevailing economic environment, we foresee a challenging year in FYE2017. Furthermore, we have experienced a slow recovery in sales revenue following the fire incident on 4 April 2014.

CORPORATE GOVERNANCE

The Board of China Stationery holds value such as integrity, transparency and dedication among others, high on our list of priorities. We have placed much emphasis on corporate governance and are at all times looking to create the utmost value for our Shareholders. The measures taken and implemented have been outlined further in our Statement on Corporate Governance, the Audit Committee Report and Statement on Risk Management and Internal Control in this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

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

APPRECIATION

On behalf of the Board of Directors, I wish to extend my heartfelt gratitude to all our shareholders for their steadfast support and confidence in the Group.

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

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

Chan Fung @ Kwan Wing Yin

Executive Chairman and Chief Executive Officer

CHAIRMAN'S STATEMENT (cont'd)

敬爱的股东，

在此我谨代表中国文具有限公司（简称中国文具或公司）的董事部和管理层，为各位汇报截至2016年12月31日（2016财政年）的常年报告及稽查财务报告。

2016年，全球市场和经济利空环绕，中国的塑料文具业也无法幸免，幸而，公司在世界市场严峻之际，依然交出值得令人称许的表现。

在我们的首要市场——中国，竞争不断加剧，市场需求也逐步转弱，尽管如此，我们依然抵御风浪，再一次获得盈利。

在管理及营运上，我们秉持谨慎和主动的做法，扎稳脚跟，借以提升投资者的信心。

我们能否继续成功，将取决于是否适时应对市场需求和变化，并顺应科技发展。我们将继续生产优质、创新，以及具备吸引力和成本优势的产品。

集团表现

我们的经销网络分布广泛，这不仅是公司业务遍布世界的证明，也显示我们并不过于依赖单一市场。截至2016财政年，我们在世界各地拥有超过141家经销商，当中包括了9家负责经营个别零售市场的独家经销商。

在这一年，经销商的销售额贡献了公司高达99.0%总营业额，因此我们将继续透过这种主要行销策略，加快进入不同的市场。目前，我们生产及销售超过450种塑料收纳用品及储存产品。

鉴于这一年市场十分低迷，我们审慎推进业务扩充和企业活动等计划。尽管如此，公司依然秉持营运理念，积极寻找任何可为公司及投资者创造价值和提升盈利的良机。

财务表现

中国文具的2016财政年业绩稳定，营业额及税后盈利分别为人民币4亿9千560万元及人民币2千981万元，而上一一年则是人民币3亿8千128万元及人民币9千179万元。

营业额增长，主要是非专利产品的销售成长。在火灾发生后，公司的独资子公司Sakura Plastic和Sakura Stationery已从2015年5月起恢复生产。

至于税前盈利减少，主要归因于分别在2016年5月和11月拨出人民币5千850万元和人民币9千300万元的广宣开销。

公司的非专利产品销售额提高人民币1亿4千254万元或61.50%，由人民币2亿3千174万元增至2016财政年的人民币3亿7千428万元。公司推进行销和广宣活动，并向客户争取增加订单，促使收纳及储存产品和扩张式文件夹的销量提升，是非专利产品销售额增加的原因。

然而，受全球经济减缓影响，公司的专利产品销售额减少人民币2千823万元或18.88%，从一年前的人民币1亿4千955万元降至人民币1亿2千132万元。

2016财政年，公司的现金及银行结余达人民币18亿5千万元。

中国文具的股东基金达人民币27亿5千万元，这也进一步证明公司财务的强韧。

业务展望

我们身处一个主要以消费者为导向的行业，因此将继续专注于成为亚洲领先优质创新产品生产者和供应商，以让公司的产品成为消费者的首选。

为了达到这个目标，我们将加强现有11名成员的研发队伍。公司研发队伍的任务是改善既有产品的素质，并开发全新的产品。

过去几年，公司开发出的产品已成功推出市场。未来，消费者可以期待公司将推出更多全新的专利产品和非专利产品。

除了扩大产品系列，我们也将继续加强生产程序，确保业务永续，并达到成本效益。

我们将继续透过不同的广宣活动和促销活动加强旗下自有品牌，包括SAKURA、NACHI和FOLDERSYS。依现有经济局势看来，我们认为2017财政年仍然挑战重重。此外，2014年4月4日发生火灾至今，公司也迟迟无法恢复原有的销售额。

企业监管

中国文具董事部十分重视廉洁、透明和奉献等价值观。我们注重企业监管，时时刻刻追求提高股东价值。在年报的企业监管报告、审计委员会报告和内部监管报告中，我们会更详细汇报更多相关措施。

企业社会责任 (CSR)

我们向来重视所有利益相关方的权益，包括雇员的权益，加强集团和客户、供应商等方面的联系，以及厂房周遭环境等。我们非常看重和尊重雇员，从公司的征聘和纪律政策上，也可以看出我们十分注重机会平等。此外，公司也专注于提供符合消费者需求的优质产品。

公司将继续推广和支持使用环保材料。我们鼓励雇员尽可能提高生产效率和善用各种机会，透过工作实践减少破坏环境。我们将会竭尽所能，继续造福世界。

鸣谢

我谨代表董事部，向所有股东献上诚挚的谢意，谢谢各位坚定不移的支持和信任。我承诺，将继续为中国文具的股东创造价值。

各位管理层和同事，大家的奉献和贡献成就了中国文具，语言并不足以表达我的感谢，少了各位的努力付出和奉献，我们不会有今日的成就。我衷心感谢大家。

关永贤

执行主席暨首席执行官

PROFILE OF DIRECTORS



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

Mr Chan Fung @ Kwan Wing Yin, aged 66, a Hong Kong citizen, is the Executive Chairman and Chief Executive Officer of the Company. He was appointed to the Board of the Company on 31 August 2007. He is currently a member of the Remuneration Committee.

He received his middle school education from Putian Jingjiang Middle School. 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 more than 21 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, he plays a key role in consolidating the Group's position in existing markets and in its expansion in new markets with his experiences and networking relationship.

As at 31 December 2016, he is direct interested in 1,827,700 shares (0.15%) and deemed interested in 230,400,000 shares (18.69%) in the Company by virtue of his own name and interests via Lead Champion Group Limited, the substantial shareholder of the Company.

He is the father of Mr Angus Kwan Chun Jut, the Executive Director of the Company. Campus, a wholly-owned subsidiary of the Company, has entered into a related party transaction for renting an office at a monthly rental of RMB5,000 with Ms Kwan Chun Chu, in which Ms Kwan Chun Chu is the spouse of Mr Chan Fung @ Kwan Wing Yin and the mother of Mr Angus Kwan Chun Jut.

He does not hold any other directorships in other listed companies. He has not been convicted of any offences within the past five (5) years and has not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial year ended 31 December 2016. He attended nine (9) out of ten (10) Board meetings held in the financial year ended 31 December 2016.

PROFILE OF DIRECTORS (cont'd)

Mr Angus Kwan Chun Jut, aged 46, a Hong Kong citizen, is the Executive Director of the Company. He was appointed to the Board of the Company on 31 August 2007. He assists Mr Chan Fung @ Kwan Wing Yin in the day-to-day operations and management of the Group.

He received his secondary school diploma from Kingston College, Vancouver, Canada in 1994. Thereafter, he attended Kingston College, Vancouver, Canada reading Organisation Behaviour Course.

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. Prior to joining the Group in 2007, he was in charge of information technology in Kawan Kita, the former holding company of Sakura Stationery from 2000 to 2007. He was a Director of Smart Printing Co Ltd from August 2006 to August 2007. Smart Printing Co Ltd was deregistered in Hong Kong in 2007.

As at 31 December 2016, he is deemed interested in 230,400,000 shares (18.69%) in the Company by virtue of his interests in Lead Champion Group Limited, the substantial shareholder of the Company. He subsequently ceased to have deemed interest in the Company via Lead Champion Group Limited by operation of the Malaysian Companies Act 2016.

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 the Company, has entered into a related party transaction for renting an office at a monthly rental of RMB5,000 with Ms Kwan Chun Chu, in which Ms Kwan Chun Chu is the mother of Mr Angus Kwan Chun Jut and the spouse of Mr Chan Fung @ Kwan Wing Yin.

He does not hold any other directorships in other listed companies. He has not been convicted of any offences within the past five (5) years and has not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the ten (10) Board meetings held in the financial year ended 31 December 2016.

MR ANGUS KWAN CHUN JUT
(Executive Director)



PROFILE OF DIRECTORS (cont'd)

DR RISAMBESSY IZAAC

(Senior Independent Non-Executive Director)



Dr Risambessy Izaac, aged 64, an Indonesian, was appointed as the Independent Non-Executive Director of the Company on 28 December 2011. He was appointed as Senior Independent Non-Executive Director on 30 July 2014. Currently, he is the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nominating 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.

He 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, he had established Richard Risambessy & Rekan, an accounting firm in Indonesia by providing audit, accounting services, management services and tax services. He is currently the Managing Partner of Richard Risambessy & Rekan.

He does not hold any other directorships in other listed companies. He has no family relationship with any other Director and/or major shareholder of China Stationery Limited and he has no any conflict of interest with China Stationery Limited. He has not been convicted of any offences within the past five (5) years and has not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.

He attended five (5) out of ten (10) Board meetings held in the financial year ended 31 December 2016.

MR HERMAN WIDJAJA

(Independent Non-Executive Director)



Mr Herman Widjaja, aged 66, an Indonesian, was appointed as the Independent Non-Executive Director of the Company on 5 December 2013. He is currently the Chairman of Nominating Committee and a member of the 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, he was appointed as an Executive Director of Bankers Lease Company, a joint venture Corporate Financial Leasing between Lippo Group and Bankers Trust of New York. In 1991, Lippo Group diversified into Real Estate Development, he was appointed as a Director of PT. Gunung Cermati 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 a 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.

He does not hold any other directorships in other listed companies. He has no family relationship with any other Director and/or major shareholder of China Stationery Limited and he has no any conflict of interest with China Stationery Limited. He has not been convicted of any offences within the past five (5) years and has not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the ten (10) Board meetings held in the financial year ended 31 December 2016.

PROFILE OF DIRECTORS (cont'd)

MR ANG WEI CHUAN

(Independent Non-Executive Director)



Mr Ang Wei Chuan, aged 42, a Malaysian, was appointed as the Independent Non-Executive Director of the Company on 16 April 2015. He is currently a member of the Audit Committee, Remuneration Committee and Nominating Committee.

He graduated with a Bachelor's Degree in Commerce (Majoring in Accounting and Information Systems) from Curtin University of Technology, Perth, Australia.

Subsequently, he obtained a Master's Degree in Business Administration from Deakin University, Australia in 2005.

He began his career as an Assistant Treasury Manager with Cargill - CTP Holdings Pte Ltd from 2002 to 2007. He was the Treasury Manager at Fuji Xerox Asia Pacific Pte Ltd from 2008 to 2012 before moving to Sumitomo Corporation Asia Pte Ltd as a Senior Treasury Manager. He was the Group Treasury Manager in InterOil Corporation from February 2014 to December 2015. He currently works for Lixil International Pte Ltd as Treasury Manager.

He does not hold any other directorships in other listed companies. He has no family relationship with any other Director and/or major shareholder of China Stationery Limited and has no any conflict of interest with China Stationery Limited. He has not been convicted of any offences within the past five (5) years and has not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.

He attended eight (8) out of ten (10) Board meetings held in the financial year ended 31 December 2016.

MR LIM KIM HUAT

(Independent Non-Executive Director)



Mr Lim Kim Huat, aged 42, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 16 April 2015. He is currently a member of the Audit Committee and the Chairman of the Remuneration Committee.

He is a member of the Association of Chartered Certified Accountants and Institute of Certified Public Accountants of Singapore. He

has more than 15 years' experience in the areas of financial reporting, tax, corporate finance, treasury, risk management and audit.

His career began in 1999 when he joined Foo Kon Tan Grant Thornton, Singapore as an Audit Senior. In 2002, he left and joined Delifrance Asia Limited, Singapore as an Accountant. Subsequently, he left and joined Asia Food & Properties Ltd, Singapore as an Internal Auditor from 2003 to 2005. He was the Finance Manager at Tiong Woon Corporation Holding Ltd, Singapore before moving to Sembcorp Parks Management Pte Ltd in 2007. In May 2014, he left and took up the position as Finance Manager in Multi Sports Holdings Ltd. In November 2014, he left and was appointed as Chief Financial Officer of Aquatic Foods Group Plc. Subsequently, he has tendered his resignation as Chief Financial Officer of Aquatic Foods Group Plc in January 2016.

He is currently works for Sembcorp Parks Management Pte Ltd and is seconded to Vietnam Singapore Industrial Park J. V. Co., Ltd. as Chief Financial Officer.

He does not hold any other directorships in other listed companies. He has no family relationship with any other Director and/or major shareholder of China Stationery Limited and has no any conflict of interest with China Stationery Limited. He has not been convicted of any offences within the past five (5) years and has not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the ten (10) Board meetings held in the financial year ended 31 December 2016.

PROFILE OF KEY SENIOR MANAGEMENT

MR CHIN SIEW WENG

(Chief Financial Officer)

Mr Chin Siew Weng, aged 47, a Malaysian, was appointed as a Chief Financial Officer of the Company since 1 July 2012.

He is currently responsible for the financial matters of the Company and its subsidiaries ("Group") including overseeing the Group's financial reporting, risk management, strategies planning and compliance with the listing obligation.

He is a member of the Malaysian Institute of Accountants. He has more than 23 years' experience in the areas of financial reporting, tax, corporate finance, treasury, risk management, internal control and audit.

His career began in 1994 when he joined Allan Choong & Co. as an Audit Semi Senior. He left and joined MBF Property Sdn Bhd as a Senior Finance Executive in 1996 to 1998. Subsequently, he moved to join T.K. Lim & Co as an Audit Senior. He was the Assistant Internal Audit Manager in Qingdau Chai Tai Co. Ltd., Qingdao China in 2000 before moving to Sichuan Malay Glass Co. Ltd. (Sichuan China) as a Senior Finance and Commercial Manager in 2001. He was the Financial Controller of O-I BJC Vietnam Glass Co. Ltd. He tendered his resignation as Financial Controller of O-I BJC Vietnam Glass Co. Ltd. in April 2012.

He does not have any family relationship with any other Director and/or major shareholder of the Company, nor does he has any conflict of interest with the Company. He does not hold any directorships in other listed entities. He has not been convicted of any offences within the past five (5) years and has not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

1. GROUP'S BUSINESS & OPERATIONS REVIEW

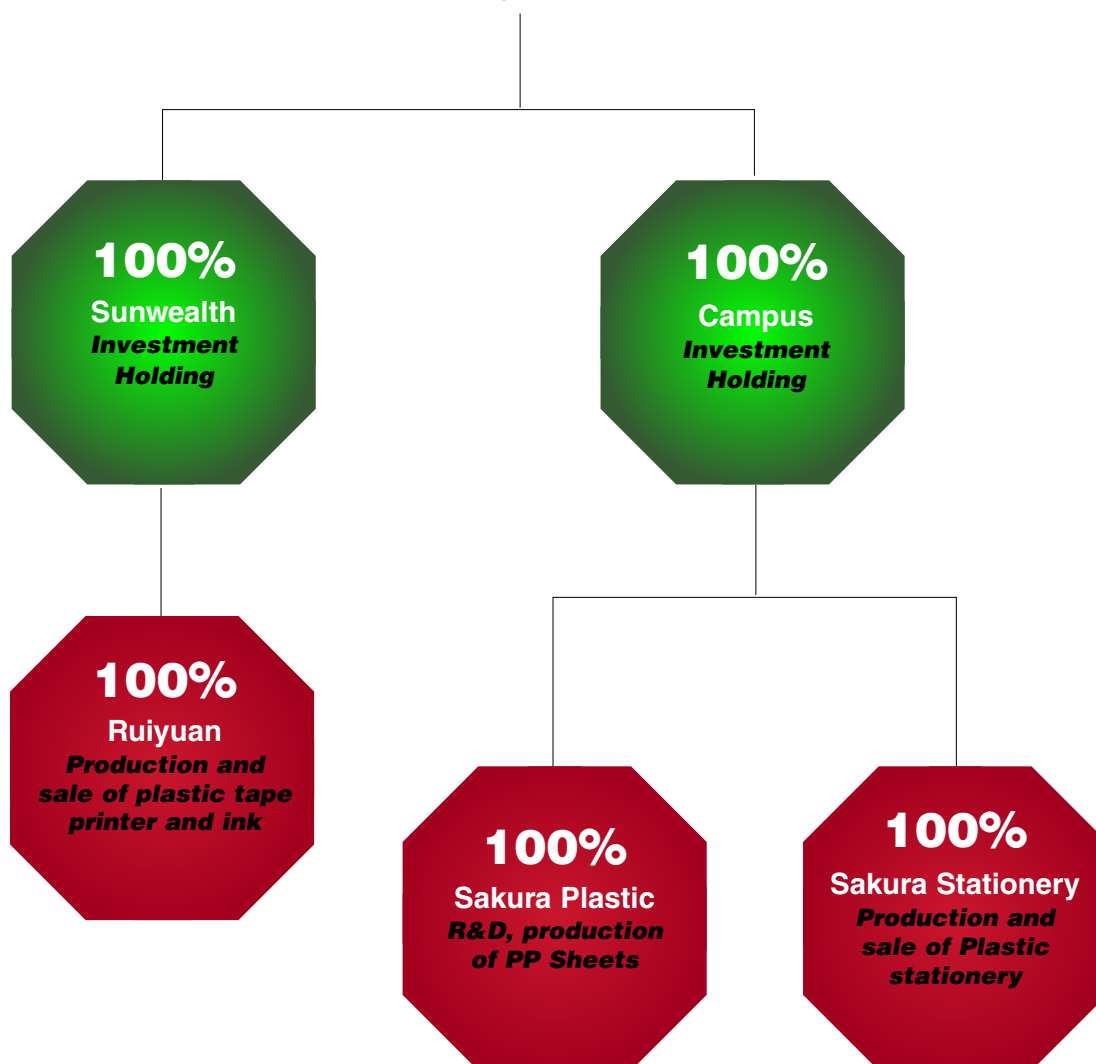
Group's Structure



CHINA STATIONERY LIMITED

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

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)
(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



MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

1. GROUP'S BUSINESS & OPERATIONS REVIEW (CONT'D)

Core Business of the Group

China Stationery Limited ("CSL" 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 the design, manufacture and sale of a broad assortment of more than 450 plastic filing and storage products and our own patented products, which comprise primarily our plastic tape printer.

Products

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

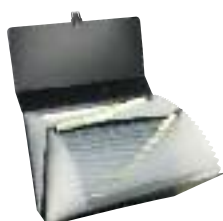
i) Plastic filing and storage products

Our Group focuses on producing a variety of plastic filing and storage products. These products are differentiated by:

- (a) Style and accessories (including pockets, buttons, lever clips, compression clips or ring-binders);
- (b) Prints such as silk-screen printing or offset printing; and
- (c) Specifications, including size, colour and rigidity.

We specialise in plastic filing and storage products which are durable as compared with paper filing and storage products. Our success in penetrating the international market and the awards that we have received are testament to the quality of our plastic filing and storage products.

Some of our major plastic filing and storage products are shown below:



Expandable Files



Document Files



Movable Document Cases



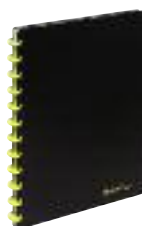
Expandable Folders



CD Holders



Filing Bags



Display Books



Pocket Files



Lever Clip Files

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

1. GROUP'S BUSINESS & OPERATIONS REVIEW (CONT'D)

Products (Cont'd)

ii) Patented products

Aside from plastic filing products, the Group has developed its own patented product, which is the plastic tape printer as shown in the illustration below:-

Plastic tape printer

Our second generation plastic tape printer is suitable for desktop as well as office usage. The plastic tape from the new type of plastic tape printer could also be utilised as an added security measure when applied to seal envelopes or other mailing parcels.

The second generation plastic tape printer was launched in 2011 and has been well received by public.

Principal Markets for Products

Our products are sold globally in over 56 countries to more than 400 customers (including distributors, retailers and corporations) located in China and Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China), Europe and America and other regions.

On average, more than 99% of our sales are to distributors who then onward sell our products to retailers and end users. Targeting distributors is one of our major marketing strategies to achieve quicker market penetration.

Our manufacturing plant is located in Putian, Fujian Province, People's Republic of China (PRC) and is used for manufacturing of Polypropylene (PP) sheets, production of plastic filing and storage products, production of its patented products and administration purposes.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)







1. GROUP'S BUSINESS & OPERATIONS REVIEW (CONT'D)

Products (Cont'd)

Intellectual Property

a) Trademark

The following trademarks are registered in China:

Trademark	Type of Products
	Files (文件夹); data books (资料册); business card holders (名片簿); note books (笔记簿); account book covers (帐簿皮); photo albums (相片簿); and stamp albums (集邮册)
	Handheld printing device set (Office Equipment) (便携式印刷成套工具(办公用品)); book covers (书籍封皮); bags (envelopes, pouches) made of paper or plastic, to be used for packaging (包装用纸袋或塑料袋(信封、小袋)); hole punchers (办公室用打孔器); pencil box (文具盒(全套)); numbering machine (号码机); stationery and self-adhesive tapes (文具及家用胶带); compasses for drawing (绘画用圆规); paint boxes for use in school (颜料盒(学校用品)); and teaching materials (excluding machines) (教学材料(仪器除外))
	Files (文件夹); data books (资料册); business card holders (名片簿); note books (笔记簿); account book covers (帐簿皮); photo albums (相片簿); and stamp albums (集邮册)
	Artificial leather (仿皮); shopping bags (购物袋); briefcases (公文包); leather leashes (皮缘饰品); umbrellas(伞); canes(手杖); harness (马具); and leather straps (皮制带子)
	Files (文件夹); data books (资料册); business card holders (名片簿); note books (笔记簿); account book covers (帐簿皮); photo albums (相片簿); and stamp albums (集邮册)
	Files (文件夹); data books (资料册); business card holders (名片簿); note books (笔记本); account book covers (帐簿皮); albums (影集); stamp albums (邮票夹); stationery (文具); bags (envelopes, pouches) made of paper or plastic, to be used for packaging (包装用纸袋或塑料袋(信封、小袋)) and adhesive tape dispensers (office supplies)(胶带分配器(办公用品))

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

1. GROUP'S BUSINESS & OPERATIONS REVIEW (CONT'D)

Products (Cont'd)

Intellectual Property (Cont'd)

b) Patents

As at FYE2016, we own the following patents registered in China:-

Description	Type	Number	Duration, Expiry date
CD File	Design	ZL200930171742.0	10 years, expiring 20 April 2019
Plastic Cubbyhole	Design	ZL200930171743.5	10 years, expiring 20 April 2019
Files with Cover Which May be Locked	Design	ZL200930171744.X	10 years, expiring 20 April 2019
Files with Cover Which May be Locked	Design	ZL200930171740.1	10 years, expiring 20 April 2019
Files with Cover Which May be Locked	Design	ZL200930171741.6	10 years, expiring 20 April 2019
Folder Structure of Suspension Files	Utility Model	ZL200920181489.1	10 years, expiring 25 November 2019

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

1. GROUP'S BUSINESS & OPERATIONS REVIEW (CONT'D)

Business Objectives and Strategies

Our mission is to be Asia's leading owner and provider of quality and innovative products that consumers choose and trust. To support our mission, we are guided firmly by our commitment to great value, the community, diversity and the environment.

We place emphasis on research and development (R&D) to improve the quality of our existing products and to accelerate the development of new products. Currently, our Group has an R&D team comprising 11 members. Our R&D team constantly develops new products and enhances our existing products to support the evolving needs of the ever-changing market. Our products are manufactured based on market demand and as such, we do not have any patented and non-patented products which failed to commercialise or were discontinued over the years.

Our Group's R&D activities over the past few years were mainly focused on the following:-

- (a) Development and successful introduction of patented products which are proprietary to us such as the plastic tape printer, files with cover which may be locked and net bag;
- (b) Continuous improvement in our production process which helped us to minimise waste, hence lowering our costs of production;
- (c) Constant update and enhancement on our existing range of plastic filing and storage products;
- (d) Continually widen our range of product offerings, thus enabling us to respond quickly to the evolving requirements of our customers. We currently manufacture and sell a broad assortment of more than 450 types of plastic filing and storage products; and
- (e) Performing in-house testing on the PP sheets produced by us which includes testing on the colour, texture, oxidation, thickness and durability. Our current testing equipment comprises basic machineries such as chromatography, thickness meter, tensile testing machine, burst strength testing machine, corrosion testing machine and anti-oxidation device.

We intend to increase our R&D efforts to develop more innovative and high margin new products. Consequently, we intend to increase the number of our R&D staff and invest in product design and development. Our Group's ongoing and future R&D activities will be focused on the following:-

- (a) To develop and introduce new patented products and further improved features of the plastic tape printer to enhance our gross profit margin;
- (b) To improve the quality of our existing products and to accelerate the development of new products. Our PP sheet formulation is developed internally. As and when required, we seek informal assistance from academics at research centres or universities for enhancement of our existing PP sheet formulation;
- (c) To continuously improve our production process, which includes improving the efficiency of existing processes, identifying areas to reduce wastage and rejects, increasing the productivity of resources and maintaining consistency of output quality; and
- (d) We currently have very basic testing machineries such as chromatography, thickness meter, tensile testing machine, burst strength testing machine, corrosion testing machine and anti-oxidation device which are manual in nature. It is a laborious task to utilise these machineries to test multiple types of files and PP sheets.

We have steadily built up our "SAKURA" brand and it is now well established and recognised both in China and globally. Our dedicated Sales and Marketing Department will continue to focus on building our own brands, namely, "SAKURA", "NACHI" and "FOLDERSYS".

The sales and marketing department is responsible for brand building, execution of sales and marketing strategies, monitoring of sales and marketing activities, obtaining feedback from our customers, building relationships with our customers (including distributors, retailers and corporations) and providing market feedback to our Production and R&D Departments.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

1. GROUP'S BUSINESS & OPERATIONS REVIEW (CONT'D)

Business Objectives and Strategies (Cont'd)

We promote our “SAKURA”, “NACHI” and “FOLDERSYS” brands of plastic stationery products through participation in trade shows and advertisements on billboards and other media in China. Our advertising and promotional activities are conceptualised and carried out by personnel from our Sales and Marketing Department who are also responsible for liaising with third-party service providers such as production houses and advertising agencies. To showcase our three (3) brands to distributors and retailers, we participate in major sales fairs, including the China Import and Export Fair (中国进出口商品交易会) (commonly known as Canton Fair (广交会), held twice a year in Guangzhou, China, to showcase our new products and to solicit orders for our products from distributors and retailers. These sales fairs are important platforms for us to showcase our latest product designs to our existing and potential distributors and retailers and also to enable us to interact with the distributors and retailers and obtain valuable feedback on market acceptance of our brands of plastic stationery products.

Trade fairs/ Exhibitions



Meanwhile, our Group has an extensive distribution network globally and in China and we are not dependent on any single market. As at FYE2016, our Group has over 141 distributors worldwide of which nine (9) are exclusive distributors. Our exclusive distributors are responsible for their assigned territories around the world and they on-sell our products to various retailers in their respective territories. The exclusive distributors are required to attain a minimum sales target. Our sales and marketing department is constantly seeking new distributors to extend our sales reach globally.

As at FYE2016, our products are sold through distributors in over 56 countries to more than 400 customers (including distributors, retailers and corporations). These customers are located mainly in China, Asia (including Hong Kong, United Arab Emirates, Palestine, Pakistan, Qatar, Iran, Saudi Arabia, India, Indonesia, Japan, Kuwait, Philippines, Korea, Nepal, Syria, Lebanon, Israel, Bangladesh, Thailand, Sri Lanka and Taiwan but excluding China), America, Europe, Africa and other regions, each of which contributed to approximately RMB52.77 million, RMB188.53 million, RMB70.36 million, RMB116.60 million, RMB40.19 million and RMB27.16 million respectively of our revenue in FYE2016. For the year under review, sales through distributors contributed more than 99% of our total revenue. Hence, we are not dependent on a single geographical market.

Going forward, we will continue to promote our sales globally and locally, in particular focusing on China, which we believe has strong growth potential and prospects for the plastic stationery industry. As such, we intend to focus our marketing and promotional efforts in the China market.

Our Executive Chairman, Chan Fung @ Kwan Wing Yin, has almost two (2) decades of experience in the plastic stationery industry and has an extensive network of contacts both in China and overseas. He also plays a key role in consolidating our Group's position in existing markets and in its expansion in new markets.

We intend to expand our sales reach in China and to other countries where we do not currently have a presence. In particular, we intend to work with our existing distributors and engage new distributors to entrench our global footprint.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

2. REVIEW OF FINANCIAL PERFORMANCE

Despite a challenging operating environment, our Group has managed to achieve a healthy financial performance. For FYE2016, CSL's revenue and profit after tax (PAT) remained positive at RMB495.60 million and RMB29.75 million respectively, compared to RMB381.28 million and RMB91.79 million achieved a year ago.

The higher revenue was mainly due to the increase in sales of our Non-Patented Products. Our wholly owned subsidiaries, Sakura Plastic and Sakura Stationery have resumed its production beginning of May 2015 after the fire incident.

Meanwhile, the lower PAT was mainly due to RMB58.5 million and RMB93 million of advertisement cost incurred in May 2016 and November 2016 respectively.

Sales of our Non-Patented Products increased by RMB142.54 million or 61.50% to RMB374.28 million in FYE2016 from RMB231.74 million previously due to the increase in sales volume from our filing and storage products and expandable files products. The increase was in line with our increased marketing and advertisement efforts and increase in orders for our products from our existing customers.

However, sales of our Patented Products decreased by RMB28.23 million or 18.88% to RMB121.32 million in FYE2016 from RMB149.55 million a year ago due to the global economic slowdown.

Geographically, our revenue increased across all regions except for the China market. Our revenue from sales to Asia (excluding China) increased RMB67.48 million or approximately 55.74%, RMB37.76 million or approximately 47.90% from sales to Europe, RMB16.18 million or approximately 29.86% from sales to America, RMB2.31 million or approximately 6.09% to Africa and RMB10.68 million or approximately 64.76% from sales to other regions. Revenue from sales to China decreased by RMB20.08 million or approximately 27.57%.

Overall, our gross profit ("GP") increase RMB55 million or 29.55% from RMB186.39 million in FYE2015 to RMB241.46 million with an average GP margin of 48.89% and 48.72% for year 2015 and year 2016 respectively. The GP margin is quite constant due to better control of production cost.

Our cost of sales increased by approximately RMB59.25 million or 30.40% from approximately RMB194.89 million in FYE2015 to approximately RMB254.14 million in FYE2016. The increase in cost was in line with the increase in our revenue. Manufacturing overheads as a proportion to our revenue was approximately 51% in FYE2015 and FYE2016.

Selling and distribution expenses increased by approximately RMB102.33 million or 153.75% from approximately RMB66.56 million in FYE2015 to approximately RMB168.89 million in FYE2016. The increased was mainly due RMB58.5 million and RMB93 million of advertisement cost incurred in May 2016 and November 2016 respectively.

As at FYE2016, our Group had cash and bank balances amounting to RMB1.85 billion compared to RMB1.79 billion previously.

To illustrate further our strength, CSL had shareholders' funds amounting to RMB2.75 billion.

On our trade receivable turnover, the credit terms we extend to our customers range from 30 days to 90 days. It decreased from 114 days in FYE2015 to 104 days in FYE2016 due to better collection from debtors and improvement in credit control.

Our Directors have observed the trends based on the sales and operations of our Group and expect our sales and production to increase as a result of our increasing branding efforts, sales and marketing activities and continuing focus on product development and innovation to provide a greater range of plastic stationery products to our customers.

Generally, we will determine our pricing policy by taking into account factors such as our plans to enlarge our market share and the fluctuation of prices of raw materials. Based on our key management knowledge and experience in the industry, we do not expect sharp fluctuations of the prices of our products. Based on our prospects and future plans and barring any unforeseen circumstances, we should be able to generally maintain our margin through our branding, high product quality, innovative and proprietary products.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

2. REVIEW OF FINANCIAL PERFORMANCE (CONT'D)

PP materials are a key component of our cost of materials. PP materials, being a by-product of crude oil, are affected by the demand for and supply of PP materials, as well as crude oil prices. We believe that notwithstanding the fluctuating price of crude oil and therefore PP, we are able to pass on substantially the increase in cost, if any, to our customers. Furthermore, coupled with the continuous improvements and streamlining of our production process, including recycling residual PP materials from our production, any increase in the cost of PP could be offset to a certain extent by the savings from our production process.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the plastic stationery industry in the PRC and overseas market as well as our Group's competitive strengths and advantages.

Our Group does not have a formal dividend payout policy. It depends on our cashflow and capital expenditure needs. No dividends were declared in FYE2016.

3. REVIEW OF OPERATING ACTIVITIES

2016 was a challenging yet exciting year for our Group. Whilst the plastic stationery industry in China encountered a slowdown in market demands amidst increased competition, our Group weathered the storm to achieve profitability for the financial year under review.

The Group's strong operations are a testament to the hard work put in by our dedicated team to keep the Company going. We managed to regain orders from our customers which had moved to our competitors due to the fire incident in our production plant at No. 2899, Jin Jiang West Road, Hanjing District, Putian, Fujian Province, PRC on 4 April 2014.

Our current production capability of PP sheets stands at approximately 34,200 tonnes.

i) Plastic filing and storage products

Our production capacity refers to our production from raw materials, for example PP granules into PP sheets. We set out below our production capacity, production volume and utilisation rate in FYE2015 and FYE2016 for PP sheets.

PP sheets produced (by tonnes)	FYE2015	FYE2016
Maximum capacity (1)	34,200	34,200
Production volume	3,744	7,360
Utilisation rate	11%	22%

Notes:

(1) Maximum capacity has been computed based on the assumption that the machines are operating 300 days a year, 24 hours per day.

ii) Plastic tape printer

Our production capacity for our plastic tape printers is dependent on our machineries producing the printers' plastic handles. We set out below our production capacity, production volume and utilisation rate in FYE2015 and FYE2016 for our plastic tape printers.

Plastic tape printers produced	FYE2015	FYE2016
Maximum capacity (1)	5,760,000	5,760,000
Actual production	1,860,000	1,812,000
Utilisation rate	32%	31%

Notes:

(1) Maximum capacity has been computed based on the assumption the machines are operating 300 days a year, and 20 hours per day.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

3. REVIEW OF OPERATING ACTIVITIES (CONT'D)

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

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

We believe our success and prospects are bolstered by a combination of strengths and advantages such as:

(a) Award-winning brand associated with high quality products

With rising standards of living globally and increasing disposable income, we believe branding plays an increasingly important role in the sale of our plastic stationery products. Hence, since 1992, we have been focusing on building our in-house “SAKURA” brand of products. In May 1994 and May 1995, trademark registrations were obtained for our “櫻花” mark and our “SAKURA” mark in China. In 2004 and 2006, we also obtained trademark registration for our “NACHI” and “FOLDERSYS” marks in China. Going forward, we will focus on strengthening our brands, “SAKURA”, “NACHI” and “FOLDERSYS”.

We have generated awareness for our brands through trade shows and advertisements on billboards and through other media in China. Our “SAKURA” brand of products has won numerous awards, certifications and accolades including Fujian Province Branded Products (福建省名牌产品) 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) awarded by the Fujian Province Famous Trademark Determination Committee (福建省著名商标认定委员会).

Our Executive Directors believe that branding is associated with quality. Hence, the cornerstone of our branding is our commitment and dedication to quality. Our ability to market our products globally to more than 56 countries including Japan, Germany and USA which maintain a high standard for quality of products is testament to the quality of our products. In China, we have received numerous awards and recognition for the quality of our products and the creditworthiness of our Group.

Our commitment and dedication to quality has been affirmed by various commendations. We were awarded a Certificate for Product Exemption from Quality Surveillance Inspection (产品质量免检证书) from the 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). We were also one of only five (5) manufacturers in China to co-author the industry standards for files published by the State Development and Reform Commission of China (中华人民共和国国家发展和改革委员会) in 2006.

(b) Innovative patented products and technical know-how

Our success may be attributable to our continuous efforts to develop an array of innovative products. To continuously attract customers, we believe that innovation plays an important role.

We have our own R&D department to develop innovative patented products and improve on existing products as we envisage that patented products will allow us to enjoy higher gross profit margins. Going forward, we plan to develop more patented products.

We have never encountered incidents of sales returns from any of our customers for our products. This, coupled with the continuous incoming orders we received from our local and overseas customers, serves as a testament to the quality of our products, which are well accepted by our diverse range of customers. Our PP sheets are manufactured by Sakura Plastic from PP granules. The formulation for the production of our PP sheets forms part of our proprietary knowledge and is kept by our Executive Chairman, Mr Chan Fung @ Kwan Wing Yin. We believe we can maintain our quality as we control the upstream manufacturing of PP sheets and hence are able to control the colour, rigidity, durability and design of our files. Our upstream capability also enables us to control our PP sheet production and hence our end products to meet our customers' requirements. This accords us flexibility, as opposed to bulk purchase of PP sheets from third parties in which we may be unable to control the quality produced. The acceptance of our products overseas, particularly in countries such as Japan, USA and Germany, is a testament to our quality.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT (cont'd)

3. REVIEW OF OPERATING ACTIVITIES (CONT'D)

(b) Innovative patented products and technical know-how (cont'd)

We constantly strive to minimise waste, thus reduce cost and maintain healthy gross profit margins. To minimise wastage, we recycle our scrapped PP sheets to produce new PP sheets. Through our technical know-how, we are able to lower the cost of production of our stationery products whilst maintaining the quality by substituting existing raw materials with recycled materials of lower raw materials cost.

Our production capability is well recognised in the industry as Sakura Stationery was one of only five (5) manufacturers in China to co-author the industry standards for files published by the State Development and Reform Commission of China (中华人民共和国国家发展和改革委员会) in 2006, which is a testament to our technical know-how.

(c) Extensive distribution network globally and in China without being dependent on any single market

Our Group has over 141 distributors worldwide of which nine (9) are exclusive distributors. Our exclusive distributors are responsible for their assigned territories around the world and they on-sell our products to various retailers in their respective territories. The exclusive distributors are required to attain a minimum sales target. Our sales and marketing department is constantly seeking new distributors to extend our sales reach globally.

Our products are sold through distributors in over 56 countries to more than 400 customers (including distributors, retailers and corporations). These customers are located mainly in China, Asia (including Hong Kong, United Arab Emirates, Palestine, Pakistan, Qatar, Iran, Saudi Arabia, India, Indonesia, Japan, Kuwait, Philippines, Korea, Nepal, Syria, Lebanon, Israel, Bangladesh, Thailand, Sri Lanka and Taiwan but excluding China), America, Europe, Africa and other regions, each of which contributed to approximately RMB52.77 million, RMB188.53 million, RMB70.36 million, RMB116.60 million, RMB40.19 million and RMB27.16 million respectively of our revenue in FYE2016. Hence, we are not dependent on a single geographical market.

Going forward, we will continue to promote our sales globally and locally, in particular focusing on China which we believe has strong growth potential. We believe that China has strong growth prospects for the plastic stationery industry and, as such, we intend to focus our marketing and promotional efforts in the China market.

As such, in the next few years, one of our key sale strategies is to expand our sales network in China by tapping on our network of customers. At present, we distribute our products through distributors to a large extent.

4. FUTURE PLANS & PROSPECTS

Given the prevailing economic environment, we foresee a challenging year in FYE2017. Furthermore, we have experienced a slow recovery in sales revenue following the fire on 4 April 2014.

The global economic recession has resulted in a sharp decline in our export sales, which contributed approximately 89% of our total revenue. To minimise this impact, we intend to focus our effort on customer groups in the domestic market. Nevertheless, our group revenue will be affected to a certain extent by a prolonged slowdown in the world market.

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

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

Therefore, in FYE2017, CSL will be investing in R&D in order for the Company to come up with more innovative products.

Our R&D efforts involve enhancing our existing products and developing new patented products to maintain and enhance our profit margins. We expect the enhancement of our products and development of new patented products will result in positive contributions to our revenue and profits.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors (“the Board”) of China Stationery Limited (“CSL” or “the Company”) is committed to ensuring that good corporate governance practices are applied throughout the Company and its subsidiaries (“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 of Bursa Malaysia Securities Berhad (“MMLR”), the Board is pleased to provide a statement explains the manner in which the Company has applied the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) during the financial year ended 31 December 2016, 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 Nominating 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 stated that any staff who knows of a suspected contravene or violation of the Code of Conduct, is encouraged to whistle-blow or report the guilty party or parties to his/her immediate superior or Head of Department or the Chief Operating Officer or the Board.

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

The Board Charter and Code of Conduct and Business Ethics are available on the Company’s website at (cstationery.com). The Board Charter and Code of Conduct and Business Ethics are reviewed by the Board once every two years to ensure their relevance and compliance. The Board had reviewed its Board Charter and Code of Conduct and Business Ethics on 23 November 2015.

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

THE BOARD OF DIRECTORS (Cont'd)

The Board (cont'd)

Recommendation 1.4 of MCGG 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.

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

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

Board Balance and Independence

The Board consists of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals. The Board consists of six (6) members comprising two (2) Executive Directors and four (4) Independent Non-Executive Directors. The profile of each Director is presented on pages 14 to 17 of this Annual Report.

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

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Balance and Independence (Cont'd)

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

The Group's workforce statistics in terms of age, ethnic, gender and nationality as at 31 December 2016 are disclosed under "Additional Compliance Information" as stated in page 53 of this Annual Report.

Recommendation 3.5 of MCCG 2012 states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Chairman of the Board is Mr Chan Fung @ Kwan Wing Yin, an Executive Chairman. 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 23 years of experience in the plastic stationery industry. The Board is of the view that his substantial financial interest and wide range of exposure are well placed to the convergence of two roles.

The Board took note on the clear separation of responsibility between the Executive Chairman and the CEO so as to ensure that there is a check and balance at the Board. The Chairman is primarily responsible for ensuring the Board's effectiveness whilst the CEO is responsible for the efficient management of the businesses and day-to-day operations.

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

The Company will make announcement immediately to Bursa Malaysia Securities Berhad ("Bursa Securities") upon the Board has approved the appointment of new CEO.

The Board acknowledges and takes cognisance that the current size and composition of the Board are considered adequate to provide an optimum mix of skills and experience. The Board will continue to monitor and review that Board size and composition as may be needed.

Recommendation 3.2 of MCCG 2012 recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Nevertheless, the said Independent Director may retain as Independent Director, subject to Board's justification and shareholders' approval. Presently, none of the Independent Non-Executive Directors hold office for more than (9) years as the Company was listed on 24 February 2012.

Appointment and Re-election

Appointment of new Directors to the Board or Board Committees is recommended by the Nominating Committee to the Board for approval. Under Bye-Law 88(6) of the Bye-Laws of the Company, newly appointed Directors shall retire at the next Annual General Meeting ("AGM") and shall be eligible for re-election. According to Bye-Law 89(1) of the Bye-Laws of the Company, one-third (1/3) of the Board members for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third (1/3), shall retire from office at the AGM and shall be eligible for re-election thereafter. In accordance with the Bye-Law 89(2) of the Bye-Laws of the Company, each Director shall retire from office at least once in every three (3) years, but shall be eligible for re-election. Notwithstanding the foregoing, a Director who is over the age of seventy (70) years shall retire from office in every year but may be re-elected by way of a special resolution in general meeting.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Appointment and Re-election (Cont'd)

In addition, the Nominating Committee is responsible for overseeing and reviewing on an annual basis, and making recommendation of the appointment of a new member and/or Board Committee to the Board. The Nominating Committee would recommend to the Board after taking into consideration the candidates:

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

Board Meeting

The Board is scheduled to meet at least four (4) times a year at quarterly intervals, with additional meetings to be convened when urgent and important decisions are to be made between the scheduled meetings. The agenda for each Board meeting is circulated to all the Directors for their perusal at least five (5) days before the Board meeting. Sufficient time and notice are provided so as to enable the Directors to obtain further explanation, where necessary, in order to be briefed properly before the meeting. However, short notice due to urgency is permissible upon getting Board's approval.

During the financial year ended 31 December 2016, the Board met ten (10) times and the attendances of the Directors are as follows:

Name of Board Members	No. of Meetings Attended
Mr Chan Fung @ Kwan Wing Yin (Executive Chairman and Chief Executive Officer)	9/10
Mr Angus Kwan Chun Jut (Executive Director)	10/10
Dr Risambessy Izaac (Senior Independent Non-Executive Director)	5/10
Mr Herman Widjaja (Independent Non-Executive Director)	10/10
Mr Ang Wei Chuan (Independent Non-Executive Director)	8/10
Mr Lim Kim Huat (Independent Non-Executive Director)	10/10

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Support and Information

The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs so as to enable them to discharge their responsibilities. Prior to the meetings, the Directors are provided with the agenda and the meeting papers on issues to be discussed five (5) days before the meetings to enable Directors to deliberate on the issues to be raised at the meetings and to obtain further explanations, where necessary. A record of the Board's deliberation of issues discussed and conclusion reached are captured in the minutes of the meeting by the Company Secretary. Such minutes of meetings are confirmed by the respective Board Committees and signed by Chairman of the meeting.

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

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

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

- (a) advise the Board and Management on corporate governance issues;
- (b) ensure compliance of listing and related statutory obligations under the Companies Act 2016, MMLR and Capital Markets and Services Act 2007;
- (c) attend the Board, Board Committees and general meetings, and ensure the proper recording of minutes;
- (d) ensure proper upkeep of statutory registers and records of the Company; and
- (e) assist the Chairman in the preparation for and conduct of meetings.

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.

i) Nominating Committee

A summary about the activities of the Nominating Committee in the discharge of its duties during the financial year ended 31 December 2016 are set out in the Nominating Committee Statement on pages 54 to 56 of this Annual Report.

Recommendation 4.1 of MCGG 2012 states that the Board should set out expectations on time commitment for its members and protocols for accepting new directorships. As such, the Board should obtain this commitment from its members at the time of appointment. Directors should notify the Chairman before accepting any new directorship. The Board confirms that all directors do not exceed five (5) directorships as at the date of this Annual Report.

THE BOARD OF DIRECTORS (Cont'd)

Board Committees (Cont'd)

ii) Remuneration Committee

As of the date of this Annual Report, the Remuneration Committee consists of four (4) members:

Chairman

Mr Lim Kim Huat

(Independent Non-Executive Director)

Member

Mr Chan Fung @ Kwan Wing Yin

(Executive Chairman and Chief Executive Officer)

Dr Risambessy Izaac

(Senior Independent Non-Executive Director)

Mr Ang Wei Chuan

(Independent Non-Executive Director)

The Remuneration Committee is empowered and authorised to carry out its functions pursuant to its Terms of Reference. The Remuneration Committee is an integral part of the process by which the Company attracts, retains and motivates Directors with relevant experience and expertise needed after considering the recommendations of the Remuneration Committee to assist in managing the Group effectively.

All Executive Directors are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

The remuneration package for Directors comprises the following elements, where applicable:

- (a) Fees – the fixed annual fees to be paid to the Non-Executive Directors.
- (b) Salaries – the basic salaries for the Executive Directors as recommended by the Remuneration Committee to the Board for approval.
- (c) Other Emoluments* – Emoluments such as bonuses, retirement benefits, provision for leave, meeting allowances, statutory contributions and incentives in the form of shares/option in shares of CSL.
- (d) Benefits-in-kind** – Customary benefits such as provision of rented accommodation for expatriate Executive Directors, motor vehicle, club membership and personal expenses are made available to the Executive Directors in accordance with the policies of the Company.

All Non-Executive Directors are paid fixed annual director fees as members of the Board and Board Committees. The fees payable to each of the Non-Executive Director are determined by the Board as authorised by the shareholders of the Company. The amount of fee for each of the Non-Executive Director varies with the level of responsibilities undertaken by the individual Non-Executive Director.

In addition to fixed annual Director fees, all Non-Executive Directors, save for the Chairman of the Board, are paid a meeting attendance allowance for each meeting attended. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages for Executive and Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Committees (Cont'd)

ii) Remuneration Committee (Cont'd)

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and subsidiaries respectively for the financial year ended 31 December 2016 are as follows:

(a) Aggregate remuneration of Directors categorised into appropriate components are as follows:

(i) Received from CSL

	Fees (RM)	Salaries (RM)	Other Emoluments (RM)	Benefit-in- kind** (RM)	Total (RM)
Executive Directors					
Mr Angus Kwan Chun Jut	—	—	—	—	—
Mr Chan Fung @ Kwan Wing Yin	—	—	—	—	—
Non-Executive Directors					
Mr Ang Wei Chuan	70,000	—	8,000	—	78,000
Mr Herman Widjaja	70,000	—	10,000	—	80,000
Mr Lim Kim Huat	70,000	—	10,000	—	80,000
Dr Risambessy Izaac	70,000	—	5,000	—	75,000
Total	280,000	—	33,000	—	313,000

(ii) Received on Group basis

	Fees (RM)	Salaries (RM)	Other Emoluments (RM)	Benefit-in- kind** (RM)	Total (RM)
Executive Directors					
Mr Angus Kwan Chun Jut	—	839,150**	—	—	839,150
Mr Chan Fung @ Kwan Wing Yin	—	1,048,937.50*	—	—	1,048,937.50
Non-Executive Directors					
Mr Ang Wei Chuan	—	—	—	—	—
Mr Herman Widjaja	—	—	—	—	—
Mr Lim Kim Huat	—	—	—	—	—
Dr Risambessy Izaac	—	—	—	—	—
Total	—	1,888,087.50	—	—	1,888,087.50

* Mr Chan Fung @ Kwan Wing Yin was paid at RMB1,625,000.00 per annum. The above amount is based on the conversion rate RMB1: RM0.6455 as at 31 December 2016.

** Mr Angus Kwan Chun Jut was paid at RMB1,300,000.00 per annum. The above amount is based on the conversion rate RMB1: RM0.6455 as at 31 December 2016.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Committees (Cont'd)

ii) Remuneration Committee (Cont'd)

(b) The number of Directors whose income falls within the following bands is set out as follows:

(i) Received from CSL

Remuneration bands per annum	Number of Director	
	Executive Directors	Non-Executive Directors
RM50,000 and below	—	—
RM50,001 – RM100,000	—	4
RM800,001 – RM850,000	—	—
RM850,001 – RM900,000	—	—
RM900,001 – RM950,000	—	—
RM950,001 – RM1,000,000	—	—
RM1,000,001 – RM1,050,000	—	—

(ii) Received on Group Basis

Remuneration bands per annum	Number of Director	
	Executive Directors	Non-Executive Directors
RM50,000 and below	—	—
RM50,001 – RM100,000	—	—
RM800,001 – RM850,000	1	—
RM850,001 – RM900,000	—	—
RM900,001 – RM950,000	—	—
RM950,001 – RM1,000,000	—	—
RM1,000,001 – RM1,050,000	1	—

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

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

iii) Audit Committee

The Company has established an Audit Committee which comprises four (4) Independent Non-Executive Directors, in compliance with the MMLR which require all the members of the Audit Committee to be Non-Executive Directors, with a majority of them being Independent Directors and the Chairman of AC is an Independent Non-Executive Director.

The Audit Committee met five (5) times during the financial year ended 31 December 2016. Full details of the composition of the Audit Committee, including its roles and responsibilities, number of meetings and attendance by the Audit Committee, a summary of the work and Internal Auditors' activities carried out by the Audit Committee during the financial year ended 31 December 2016 and its Terms of Reference can be found in the Audit Committee Report as set out on pages 42 to 49 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Directors' Training

All the Directors have attended the in-house corporate training in respect of Roles and Responsibilities of Directors in relation to Financial Statements conducted by Tricor Knowledge House Sdn Bhd on 18 August 2016, except Mr Chan Fung @ Kwan Wing Yin due to health issue, and he attended the same training on 17 November 2016. The Board recognises the need and importance of continuous education for its Board Members.

The Company Secretary will re-direct the email invitation on the seminar, breakfast talk, briefing and etc from the various professional bodies from time to time. Therefore, the Company will be able to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

The Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programme. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations. With the assistance from Nominating Committee, the Board would assess the training needs of the Directors from time to time and will ensure Directors have access to continuing education programme.

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 MCG 2012. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's website (cstationery.com).

The publication of principal governance information such as Board Charter and Board Committees' Terms of Reference are included in its corporate website. Investor information, financial information and corporate announcements can be accessed on the website as well.

The AGM is the principal forum for dialogue between the Company and the shareholders. The Board provides the opportunity for shareholders to raise questions pertaining to the issues and business of the Company and the Group and to consider the resolutions being proposed. The Board is aware that pursuant to Paragraph 8.29A of the MMLR, a listed issuer must ensure that any resolution set out in the notice of any general meeting, be voted by poll. The Company must also appoint at least one (1) scrutineer to validate the votes cast at the general meeting. Such scrutineer must be independent of the person and must not be an officer of the listed issuer or its related corporation.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

SHAREHOLDERS AND INVESTORS RELATIONS (Cont'd)

The Board takes the opportunity to answer the questions raised by the shareholders during the general meeting. The Board recognises the rights of shareholders. In order to continue encouraging shareholders' participation in the general meetings, the Board would ensure that the Notice of the AGM is sent to shareholders at least twenty-one (21) days ahead of the date of general meeting and to provide sufficient time and opportunities to the shareholders to seek clarification during general meetings on any matters pertaining to the issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the operational and financial performance of the Company.

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

All the resolutions set out in the Notice of the 2016 AGM were put to vote by show of hands and duly passed. The shareholders were informed of their rights to demand for a poll. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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 a professional consulting firm. The Statement on Risk Management and Internal Control set out on pages 50 to 52 of this Annual Report provides further details of the activities of the internal audit function for the current financial year.

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

On 22 August 2013, the Board has adopted the Group Risk Management Policy and authorised Management to proceed with the necessary action for the implementation of the policy. Hence the Risk Register or risk management control sheet would be reviewed by the Head of Departments quarterly to identify, assess, monitor and record the key business risks. The Group Risk Management reports are tabled to the Audit Committee for review and the Board for notation on quarterly basis. Significant risks will be highlighted to the Board and pre-cautious steps will be implemented to prevent Company financial position being deteriorated or any interruption in business daily operation.

The Risk Management process involves the following steps:

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

During the financial year ended 31 December 2016, the Internal Auditors had conducted review on which areas evaluation on the overall risk management framework to ascertain whether the current framework and practices were adequate and effective in managing the risks of the Company. The Internal Auditors also review the Company's internal control system in order to assess the adequacy and effectiveness of the Company's systems of internal control over the following areas/business processes:

- Human Resource & Payroll Management
- Treasury Control
- Revenue to collections & Credit Management

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ACCOUNTABILITY AND AUDIT (Cont'd)

Relationship with Auditors

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

The Board reviewed the independence, performance and remuneration of the External Auditors based on the recommendation of the Audit Committee before recommending them to the shareholders for re-appointment in the AGM on an annual basis. The External Auditors would provide written assurance to the Board in respect of its independence to act as the External Auditors of the Group. The Audit Committee has obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The existing External Auditors, Messrs RT LLP has been served as the Company's External Auditors since listing of the Company in 2013. The Board is satisfied with the performance and independence of Messrs RT LLP after considering their performance. Hence, the Board at its meeting held on 31 March 2017 approved the recommendation by the Audit Committee for shareholders' approval to be sought at the forthcoming AGM on the re-appointment of Messrs RT LLP as External Auditors of the Company for the financial year ending 31 December 2017.

Details of the audit and non-audit fees paid/payable to Messrs RT LLP for the financial year ended 31 December 2016 are as follows:

	Company RM'000	Group RM'000
Statutory audit fees paid/payable to Messrs RT LLP	—	325,668.00*
Non-audit fees paid/payable to:		
- Messrs RT LLP	—	—
- Affiliates of Messrs RT LLP	—	—
	—	325,668.00

* The statutory audit fees paid/payable to Affiliates of Messrs RT LLP was paid at SGD105,000.00 per annum. The above amount is based on the conversion rate SGD1: RM3.1016 as at 31 December 2016.

This Statement was approved by the Board on 31 March 2017.

AUDIT COMMITTEE REPORT

The Audit Committee (“AC”) was formed by the Board of Directors (“the Board”) of China Stationery Limited (“CSL” or “the Company”) on 28 December 2011. The Board is pleased to present the report of the AC for the financial year ended 31 December 2016 in compliance with Paragraph 15.15 of the Main Market of Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”).

1. COMPOSITION

As the date of this report, the AC comprises the following members:

Chairman

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

Members

Mr Herman Widjaja (*Independent Non-Executive Director*)

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

Mr Lim Kim Huat (*Independent Non-Executive Director*)

The composition of the AC complies with the MMLR and the Malaysian Code on Corporate Governance 2012 as follows:

- All four (4) AC members are Non-Executive Directors, a majority of whom are independent, including the AC Chairman and none of them are alternate Directors; and
- Mr Lim Kim Huat is a member of the Association of Chartered Certified Accountants and Institute of Certified Public Accountants of Singapore and Dr Risambessy Izaac is a member of the Indonesian Institute of Certified Public Accountants. Hence, the AC meets the requirements of Paragraph 15.09(1)(c) of the MMLR, which stipulates that at least one (1) member of the AC must be a qualified accountant.

2. MEETINGS AND ATTENDANCE

A total of five (5) meetings were held during the financial year ended 31 December 2016. Details of the attendance by each member at the AC meetings are set out below:

NAME OF COMMITTEE MEMBERS	DESIGNATION	NO. OF MEETINGS ATTENDED
Dr Risambessy Izaac	Chairman (<i>Senior Independent Non-Executive Director</i>)	3/5
Mr Herman Widjaja	Member (<i>Independent Non-Executive Director</i>)	5/5
Mr Ang Wei Chuan	Member (<i>Independent Non-Executive Director</i>)	5/5
Mr Lim Kim Huat	Member (<i>Independent Non-Executive Director</i>)	5/5

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

The Chief Financial Officer, Internal Auditors and External Auditors should normally attend the AC meetings to provide the AC their inputs and advice and furnish appropriate relevant information. Other Board members and Management may attend the AC meetings only at the AC's invitation.

3. SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE

The AC's activities are structured to support the Board's oversight responsibilities. During the financial year ended 31 December 2016, the AC had worked closely with the External Auditors, Internal Auditors and Management to discharge its duties and functions in accordance with its Terms of Reference and the activities are summarised as follows:

Financial Reporting and Compliance

- (a) Reviewed the unaudited quarterly financial results at the meetings held on 25 May 2016, 19 August 2016, 18 November 2016 and 24 February 2017 respectively.
- (b) On 31 March 2017, the AC reviewed the audited financial statements for the financial year ended 31 December 2016. The AC's recommendations were presented at the Board meeting for the Board's approval and the same had been released to Bursa Malaysia Securities Berhad and Securities Commission after the Board's approval.

As part of its quarterly and annual reviews of the financial statements, the AC concentrating among others:

- the accounting principles, financial reporting standards and the audit opinion, including key audit matters to be reported were applied to ensure compliance with applicable approved accounting standards in Malaysia and other statutory and regulatory requirements before recommending to the Board for approval;
- material areas in which significant judgements have been applied; and
- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the performance of the Company.

Risk Management and Internal Control

- (a) Reviewed the risk management report on a quarterly basis, with focus on the key risks identified and the status of risk management process implemented to facilitate the identification, assessment, evaluation, monitoring and management of risks.
- (b) Reviewed the adequacy and effectiveness of the system of internal controls based on the status report.

External Audit

- (a) Reviewed the audit plan of the Company and its subsidiaries ("Group") in relation to its scope of audit, audit methodology and timetable, audit materiality and risk ratings of the proposed area of audit.
- (b) Reviewed the performance of the External Auditors, i.e. Messrs RT LLP, including assessment of their independence, technical competency, adequacy of resources and reasonableness of their audit fees and non-audit fees. The annual assessment was conducted on 31 March 2017, with feedback obtained from the AC and the Management. Based on the results of the evaluation, the AC is satisfied with the External Auditors' performance. Therefore, the AC had recommended to the Board on the re-appointment of Messrs RT LLP as the External Auditors of the Company, subject to shareholders' approval to be sought at the forthcoming 2017 Annual General Meeting.
- (c) Assessed the independence and objectivity of the External Auditors by obtaining affirmation from the External Auditors. During the financial year under review, Messrs RT LLP has re-affirmed their independence to act as the Company's External Auditors in accordance with the Accountants Act 2004 (Act 4 of 2004) and administered by the Accounting and Corporate Regulatory Authority.
- (d) In order to further maintain independence of the External Auditors, the audit partner-in-charge of the Company is rotated every five (5) years. The current audit partner of the Company is Mr Su Chun Keat and will rotate after financial year 2018.
- (e) The AC conducted private session with the External Auditors without the presence of the Executive Directors and Management during the financial year ended 31 December 2016.

AUDIT COMMITTEE REPORT (cont'd)

3. SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

Internal Audit

- (a) Reviewed the internal audit reports (including follow-up review reports) of the Group, which outlined their audit findings, recommendations for improvements on reported weaknesses to ensure that management action plans are taken to improve and enhance the internal control systems based on the improvement opportunities highlighted in the internal audit reports.
- (b) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function, internal audit programme and results of the internal audit process to ensure that appropriate actions are taken by the Management on the recommendations of the internal audit function.
- (c) Reviewed and approved the internal audit plan to ensure adequate scope and comprehensive coverage over the activities of the Group.

The Internal Auditors was invited to attend the AC's meetings on to provide clarification on specific issues raised in the internal audit reports. Summary reports which provided status updates of the implementation of management action plans on the findings reported in the internal audit reports for all the previous audit cycles were presented to the AC. The Internal Auditors had conducted internal control reviews for human resource & payroll management and treasury control.

Related Party Transactions

- (a) Reviewed the related party transactions entered into by the Group on a quarterly basis, if any, to ensure that they were not detrimental to the interests of the minority shareholders.

Other Matters

- (a) On 18 November 2016, the AC considered and reviewed the proposed amendments to the Terms of Reference of AC and recommended the same to the Board for approval.
- (b) On 31 March 2017, the AC reviewed the Statement on Corporate Governance, AC report and Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in this Annual Report.
- (c) Deliberated and monitored the Practice Note 16 under MMLR and thrive to enhance Company's value through looking for profitable business venture.
- (d) Constructive discussion during the meeting and act prudently in decision making and take necessary actions to mitigate possible risks (i.e. appointment of independent third party auditor to carry out due diligence report in new business venture).

4. INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an independent professional consulting firm to assist the Board in the discharge of its duties and responsibilities. The Internal Auditors undertakes independent, objective, regular and systematic reviews of the internal control systems and activities audited by them and reports directly to the AC. The internal audit function assists the Management to identify, evaluate and update significant risks and develop a risks-based audit plan for approval by the AC.

The total cost incurred in connection with the internal audit function of the Group during the financial year ended 31 December 2016 was amounted to RMB51,537 (RM33,267). [2015: RMB331,686 (RM208,299)].

5. TERMS OF REFERENCE

1.0 PURPOSE

The purpose of the establishment of Audit Committee ("AC") is to assist the Board of Directors in discharging their responsibilities to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC also provides a channel communication between the Board of Directors, Management, External Auditors and Internal Auditors.

5. TERMS OF REFERENCE (Cont'd)

2.0 COMPOSITION AND SIZE

2.1 The AC 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 AC must be composed of not fewer than 3 members;
- (ii) the AC must have at least one (1) Independent Director who has a principal or only place of residence in Malaysia;
- (iii) all AC members must be Non-Executive Directors, with a majority of them being Independent Directors; and
- (iv) all AC members should be financially literate with at least one (1) member fulfills the following requirements pursuant to Paragraph 15.09(1)(c) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"):
 - (a) 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 three (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) fulfills such other requirements as prescribed or approved by the Bursa Securities.

2.2 The Board of Directors must ensure that no Alternate Director shall be appointed as a member of the AC.

2.3 In the event of any vacancy in the AC (including chairman of the AC) resulting in the non-compliance of the MMLR, the Board of Directors must fill the vacancy within three (3) months of the occurrence of that event.

2.4 The Nomination Committee ("NC") must review the term of office and performance of AC members and each of its members annually to determine whether such AC and members have carried out their duties in accordance with their terms of reference.

3.0 CHAIRMAN

3.1 The members of the AC must elect a Chairman among themselves who is an Independent Non-Executive Director.

3.2 In the absence of the Chairman of the AC, the AC members present shall elect one of their members to be Chairman of the meeting.

3.3 The responsibilities of the AC Chairman are as follows:

- (i) planning and conducting meetings;
- (ii) reporting to the Board of Directors on all matters within its duties and responsibilities;
- (iii) encouraging open discussion during meetings and take reasonable steps in ensuring adequate flow of relevant information to the AC;
- (iv) developing and maintaining an active on-going dialogue with Senior Management and both the Internal Auditors and External Auditors; and
- (v) assessing the performance of individual AC members on annual basis to facilitate the NC's evaluation of AC's performance.

AUDIT COMMITTEE REPORT (cont'd)

5. TERMS OF REFERENCE (Cont'd)

4.0 SECRETARY

The Secretary to the AC, shall but need not, be the Company Secretary of the Company.

5.0 MEETINGS

- 5.1 The AC should meet at least four (4) times in each financial year, i.e. on a quarterly basis or such additional meetings may be called at any time, at the discretion of the Chairman of the AC, to properly carry out its duties and ensure effective discharge of its responsibilities as spelt out in its terms of reference.
- 5.2 Sufficient time must be allocated to allow thoroughly address all items in the Agenda and for all parties involved to ask questions or provide input.
- 5.3 The quorum shall consist of a majority of the Independent Non-Executive Directors.
- 5.4 The AC members may participate in a meeting by means of tele-conference, video-conference 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 AC shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.
- 5.5 The Chief Financial Officer, the Internal Auditors and External Auditors should normally attend the meetings of the AC. Other board members may be invited to attend where their presence are considered appropriate as determined by the AC Chairman.
- 5.6 Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the AC 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.
- 5.7 The minutes of each meeting shall be kept as part of the statutory record of the Company upon confirmation by the AC and shall be made available to all members of the AC.
- 5.8 The Board of Directors shall be kept aware of the AC's activities by way of the AC minutes and/or AC papers being circulated (including verbal reports from the Chairman of AC during the Board Meeting).
- 5.9 A resolution in writing signed or approved via letter, telex or facsimile by all AC members shall be valid and effective for all purposes as a resolution passed at a meeting of the AC 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.

5. TERMS OF REFERENCE (Cont'd)

6.0 RIGHTS OF THE AUDIT COMMITTEE

In carrying out its duties and responsibilities, the AC will:

- (i) have the authority to investigate any matter within its terms of reference;
- (ii) have the resources which are required to perform its duties;
- (iii) have full and unrestricted access to information pertaining to the Company 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;
- (iv) use the services of outside expertise or advisors and invite outsiders with relevant experience and expertise to attend the AC meetings, 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;
- (v) 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; and
- (vi) be able to convene meetings with the External Auditors, the person(s) carrying out the internal audit function or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

7.0 KEY FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

- 7.1 The Terms of Reference of AC 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 AC's responsibilities.
- 7.2 The AC is primarily responsible for, amongst others, the following duties and responsibilities:
 - (a) review with the external auditors, the audit plan, audit report, 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 results, and year-end financial statements before submission to the Board for approval, focusing particularly on changes in or implementation of major accounting policy changes, significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are being addressed, the going concern assumption and compliance with accounting standards and any other legal requirements;
 - (c) review the adequacy and effectiveness of the internal control system and ensure co-ordination between the external auditors and management, and review the assistance given by management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);

AUDIT COMMITTEE REPORT (cont'd)

5. TERMS OF REFERENCE (Cont'd)

7.0 KEY FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE (Cont'd)

7.2 The AC is primarily responsible for, amongst others, the following duties and responsibilities: (Cont'd)

- (d) in relation to audit function, to do the following:
 - review the adequacy of the scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its work;
 - review the internal audit plan and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendation of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of the internal auditors;
 - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - investigate or cause to be investigated any activity within its terms of reference;
 - to have explicit authority over the resources such as professional advice and full access to information to investigate certain matters;
 - to discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed. The contracts cannot be entered into should include:
 - (i) Management consulting;
 - (ii) Strategic decision;
 - (iii) Tax services; and
 - (iv) Policy and standard operating procedures documentations.
 - in the event that non-audit fees paid to the Company's External Auditors, or a firm or corporation affiliated to the External Auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's External Auditors) the Company is required to state the details on the nature of non-audit services-rendered in the AC Report.
- (e) review and discuss with the external auditors any problems and reservations which has or is likely to have a material impact on the Group's operating results or financial position, and management's response;
- (f) to nominate and recommend the appointment/ re-appointment of the external auditors, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors if applicable and report the same to the Board. In considering the appointment/ re-appointment of the external auditor, to consider among others:
 - (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the listed issuer's group being audited; and
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit.

5. TERMS OF REFERENCE (Cont'd)

7.0 KEY FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE (Cont'd)

7.2 The AC is primarily responsible for, amongst others, the following duties and responsibilities: (Cont'd)

- (g) ensuring the independence of the external and internal auditors function through active participation in the audit process;
- (h) any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) review and approve all hedging policies and instruments (if any) to be implemented by the Group;
- (j) 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 AC;
- (k) generally undertake such other functions and duties as may be required by statute or the Bursa Securities LR, or by such amendments as may be made thereto from time to time; and
- (l) review the Group risk management report quarterly and the risk management policies and practices of the Group to ensure their effectiveness.

7.3 The AC is to also consider the performance of the external auditor and its independence as below:

- (i) the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (ii) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
- (iii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.

7.4 Where the AC 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 MMLR of Bursa Securities, the AC must promptly report such matter to Bursa Securities.

8.0 REVIEW AND REVISION OF THE TERMS OF REFERENCE

The Terms of Reference will be reviewed periodically or as and when required by the AC and recommendation be made to the Board for approval on any revision.

This AC report is made in accordance with the approval of the Board of Directors on 31 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintain and continuously improve the sound system of risk management as well as internal controls system of the Company and its subsidiaries ("Group") and is pleased to provide the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2016 as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and taking into consideration of the recommendations underlying Principle 6 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

BOARD'S RESPONSIBILITIES

The Board acknowledges the importance of a sound risk management and internal controls practices for good corporate governance with the objective of safeguarding shareholders' investments and the Group's assets. The Board affirms its overall responsibility for the Group's risk management and internal controls system and has undertaken a review of the adequacy and effectiveness of those systems and compliance with relevant laws and regulations.

In this respect, the task of reviewing the adequacy and effectiveness of the risk management and internal controls system has been delegated to the Audit Committee ("AC"), which is guided by AC's Terms of Reference to seek assurance of the same through reports which receives from independent reviews conducted by the Internal Auditors and Management.

In view of the limitations inherent in any system of risk management and internal controls, this system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business and corporate objectives. Hence, it 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 controls 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 Group's business operations, with the objective of maintaining a sound system and ensuring its continuing adequacy and integrity. Currently, the Board has not established a Risk Management Committee to oversight the risk management of the Group. However, key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards. Regular management and operational meetings are held to deliberate key risks and the appropriate mitigating controls. Management will report to the Board periodically on the emerging risks and their impacts on operations, profitability and business plan and the status of management actions to manage these risks. Significant risks affecting the Group's strategic and business plans are highlighted to the Board at their scheduled meetings on quarterly basis. This ongoing process is undertaken at all major subsidiaries of the Group, as well as collectively at the Group level.

The Board has 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 controls system.

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

- Risk profile has been developed for the Company.
- Group Risk Management Policy has been developed which incorporates amongst others a structure process for identifying, evaluating and prioritising risks as well as clearly defining the risk responsibilities and escalation process.
- The respective Head of Department of all subsidiaries within the Group to sign the risk management assurance form in accordance with the Group Risk Management Policy on a quarterly basis.
- Quarterly Group Risk Management Reports are tabled to the AC and Board summarising identified risks and controls taken to mitigate or manage the identified risks.

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

BOARD'S RESPONSIBILITIES (Cont'd)

1. CONTROL ENVIRONMENT AND RISK MANAGEMENT FRAMEWORK (Cont'd)

The risk management process involves the following steps:

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

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

2. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional consulting firm to assist the Board AC in providing an independent assessment and objective assurance on the adequacy, efficiency and effectiveness of the Group's internal controls system.

The Internal Auditors reports directly to the AC on the outcome of its appraisal of risk management activities. The internal audit plan is reviewed and approved by the AC. The internal audit reports were presented to the AC on annual basis to review the audit findings and action plans taken by the Management to address the audit findings and issues raised in the internal audit reports, subsequently reported to the Board. The Internal Auditors also followed up on the status of the Management's action plans on internal audit review reports.

3. OTHER ELEMENTS OF INTERNAL CONTROLS

The key elements of the Group's internal controls 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 AC reviews the quarterly financial reports, annual financial statements, quarterly group risk management reports and the internal audit reports. Discussions with Management were held to deliberate on the actions that are required to be taken to address any internal control matters identified by the outsourced internal audit function.

The Board Committees such as AC, Nominating Committee and Remuneration Committee are established with written Terms of Reference to discharge their respective responsibilities.

To in line with the MCCG 2012, the Executive Chairman and Chief Executive Officer and the Chief Financial Officer have provided assurance to the Board on 31 March 2017 that, to the best of their knowledge, the Group's risk management and internal controls system are operating adequately and effectively, in all material aspects, in line with the Group's objectives during the financial year under review and up to the date of approval of this statement.

In accordance with the assessment of the Group's risk management and internal controls system, the Board is satisfied that the existing ongoing process for identifying, evaluating, monitoring and managing the significant risks faced by the Group and the existing level of risk management and internal controls system are adequate and effective to safeguard shareholders' investments and the Group's assets.

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

3. OTHER ELEMENTS OF INTERNAL CONTROLS (Cont'd)

Based on the internal audit reviews conducted for the financial year ended 31 December 2016, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report. Notwithstanding this, the Board will continue to take measures to strengthen the risk management and internal controls system of the Group to prevail in its current challenging business environment.

REVIEW OF THE STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this statement for inclusion in the Annual Report of the Company for the financial year ended 31 December 2016. Their review was performed in accordance with Recommended Practice Guide 5 ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants. Their review has been conducted to assess whether this statement is supported by the documentation prepared and appropriately reflects the process that the Directors have adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

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

This Statement was approved by the Board of Directors on 31 March 2017.

ADDITIONAL COMPLIANCE INFORMATION

MATERIAL CONTRACTS

There were 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 2016.

WORKFORCE DIVERSITY

The Group's workforce statistics in terms of nationality, gender, ethnicity and age as at 31 December 2016 are disclosed as follows:

Nationality	Number of Staff	%
Indonesian	1	0.29
China	337	97.97
Hong Kong	5	1.45
Malaysian	1	0.29
	344	100

Gender	Number of Staff	%
Male	229	66.57
Female	115	33.43
Total	344	100

Ethnicity	Number of Staff	%
Buyi	1	0.29
Tai	2	0.58
Tong	1	0.29
Han	334	97.09
Miao	2	0.58
Tujia	4	1.16
Total	344	100

Age	Number of Staff	%
Less than 30	96	27.91
30 to 39	141	40.99
40 to 49	74	21.51
More than 50	33	9.59
Total	344	100

NOMINATING COMMITTEE STATEMENT

The Board of Directors (“the Board”) of China Stationery Limited (“CSL” or “the Company”) has established the Nominating Committee (“NC”) on 28 December 2011. The NC is pleased to present its report for the financial year ended 31 December 2016 in compliance with Paragraph 15.08A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”).

1. COMPOSITION

As at the date of this report, the NC comprises three (3) Independent Non-Executive Directors. In line with the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”), all NC members including the Chairman are Non-Executive Directors.

The composition of the NC is as follows:

Chairman

Mr Herman Widjaja (*Independent Non-Executive Director*)

Members

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

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

The MCCG 2012 has recommended that the NC to be chaired by the Senior Independent Non-Executive Director of the Company. However, the Senior Independent Non-Executive Director of CSL currently serves as the Chairman of the Audit Committee. Therefore, the Company had on 18 November 2016 made announcements to Bursa Malaysia Securities Berhad (“Bursa Securities”) pertaining to the re-designation of Mr Herman Widjaja as the Chairman of the NC and Dr Risambessy Izaac (former Chairman of NC) as a member of the NC in order to have different Directors chairing the Board Committees so as to leverage on different perspectives and dynamics. This will also ensure that each Independent Director has equitable roles and responsibilities.

The NC is responsible for considering and making recommendations to the Board candidates for directorship when the need arises such as to fill a vacancy arising from resignation or retirement or to close any skills, competencies or diversity gap that has been identified. Candidates may be proposed by the Chief Executive Officer or any Senior Management or any Director or shareholder, and must fulfil the requirements prescribed under the relevant laws and regulations for appointment as Director.

In its selection of suitable candidates, the NC based on its curriculum vitae to evaluate potential candidates for the purpose of appointment of Directors with proper selection criteria that consider competencies, skills and personal attributes.

The NC will arrange for the induction for any new appointment such as visits to the Company’s significant businesses, as appropriate, to enable them to have a full understanding of the nature of the business, current issues within the Group and corporate strategies as well as the structure and management of the Company.

The NC also assessing the performance of the Board and Board Committees as a whole and contribution of each individual Director on an on-going 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 discharging its responsibilities, the NC has developed certain criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates, the NC will recommend to the Board after considers the following factors:

- (a) skills, knowledge, expertise and experience;
- (b) professionalism and integrity;
- (c) time commitment and contribution;
- (d) background, character and competence; and
- (e) in the case of the candidates for the position of the Independent Non-Executive Directors, the NC should also evaluate the candidates’ ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

NOMINATING COMMITTEE STATEMENT(cont'd)

2. TERMS OF REFERENCE

The Terms of Reference ("TOR") of the NC are consistent with the MMLR and the MCGG 2012. The TOR of the NC is accessible to the public for reference on the Company's official website at cstationery.com.

3. MEETINGS AND ATTENDANCE

The NC met once during the financial year ended 31 December 2016 and details of attendance of members of the NC are as follows:

Name of Committee Members	Designation	No. of Meetings Attended
Mr Herman Widjaja	Chairman (Independent Non-Executive Director)	1/1
Dr Risambessy Izaac	Member (Senior Independent Non-Executive Director)	0/1
Mr Ang Wei Chuan	Member (Independent Non-Executive Director)	1/1

The Board takes note of the Recommendation 2.2 of MCGG 2012 pertaining to the needs to establish a policy formalising the approach to boardroom diversity and to set targets and measures for the adoption of the said recommendation. The Board takes the view that, for the time being, the status quo of the Board, in terms of composition and structure, should be maintained.

The Board is, however, open to board changes as and when appropriate. The Board is of the view that Board membership is dependent on each candidate's skills, experiences, core competencies and other qualities, regardless of gender. The Board is committed to mixture of expertise and has an equal opportunity policy and there are no barriers by reason of an individual's gender, race, and religion and age.

4. SUMMARY ACTIVITIES OF THE NOMINATING COMMITTEE

During the financial year ended 31 December 2016, the NC had carried out its duties and functions in line with its TOR and the activities are summarised as follows:

(a) Review of Proposed Directors for Re-election/ Re-appointment

The recommendation is based on the performance of the Directors, taking into account their contribution to the Board through their skills, experience, expertise, professionalism and time commitment, particularly level of independence and ability to act in the best interests of CSL. Based on the schedule of retirement by rotation, the NC is also responsible for recommending to the Board those Directors who are eligible to stand for re-election or re-appointment.

Subject to the provision of Bye-Law 89(1) of the Bye-Laws of the Company, at each annual general meeting of the Company, an election of Directors shall take place whereby one-third (1/3) of the Directors for the time being, or if their number is not three (3) or multiple of three (3), then the number nearest to but not less than one-third (1/3), shall retire from office and shall be eligible for re-election.

In accordance to Bye-Law 89(2) of the Bye-Laws of the Company, the Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day as those to retire shall (unless they otherwise agree among themselves) be determined by lot provided always that each Director shall retire at least once every three (3) years. Notwithstanding the foregoing, a Director who is over the age of seventy (70) years shall retire from office in every year but may be re-elected by way of a special resolution in general meeting.

NOMINATING COMMITTEE STATEMENT(cont'd)

4. SUMMARY ACTIVITIES OF THE NOMINATING COMMITTEE (Cont'd)

(a) Review of Proposed Directors for Re-election/ Re-appointment (Cont'd)

Based on the results of the assessment undertaken for the financial year ended 31 December 2016, the NC at its meeting held on 31 March 2017 has recommended to the Board that Mr Angus Kwan Chun Jut and Dr Risambessy Izaac, who are due to retire pursuant to Bye-Law 89(1) of the Bye-Laws of the Company at the 2017 Annual General Meeting, stand for re-election. Mr Angus Kwan Chun Jut and Dr Risambessy Izaac have expressed their intentions to seek for re-election.

There is no new appointment of Directors during the year under review. Hence, the retirement of a newly appointed director and re-election thereon pursuant to Bye-Law 89(3) of the Bye-Laws of the Company is not applicable.

(b) Board Effective Assessment

The NC carried out its annual assessment on the effectiveness of the Board and Board Committees as a whole, and contribution of each individual Director in respect of the financial year ended 31 December 2016. The evaluation forms comprising Board & Board Committees Evaluation Form, Board Skills Matrix Form, Individual Directors' Self and Peer Assessment, Independence of Independent Directors, Audit Committee and Audit Committee Members' Self and Peer Evaluation Form.

The assessment of the Audit Committee is based on specific criteria, covering areas such as the quality and composition, skills and competencies, meeting administration and conduct. For Board & Board Committees Evaluation, the assessment areas include Board mix and composition, quality of information and decision making, boardroom activities, the assessment of the individual Directors covered area such as fit and proper, contribution and performance, competency, calibre, character/personality and understanding of role. The assessment on the independence of the Independent Directors is mainly to assess the independence of every Independent Director.

The NC had on 31 March 2017, reviewed the outcome of the Board Evaluation for 2016 and discussed areas of improvement. Pursuant to Paragraph 15.20 of the MMLR, the NC had reviewed the performance of the Audit Committee and is satisfied that the Audit Committee and its members discharged their functions, duties and responsibilities in accordance with its TOR.

The results of the assessment were summarised by the Company Secretary and the same were tabled to the NC for review and deliberation, thereafter reported to the Board by the Chairman of the NC. These results form the basis of the NC's recommendations to the Board for the re-election and re-appointment of Directors at the AGM.

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.

This Statement is made in accordance with the approval of the Board of Directors on 31 March 2017.



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FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in submitting their report together with the audited financial statements of the Group for the financial year ended 31 December 2016.

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

	RMB'000
Profit for the financial year attributable to owners of the Company	29,751

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the significant events during the year in Note 28 of the financial statements.

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

DIRECTORS

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

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

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 17 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 21 to the financial statements.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2016	As at 31.12.2016	As at 1.1.2016	As at 31.12.2016
The Company				
	Number of ordinary shares '000			
Chan Fung @ Kwan Wing Yin ⁽¹⁾	1,828	1,828	289,100	230,400
Angus Kwan Chun Jut ⁽¹⁾	-	-	289,100	230,400

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

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2016	As at 31.12.2016	As at 1.1.2016	As at 31.12.2016
The Company				
	Number of warrants '000			
Chan Fung @ Kwan Wing Yin ⁽¹⁾	-	-	361,837	-
Angus Kwan Chun Jut ⁽¹⁾	-	-	361,837	-

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

⁽²⁾ Lead Champion Group Limited has fully disposed its warrants during the financial year.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

ISSUE OF SHARES AND DEBENTURES

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

During the Company's annual general meeting held on 26 May 2016, shareholders of the Company have approved the Company to repurchase its own shares. During the financial year, the Company repurchased 200 shares at the cost of RMB165 / RM104, 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 2016	10,000,600	4,006,894	2,073,726	0.2074
Repurchase of shares during the year	200	165	104	0.5200
As at 31 December 2016	10,000,800	4,007,059	2,073,830	0.2074

OTHER STATUTORY INFORMATION

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

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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

OTHER STATUTORY INFORMATION (Cont'd)

In the opinion of Directors:-

- (a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group to meet its obligations as and when they fall due; and
- (b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and date of this report which is likely to affect substantially the results of the operations of the Group for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 28 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant events subsequent to the end of the reporting period are disclosed in Note 29 to the financial statements.

INDEPENDENT AUDITOR

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

On behalf of the Directors

CHAN FUNG @ KWAN WING YIN

Date: 11 April 2017
Hong Kong

ANGUS KWAN CHUN JUT

Date: 11 April 2017
Hong Kong

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

In the opinion of the directors, the accompanying consolidated statement of financial position, 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 as at 31 December 2016 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 26 of the financial statements have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material aspects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

On behalf of the Directors

CHAN FUNG @ KWAN WING YIN

Date: 11 April 2017
Hong Kong

ANGUS KWAN CHUN JUT

Date: 11 April 2017
Hong Kong

STATUTORY DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 67 to 98 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Oaths and Declarations Ordinance (Cap 11)

Subscribed and solemnly declared by the abovementioned
Angus Kwan Chun Jut in Hong Kong
Date: 12 April 2017

ANGUS KWAN CHUN JUT

Before me:

Commissioner for Oaths

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA STATIONERY LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of China Stationery Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 98.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Institute of Singapore Chartered Accountants ("By-Laws") and the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters are addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

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

KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>1) Impairment of trade receivables</p> <p>The Group has allowances for bad and doubtful debts amounting to approximately RMB22,945,000 as at 31 December 2016. During the financial year, the Group has charged allowance for bad and doubtful debts amounting to approximately RMB1,626,000 in the profit or loss.</p> <p>We considered allowances for bad and doubtful debts to be a key audit matter because the amount is quantitatively significant and the identification of bad and doubtful debts involved management's judgements and estimates.</p> <p>Allowances for impairment were made based on management's understanding and prior history of doing business with the respective customers.</p> <p>The key assumption and judgements on the impairment of trade receivables are made in Note 2(a) and Note 9.</p>	<p>Our audit procedures include, amongst others:</p> <ul style="list-style-type: none"> • Evaluation of the design and implementation of the Group's internal control in relation to the controls over trade receivables collection; • Selection of samples from the debtors ageing list to obtain assurance over the accuracy of the listing as at 31 December 2016 used by management to identify long outstanding trade receivables; • Evaluate management's correspondences and legal letters issued to the debtors and the response; and • Challenging management's judgement on those debts that management view as noncollectible by assessing the repayment history and financial information on those debtors.
<p>2) Advertisement Expenses</p> <p>The Group incurred advertising expenses during the financial year amounting to approximately RMB146,226,000. Advertising expenses incurred during the year represented approximately 30% of total revenue for the year.</p> <p>We considered advertising expenses to be a key audit matter as it is a significant expense and it's important to ascertain the validity of the advertisement expenses.</p>	<p>Our audit procedures include, amongst others:</p> <ul style="list-style-type: none"> • Discuss with management to understand the track record of the advertising agencies engaged; rationale for awarding the contracts to them as well as the type and form of advertising channels being used; • Review the advertising contracts signed with the advertising agencies, corroborating scope of advertising services provided to our understanding from our discussions with management; • Vouch contract amount to tax invoices issued from advertising agencies; and • Obtain evidence that advertising services were rendered to the Group by corroborating to actual deliverables by the advertising agencies.
<p>3) Construction-in-progress written off</p> <p>The Group had incurred RMB6,454,000 in relation to the construction-in-progress for a factory at Five Stars Village, Jiangkou Town, Hanjiang District. There have been no development cost incurred since 2012.</p> <p>Management has decided to write-off the construction-in-progress during the year as there are no further plans to complete the construction work and future economic benefits from this asset is not expected.</p>	<p>Our audit procedures include, amongst others:</p> <ul style="list-style-type: none"> • Assessing the recoverability of the construction in progress by reviewing the discounted cash flow projection prepared by the Management; • Evaluating the process by which management's discounted cash flow projections were developed, including verifying the mathematical accuracy of the underlying calculation; • Assessing the reasonableness of discounted cash flow projections and comparing key input against the Group's historical data; and • Reviewing and discussing with the management's on its future plan.

INDEPENDENT AUDITOR'S REPORT

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

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, Chairman's Statement, Management Discussion and Analysis Statement, Profiles of Directors, Statement on Corporate Governance, Audit Committee Report, Statement on Risk Management and Internal Control, Additional Compliance Information and Nominating Committee Statement (but does not include the financial statements of the Group and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group that give a true and fair view in accordance with International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

The supplementary information set out in Note 26 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

Singapore
Date: 12 April 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-Current			
Land use rights	4	13,623	13,939
Property, plant and equipment	5	516,985	574,802
Investment property	6	145	145
Deferred tax assets	7	101,968	119,957
		632,721	708,843
Current			
Inventories	8	15,674	22,852
Trade and other receivables	9	320,135	265,821
Cash and bank balances	10	1,854,412	1,794,411
		2,190,221	2,083,084
Total assets		2,822,942	2,791,927
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	11	6,226	6,226
Reserves	12	2,739,409	2,709,659
Total equity		2,745,635	2,715,885
Non-Current Liability			
Deferred tax liability	13	41,314	40,604
Current Liabilities			
Trade and other payables	14	22,633	22,387
Amount due to shareholders	15	5,188	3,964
Current tax payable	18	8,172	9,087
		35,993	35,438
Total equity and liabilities		2,822,942	2,791,927

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

Chan Fung @ Kwan Wing Yin
Director
Date: 11 April 2017
Hong Kong

Angus Kwan Chun Jut
Director
Date: 11 April 2017
Hong Kong

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 2016

	Note	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
Revenue	3	495,598	381,283
Cost of sales		(254,137)	(194,891)
Gross profit		241,461	186,392
Other income	3	40,670	60,214
Selling and distribution expenses		(168,891)	(66,559)
Administrative expenses		(39,924)	(37,277)
Other operating expenses	16	(5)	(56)
Profit before taxation	17	73,311	142,714
Taxation	18	(43,560)	(50,920)
Net profit for the year		29,751	91,794
Total profit and comprehensive income for the year		29,751	91,794
Earnings per share (RMB cents)			
- Basic	19	2.39	7.39
- Diluted	19	2.39	7.39

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 2016

	Share capital RMB'000 (Note 11)	Capital reserve RMB'000 (Note 12)	Share premium RMB'000 (Note 12)	Treasury shares RMB'000 (Note 12)	Merger Deficit RMB'000 (Note 12)	Statutory Reserve RMB'000 (Note 12)	Retained earnings RMB'000	Total RMB'000
Balance at								
1 January 2015	6,226	64	449,936	(4,006)	(4,150)	101,949	2,074,072	2,624,091
Profit for the year, representing total comprehensive income	—	—	—	—	—	—	91,794	91,794
Transactions with owners in their capacity as owners								
Purchase of treasury shares	—	—	—	*	—	—	—	*
Balance at								
31 December 2015	6,226	64	449,936	(4,006)	(4,150)	101,949	2,165,866	2,715,885
Profit for the year, representing total comprehensive income	—	—	—	—	—	—	29,751	29,751
Transactions with owners in their capacity as owners								
Transfer to statutory reserves	—	—	—	—	—	1,782	(1,782)	—
Purchase of treasury shares	—	—	—	(1)	—	—	—	(1)
Balance at								
31 December 2016	6,226	64	449,936	(4,007)	(4,150)	103,731	2,193,835	2,745,635

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 2016

	Note	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
Cash flows from operating activities			
Profit before taxation		73,311	142,714
Adjustments for:			
Depreciation of property, plant and equipment	5	51,363	42,279
Allowance/ (Reversal) of impairment losses on trade receivables	9	1,626	(38,832)
Amortisation of land use rights	4	316	317
Loss on disposal on property, plant and equipment	17	—	48
Property, plant and equipment written off	17	6,454	—
Interest income	3	(33,756)	(15,233)
Operating profit before working capital changes		99,314	131,293
Decrease/ (Increase) in inventories		7,178	(9,629)
(Increase)/ Decrease in trade and other receivables		(55,940)	87,423
Increase/ (Decrease) in trade and other payables		246	(19,587)
Net cash generated from operations		50,798	189,500
Income tax paid	18	(25,776)	(39,652)
Interest received	3	33,756	15,233
Net cash generated from operating activities		58,778	165,081
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	—	(124,786)
Proceeds from disposal of property, plant and equipment		—	8
Cash used in investing activities		—	(124,778)
Cash flows from financing activities			
Advances from shareholder's loan		1,224	2,389
Purchase of treasury shares		(1)	*
Net cash generated from financing activities		1,223	2,389
Net increase/ (decrease) in cash and cash equivalents		60,001	42,692
Cash and cash equivalents at beginning		1,794,411	1,751,719
Cash and cash equivalents at end	10	1,854,412	1,794,411

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

The financial statements of the Group for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

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

The registered office of the Company in Bermuda and Malaysia are Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda and Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia respectively. The principal place of business of the Company is located at Donglou Village, Wuli Ting, Jiangkou Town, Hanjiang District, Putian City, Fujian Province, the People's Republic of China ("PRC").

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

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of Investment		Percentage of equity held		Principal activities
		2016	2015	2016	2015	
		RMB'000	RMB'000	%	%	
Directly Held						
Sunwealth Group Limited (“Sunwealth”) ⁽¹⁾	BVI	414	414	100	100	Investment holding
Campus Developments Limited (“Campus”) ⁽¹⁾	BVI	414	414	100	100	Investment holding
Indirectly Held						
Ruiyuan (Fujian) Enterprise Co., Ltd (“Ruiyuan”) ⁽¹⁾	The People’s Republic of China	—	—	100	100	Production and sale of plastic tape printer and ink
Sakura (Fujian) Plastic Enterprise Co., Ltd ⁽¹⁾ (“Sakura Plastic”)	The People’s Republic of China	—	—	100	100	Research, development and production of polypropylene sheets
Sakura (Fujian) Packaging & Stationery Co., Ltd (“Sakura Stationery”) ⁽¹⁾	The People’s Republic of China	—	—	100	100	Production and sale of plastic stationery
		828	828			

⁽¹⁾ The financial statements for the year ended 31 December 2016 were audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

2(A) BASIS OF PREPARATION

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

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

Significant accounting estimates, assumptions and judgements

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

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. The carrying amounts of the Group's property, plant and equipment as at 31 December 2016 were RMB516,985,000 (2015 :RMB574,802,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Income tax

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

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance 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. No allowance had been recognised in the current year (2015: Nil). The carrying amount of inventories is disclosed in Note 8.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed. The carrying amount of current year trade and other receivables after accounted for impairment allowance is RMB131,365,000 (2015: RMB150,446,000), where the movement of impairment allowance is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

2(B) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2016

On 1 January 2016, the Group adopted the new or amended IFRS and IFRIC interpretations that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRSs and IFRIC interpretations.

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

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

Below are the mandatory new or amended IFRS and IFRIC interpretations that have been published, and are relevant for the Company's and the Group's accounting periods beginning on or after 1 January 2017 and which the Company and the Group have not early adopted:

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

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

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

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

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

- IFRS 16 Leases

The directors do not anticipate that the adoption of the above new or amended IFRS in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption except for IFRS 15, IFRS 9 and IFRS 16. Management is currently evaluating the potential impact of the application of IFRS 15, IFRS 9 and IFRS 16 on the financial statements of the Group in the period of their initial application.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

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

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

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Consolidation (Cont'd)

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

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

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

Land use rights

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

Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over its remaining useful life of 50 years. Land use rights represent up-front payment to acquire long-term interests in the usage of land.

Property, plant and equipment 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:

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less 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.

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 reevaluated and classification may be changed at the end of each reporting period with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Loan and receivables

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

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less allowance 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.

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

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

Cash and cash equivalents

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

Share capital and treasury shares

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Dividends

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

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

Financial liabilities

The Group's financial liabilities include trade and other payables and accrued liabilities.

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.

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

Provisions

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

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

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

Operating leases

Where the Group is the lessee

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

Where the Group is the lessor

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

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.

Value added tax

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

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

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

Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Key management personnel

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

Impairment of non-financial assets

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

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

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

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

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

Revenue recognition

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

Interest income is recognised on a time-apportioned basis using the effective interest method, provided that it is probable that the economic benefits will flow to the Group and the amount can be measured reliably.

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

Foreign currencies

Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

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

Operating segments

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

3 PRINCIPAL ACTIVITIES, REVENUE AND OTHER INCOME

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

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

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods	495,598	381,283
Other income		
Interest income	33,756	15,233
Sale of scrap	70	6
Rental income from investment property	36	37
Foreign exchange gain	6,808	6,106
Reversal of impairment loss on trade receivables	–	38,832
	40,670	60,214

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

4 LAND USE RIGHTS

	RMB'000
Cost	
At 1 January 2015, 31 December 2015 and 31 December 2016	15,786
Accumulated amortisation	
At 1 January 2015	1,530
Amortisation for the year (Note 17)	317
At 31 December 2015	1,847
Amortisation for the year (Note 17)	316
At 31 December 2016	2,163
Carrying amount	
At 31 December 2016	13,623
At 31 December 2015	13,939

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

5 PROPERTY, PLANT AND EQUIPMENT

Cost	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
At 1 January 2015	368,112	1,076	210,072	1,970	6,454	587,684
Additions	124,786	—	—	—	—	124,786
Disposals	—	(127)	—	—	—	(127)
At 31 December 2015	492,898	949	210,072	1,970	6,454	712,343
Written off	—	—	—	—	(6,454)	(6,454)
At 31 December 2016	492,898	949	210,072	1,970	—	705,889
Accumulated depreciation						
At 1 January 2015	61,457	255	32,425	1,196	—	95,333
Depreciation for the year	32,333	312	9,624	10	—	42,279
Disposals	—	(71)	—	—	—	(71)
At 31 December 2015	93,790	496	42,049	1,206	—	137,541
Depreciation for the year	41,534	39	9,624	166	—	51,363
At 31 December 2016	135,324	535	51,673	1,372	—	188,904
Carrying amount						
At 31 December 2016	357,574	414	158,399	598	—	516,985
At 31 December 2015	399,108	453	168,023	764	6,454	574,802

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

5 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

During the financial year, the Group carried out a review of the recoverable amount of its construction in progress. The recoverable amount of the construction in progress has been determined on the basis of their value in use. The review led to the recognition of a written off of RMB6,454,000 that has been recognised in profit or loss of the year.

Depreciation expense

	2016 RMB'000	2015 RMB'000
Depreciation expense charged to:		
Cost of sales	36,778	24,828
Administrative expenses	14,585	17,451
	51,363	42,279

6 INVESTMENT PROPERTY

	2016 RMB'000	2015 RMB'000
At 1 January and 31 December	145	145

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

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

No depreciation had been recognised as the carrying amount of the investment property is at residual value.

The carrying amount as at 31 December 2015 and 31 December 2016 represents the residual value of the factory building at cost less accumulated depreciation and impairment losses. Fair value has not been adopted as there is neither active market activity nor information on transactions made available publicly for the Group to reliably measure the fair value of the factory building as at the end of the reporting period.

7 DEFERRED TAX ASSETS

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

	2016 RMB'000	2015 RMB'000
At 1 January	119,957	131,115
Amount utilised (Note 18)	(17,989)	(11,158)
At 31 December	101,968	119,957

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

7 DEFERRED TAX ASSETS (Cont'd)

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

As at 31 December 2016, the subsidiaries of the Group had estimated unutilised income tax losses of approximately RMB407.9 million (2015: RMB479.8 million).

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

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

8 INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	7,174	10,106
Work-in-progress	–	1,898
Finished goods	8,500	10,848
	15,674	22,852

9 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables – net	131,365	150,446
VAT receivables	49,350	62,384
Other receivables	179	131
Advances to suppliers	139,241	52,860
	320,135	265,821

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

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

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

The movement of allowance for doubtful debt is as follow:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

9 TRADE AND OTHER RECEIVABLES (Cont'd)

	2016 RMB'000	2015 RMB'000
Impairment allowance on trade receivable	22,945	21,319
Movements:		
At 1 January	21,319	60,151
Charged/ (credit) to profit or loss during the year (Note 17)	1,626	(38,832)
At 31 December	22,945	21,319

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

	2016 RMB'000	2015 RMB'000
Not past due	121,600	143,699
Past due within 30 days	1,452	2,529
Past due 31 to 90 days	2,899	2,596
Past due over 90 days	5,414	1,622
	131,365	150,446

Trade and other receivables are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
Renminbi	208,578	148,322
United States Dollar	111,557	117,414
Malaysia Ringgit	—	85
	320,135	265,821

10 CASH AND BANK BALANCES

	2016 RMB'000	2015 RMB'000
Cash on hand	4	17
Cash at bank	1,854,408	1,794,394
	1,854,412	1,794,411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

10 CASH AND BANK BALANCES (Cont'd)

	2016 RMB'000	2015 RMB'000
Cash at bank comprises:		
Current account	154,408	244,394
Fixed deposits	1,700,000	1,550,000
	1,854,408	1,794,394

Cash and bank balances are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
Renminbi	1,853,618	1,794,217
United States Dollar	763	128
Hong Kong Dollar	2	2
Malaysia Ringgit	29	64
	1,854,412	1,794,411

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 0.30% (2015: 0.35%) per annum.

Fixed deposits bear an effective interest rate of 2.01% (2015: 2.66%) per annum. Management is on the opinion that the fixed deposit should be classified as cash and cash equivalent as the deposits could be withdraw at any period of time without any significant change in value.

11 SHARE CAPITAL

	Number of shares' 000		Amount SGD' 000	
	2016	2015	2016	2015
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 and end of year	1,242,761	1,242,761	1,242	1,242
			RMB'000	RMB'000
Renminbi equivalent			6,226	6,226

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

12 RESERVES

	2016 RMB'000	2015 RMB'000
Capital reserve	64	64
Share premium	449,936	449,936
Treasury shares	(4,007)	(4,006)
Merger deficit	(4,150)	(4,150)
Statutory reserve	103,731	101,949
Retained earnings	2,193,835	2,165,866
	2,739,409	2,709,659

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 of share issue expenses.

Treasury shares

During the Company's annual general meeting held on 26 May 2016, shareholders of the Company approved the Company to repurchase its own shares. During the financial year, the Company repurchased 200 shares at the cost of RMB165 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.

13 DEFERRED TAX LIABILITY

	2016 RMB'000	2015 RMB'000
Deferred tax liability	41,314	40,604
Movements:		
At 1 January	40,604	38,623
Charged to income statement during the year (Note 18)	710	1,981
At 31 December	41,314	40,604

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

13 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 2015 and 2016, deferred tax liabilities relates to 10% withholding tax on 20% of the profit after tax of the PRC subsidiaries which is expected to be paid as dividends to the shareholders. The above balances arises from profit derived from profitable subsidiaries in the Group from 1 January 2008 to date.

14 TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	18,637	18,934
Accruals	2,241	2,312
Other creditors	1,588	925
Other tax payables	167	216
	22,633	22,387

Trade payables are generally settled between 30 and 60 days.

Accruals mainly comprises of accrued salary.

Other creditors mainly comprises of amount due to external suppliers for machineries rental.

Trade and other payables are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
United States Dollar	4,974	—
Renminbi	16,084	21,475
Malaysia Ringgit	1,575	912
	22,633	22,387

15 AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, interest-free and repayable on demand. The fair values approximate its carrying amount as at 31 December 2015 and 31 December 2016 respectively.

16 OTHER OPERATING EXPENSES

	2016 RMB'000	2015 RMB'000
Loss on disposal of property, plant and equipment	—	48
Others	5	8
	5	56

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

17 PROFIT BEFORE TAXATION

	Note	2016 RMB'000	2015 RMB'000
Profit/ (loss) before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	5	51,363	42,279
Amortization of land use rights ⁽¹⁾	4	316	317
Loss on disposal on property, plant and equipment		—	48
Allowance/ (reversal) of impairment loss on trade receivables	9	1,626	(38,832)
Cost of inventories recognised as expenses		196,205	166,285
Directors' remuneration			
- salaries and related costs		3,777	3,772
- retirement scheme contribution		8	7
Key management personnel (other than directors)			
- salaries and related costs		1,151	1,524
- retirement scheme contribution		13	62
Other than directors and key management personnel			
- salaries and related costs		11,300	11,657
- retirement scheme contribution		2,376	2,188
Advertisement expense ⁽²⁾		146,226	58,160
Operating lease expense		60	234
Property, plant and equipment written off		6,454	—

⁽¹⁾ Amortization charge on land use rights of approximately RMB316,000 (2015 : RMB317,000) 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.

18 TAXATION

	2016 RMB'000	2015 RMB'000
Current year provision		
- PRC income tax	24,861	37,781
Deferred tax assets (Note 7)	17,989	11,158
Deferred tax liability (Note 13)	710	1,981
Current year tax expense/ (credit)	43,560	50,920

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

	2016 RMB'000	2015 RMB'000
Profit before taxation	73,311	142,714
Tax at applicable tax rate of 25% (2015 - 25%)	18,328	35,679
Tax effect on non deductible expenses	24,522	13,260
Withholding tax related to undistributed profits of PRC subsidiaries (Note 13)	710	1,981
	43,560	50,920

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

18 TAXATION (Cont'd)

Movement in current income tax liabilities is as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	9,087	10,958
Income tax paid	(25,776)	(39,652)
Current income tax	24,861	37,781
At 31 December	8,172	9,087

Note:

The provision for PRC income tax is calculated based on statutory income tax at a rate of 25% for years ended 31 December 2015 and 2016 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.

19 EARNINGS PER SHARE

Basic earnings per share is calculated based on the consolidated profits attributable to owners of the Company divided by the weighted average number of shares in issue of 1,242,761,000 (2015 : 1,242,761,000) shares during the financial year.

Fully diluted earnings per share were calculated on the consolidated profits attributable to owners of the Company divided by 1,242,761,000 (2015 : 1,242,761,000) ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares in issue during the financial year adjusted for the effects of all dilutive share options and contingently issuable shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

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

	2016 RMB'000	2015 RMB'000
Profit attributable to shareholders	29,751	91,794
Basic earnings per share (RMB cents)	2.39	7.39
Diluted earnings per share (RMB cents)	2.39	7.39

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

The warrants issued as disclosed in Note 27 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

20 COMMITMENTS

20.1 Capital commitments

	2016 RMB'000	2015 RMB'000
Capital expenditure contracted but not provided for in the financial statements	31,195	60,908

The capital commitments mainly comprises of the purchase of machineries whereby remaining balances will be settled upon delivery.

20.2 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.

	2016 RMB'000	2015 RMB'000
Not later than one year	65	111
Later than one year and not later than five years	20	—
	85	111

The lease of office premises expiring between 31 July 2017 and 30 April 2018 are payable at a monthly rental fee of RMB774 and RMB5,000 respectively.

Leases as lessor

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

	2016 RMB'000	2015 RMB'000
Not later than one year	36	37
Later than one year and not later than five years	105	142
	141	179

As at 31 December 2016, RMB36,000 was recognised as rental income in profit or loss by the Group (2015 : RMB37,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

20 COMMITMENTS (Cont'd)

20.3 Other commitments

- (i) As at 31 December 2016, the Group has unpaid capital contribution in Ruiyuan amounting to USD5,600,000 (2015: USD5,600,000).
- (ii) As at 31 December 2016, the Group has unpaid capital contribution in Sakura Stationery amounting to USD5,920,000 (2015: USD5,920,000).
- (iii) As at 31 December 2016, the Group renewed the 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 2016, the Group renewed the 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 2016, the Group renewed the 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.

21 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:

	2016 RMB'000	2015 RMB'000
Rental paid to a related party ⁽¹⁾	60	80

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

22 SEGMENT INFORMATION

22.1 Business segments

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

22 SEGMENT INFORMATION (Cont'd)

22.1 Business segments (Cont'd)

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

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

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

Year ended 31 December 2016	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	121,319	374,279	–	495,598
Inter-segment revenue	–	117,104	(117,104)	–
	121,319	491,383	(117,104)	495,598
Results				
Segment results	59,108	182,353	–	241,461
Interest income				33,756
Other income				6,914
Corporate expenses				(208,820)
Profit before taxation				73,311
Income tax expense				(43,560)
Profit after taxation				29,751
Other information				
Segment assets	165,883	511,764	–	677,647
Unallocated assets				
- Investment property				145
- Deferred tax assets				101,968
- Other receivables				188,770
- Cash and bank balances				1,854,412
Total assets				2,822,942
Segment liabilities	4,562	14,075	–	18,637
Unallocated liabilities				
- Other payables				3,996
- Amount due to a shareholder				5,188
- Current tax payable				8,172
- Deferred tax liability				41,314
Total liabilities				77,307
Depreciation of property, plant and equipment	12,573	38,790	–	51,363
Amortisation of land use rights	77	239	–	316

Included in the corporate expenses is an amount relating to construction in progress written off amounting RMB6,454,000 which cannot be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

22 SEGMENT INFORMATION (Cont'd)

22.1 Business segments (Cont'd)

Year ended 31 December 2015	Patent RMB'000	Non-Patent RMB'000	Eliminated RMB'000	Total RMB'000
External revenue	149,546	231,737	–	381,283
Inter-segment revenue	–	61,287	(61,287)	–
	149,546	293,024	(61,287)	381,283
Results				
Segment results	78,312	108,080	–	186,392
Interest income				15,233
Other income				44,981
Corporate expenses				(103,892)
Profit before taxation				142,714
Income tax expense				(50,920)
Profit after taxation				91,794
Other information				
Segment assets	298,885	463,154	–	762,039
Unallocated assets				
- Investment property				145
- Deferred tax assets				119,957
- Other receivables				115,375
- Cash and bank balances				1,794,411
Total assets				2,791,927
Segment liabilities	7,426	11,508	–	18,934
Unallocated liabilities				
- Other payables				3,453
- Amount due to a shareholder				3,964
- Current tax payable				9,087
- Deferred tax liability				40,604
Total liabilities				76,042
Capital expenditure	48,943	75,843	–	124,786
Depreciation of property, plant and equipment	16,583	25,696	–	42,279
Amortisation of land use rights	124	193	–	317

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

22 SEGMENT INFORMATION (Cont'd)

22.2 Geographical segments

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

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

Europe includes Germany, Greece, Italy, Turkey, France, Poland, Spain, Russia, Sweden, Portugal, Norway, Switzerland, Netherlands, Belgium and the United Kingdom.

Americas includes 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	2016 Revenues ^(a) RMB'000	2015 Revenues ^(a) RMB'000
PRC	52,766	72,850
Asia (apart from PRC)	188,533	121,056
Americas	70,358	54,178
Europe	116,595	78,835
Africa	40,186	37,879
Others	27,160	16,485
Total	495,598	381,283

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

All non-current assets are based in PRC.

None of the customers contributed more than 10% of the total revenue.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's revised risk management policies has been approved by the Board of Directors on 23 November 2015. The Board of Directors meet quarterly to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its financial risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes.

As at 31 December 2016, the Group's financial instruments consisted mainly of cash and bank balances, trade receivables and other receivables, trade payables, accrued liabilities and other payables.

23.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from deposits with the bank. Thus, fluctuations in the interest rate will not have an impact on the Group's net profit for the years ended 31 December 2015 and 2016. Accordingly, there is no sensitivity analysis being presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

23.2 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 of Renminbi against the foreign currencies for the years ended 31 December 2016 and 2015 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	
	2016	2015
	RMB'000	RMB'000
USD	(5,367)	(5,877)
MYR	77	38
HKD	*	*

* The amount is less than RMB1,000.

A 5% weakening of Renminbi against the foreign currencies would have an equal but opposite effect.

23.3 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.

All financial assets are due within one year.

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

	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 2016					
Trade and other payables	—	22,633	—	—	22,633
Amount to due shareholders	—	5,188	—	—	5,188
		27,821	—	—	27,821
As at 31 December 2015					
Trade and other payables	—	22,387	—	—	22,387
Amount to due shareholders	—	3,964	—	—	3,964
		26,351	—	—	26,351

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

23.3 Liquidity risk (Cont'd)

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

23.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables (Note 9) and bank deposits. For trade receivables, the Group adopt the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The carrying amounts of trade and other receivables and cash and bank balances represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group's top three trade receivables contributed in aggregate to 11.67% and 11.08% of the total trade receivable balances as at 31 December 2016 and 31 December 2015 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.

23.5 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.

23.6 Categories of financial instruments

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

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables		
Cash and bank balances	1,854,412	1,794,411
Trade and other receivables	131,544	150,577
Financial liabilities		
Amortised cost		
Trade and other payables	22,633	22,387
Amount due to shareholders	5,188	3,964

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

24 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 2016 and 2015.

25 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.

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

The breakdown of the retained earnings of the Group as at 31 December 2016 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.

	RMB'000
Total retained earnings of the Company and its subsidiaries	
- Realised	2,136,991
- Unrealised	60,654
	2,197,645
Less: Consolidation adjustments	(2,028)
Total retained earnings	2,195,617

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

27 WARRANTS ISSUED

At the Extraordinary General Meeting ("EGM") held on 24 August 2012, the Company's shareholders approved warrants to be issued to the then existing shareholders on a basis of one warrant for every two existing ordinary shares of SGD0.001 each in the Company held on an entitlement date. There was no consideration received for the warrants.

The exercise price per share is RM1.15, and is exercisable anytime within five years from the date of issuance, and the conversion ratio is 1 warrant for 2 new ordinary shares of the Company. The outstanding number of warrants as at 31 December 2016 is 596,295,388. (31 December 2015: 596,295,388)

28 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the Group has charged allowance for bad and doubtful debts amounting to approximately RMB1,626,000 in the profit or loss.

The Group incurred advertising expenses during the financial year amounting to approximately RMB146,226,000.

The Group has written off the construction in progress amounting to approximately RMB6,454,000 during the financial year.

29 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

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

LIST OF PROPERTIES

AS AT 31 DECEMBER 2016

Owner 公司	Location 地点	Tenure 期限	Use of Land certificate of land use right	Use of Property ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2016 净值 2016.12.31 Land 土地 Building 建筑	Detailed description and existing use
Sakura Stationery 文具	Zhenfu Road, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市 涵江区江口镇 镇府路)	50 years ending on 7 August 2053	Investment	Integrated Building (First Plant)	5,390.00	4,034.80	Please see Note 1 below	RMB127,694 (RMB84,343) ⁽²⁾	An individual designed 5 storey detached factory and vacant
	No.5, 12th Group, Wu Xing Village, Jiangkou Town, Hanjiang District, Putian, China. (中国莆田市 涵江区江口镇 五星村十二组 五号)			Workshop (Second Plant)		4,165.50	Please see Note 1 below	RMB823,882 (RMB544,182) ⁽²⁾	An individual designed 3 storey detached factory used for off set colour printing division
					201.80	390.40	Nil	RMB72,581 (RMB47,941) ⁽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)	21,597.00	2,692.90	Nil	RMB1,258,151 (RMB831,021) ⁽²⁾	An individual designed 2 storey detached factory building used for moulding and assembling of tape printer

LIST OF PROPERTIES

AS AT 31 DECEMBER 2016 (cont'd)

Owner 公司	Location 地点	Tenure 期限	Use of Land per certificate of land use right	Use of Property per property ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2016 净值 2016.12.31 Land 土地 Building 建筑	Detailed description and existing use
						596.30	Nil	RMB4,515,154 (RM2,982,304) ⁽²⁾	Joint bridge
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (潞江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		4,270.38	Nil	RMB11,449,378 (RM7,562,429) ⁽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 (潞江区江口镇锦江西路2899号)	7 August 2053		Industrial use (New Plant)		15,422.59	Nil	RMB45,966,986 (RM30,361,654) ⁽²⁾	An individual designed 5 storey detached factory building used for manufacturing of PP films, warehouse for finished goods, accessories, parts and storage boxes, assembling line for stationery products and future production for envelopes.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2016 (cont'd)

Owner 公司	Location 地点	Tenure 期限	Use of Land certificate of land use right	Use of Property per property ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2016 净值 2016.12.31 Land 土地 Building 建筑	Detailed description and existing use
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (濠江区江口 镇锦江西路 2899号)	7 August 2053		Industrial use (New Plant)		6,988.04	Nil	RMB19,664,659 (RMB12,988,704) ⁽³⁾	An individual designed 7 storey detached factory buildings used as a dormitory and cafeteria for our employees.
						—	Nil	RMB8,099,811 (RMB5,350,006) ⁽²⁾	Drainage work
						—	Nil	RMB25,835,152 (RMB17,064,376) ⁽²⁾	Plant Road
						148.00	Nil	RMB2,912,782 (RMB1,923,921) ⁽²⁾	Power generator
									An individual designed 5 storey detached factory building is currently under construction. It will be used for manufacturing of PP films, warehouse for finished goods, accessories, parts and storage boxes, assembling line for stationery products and future production for envelopes.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2016 (cont'd)

Owner 公司	Location 地点	Tenure 期限	Use of Land certificate of land use right	Use of Property per property ownership certificate	Land area (sq m) 土地面积	GFA (sq m) 建筑面积	Encumbrance	Net book value as at FYE2016 净值 2016.12.31 Land 土地 Building 建筑	Detailed description and existing use
Sakura Plastic 塑胶	Wuxin Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市 涵江区江口镇 五星村)	50 years ending on 31 December 2060	Industrial use ⁽³⁾	–	45,600.60	–	Nil	RMB12,040,549 (RM7,952,903) ⁽²⁾	Vacant piece of industrial land
Ruiyuan 瑞源	Within Putian City High- Tech Industrial Development Zone, China (中国莆田市 高新技术产业 开发区内)	50 years ending on 12 April 2057	Industrial use	–	6,530.90	–	Nil	RMB513,042 (RM338,869) ⁽²⁾	–

Notes:

(1) Using exchange of RMB1 : RM0.6455 as at 31 December 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

Authorised Share Capital	:	SGD10,000,000.00
Issued and Fully Paid-up Capital	:	SGD1,242,760.588 comprising 1,242,760,588 ordinary shares of SGD0.001 each (including 10,000,800 treasury shares of SGD0.001 each)
Par value per share	:	SGD0.001
Class of Equity Security	:	Ordinary shares of SGD0.001 each
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS AS AT 31 MARCH 2017

Size of Holdings	No. of Holders	%	No. of Shares	%
1-99	13	0.207	368	0.000
100-1000	448	7.145	224,827	0.018
1,001 – 10,000	1,563	24.928	10,376,893	0.841
10,001 – 100,000	3,070	48.963	136,906,900	11.105
100,001 – 61,637,998 (*)	1,175	18.740	900,950,800	73.084
61,637,999 AND ABOVE (**)	1	0.015	184,300,000	14.950
Total	6,270	100.000	1,232,759,788	100.000

* less than 5% of issued shares

** 5% and above of issued shares

INFORMATION ON SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

	Direct No. of Shares	%	Indirect No. of Shares	%
Lead Champion Group Limited	230,400,000	18.69	—	—
Chan Fung @ Kwan Wing Yin	1,827,700	0.15	230,400,000*	18.69
Angus Kwan Chun Jut	—	—	230,400,000*	18.69

INFORMATION ON DIRECTORS' SHAREHOLDINGS AS 31 MARCH 2017

	Direct No. of Shares	%	Indirect No. of Shares	%
Chan Fung @ Kwan Wing Yin	1,827,700	0.15	230,400,000*	18.69
Angus Kwan Chun Jut	—	—	230,400,000*	18.69
Ang Wei Chuan	—	—	—	—
Herman Widjaja	—	—	—	—
Lim Kim Huat	—	—	—	—
Dr Risambessy Izaac	—	—	—	—

* Deemed interested via Lead Champion Group Limited applying Section 8 of the Malaysian Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017 (cont'd)

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2017

No.	Name	Holdings	%
1	UOBM NOMINEES (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LEAD CHAMPION GROUP LIMITED	184,300,000	14.950
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)	32,444,900	2.631
4	YAP GEAK HENG	29,416,100	2.386
5	JF APEX NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	24,717,000	2.005
6	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	21,000,000	1.703
7	HO SWEE CHOON	15,341,700	1.244
8	LIM EIK HOY	15,107,400	1.225
9	TANG KEE WONG	13,523,200	1.096
10	TANG KEE HIONG	10,800,000	0.876
11	THZEW BEE CHOO	10,690,600	0.867
12	GAN THIAN TECK	10,501,000	0.851
13	TANG KEE HOON	10,100,000	0.819
14	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	9,600,000	0.778
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TANG SING LING	9,519,400	0.772
16	RHB NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)	8,000,000	0.648
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL)	7,000,000	0.567
18	KOAY KIM EAM	6,971,100	0.565
19	LOW SUAN KONG	6,626,800	0.537
20	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA	6,000,000	0.486
21	CHNG KIM CHYE	5,800,000	0.470
22	KOH KIM KEAN	5,700,000	0.462

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017 (cont'd)

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2017 (Cont'd)

No.	Name	Holdings	%
23	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUEK MOOI KHENG (CCTS)</i>	5,600,000	0.454
24	UOB KAY HIAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)</i>	5,300,000	0.429
25	TANG KEE SING	5,200,000	0.421
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE KIN KHEONG (E-IMO)</i>	5,140,100	0.416
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG KIAN BOON</i>	5,126,600	0.415
28	TEO TUAN KWEE	5,050,000	0.409
29	YONG HU DIH	5,010,000	0.406
30	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG</i>	5,000,000	0.405
Total		530,685,900	43.048

ANALYSIS OF WARRANT HOLDINGS

AS AT 31 MARCH 2017

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 financial year ended 31 December 2016	:	Nil

ANALYSIS BY SIZE OF HOLDINGS AS AT 31 MARCH 2017

Size of Holdings	No. of Holders	%	No. of Warrant	%
1-99	257	11.810	12,659	0.002
100-1000	322	14.797	212,921	0.035
1,001 – 10,000	726	33.363	3,254,800	0.545
10,001 – 100,000	526	24.172	26,767,250	4.488
100,001 – 29,814,768 (*)	344	15.808	228,199,400	38.269
29,814,769 AND ABOVE (**)	1	0.045	337,848,358	56.657
Total	2,176	100.000	596,295,388	100.000

* less than 5% of issued warrants

** 5% and above of issued warrants

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2017

No.	Name	Holdings	%
1	KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED (CLIENT ACCOUNT)	337,848,358	56.657
2	JF APEX NOMINEES (ASING) SDN BHD EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)	12,358,500	2.072
3	KOH LIANG TIAN	5,735,100	0.961
4	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LI XIULAN	4,750,000	0.796
5	M & A NOMINEE (ASING) SDN BHD SANSTON FINANCIAL GROUP LIMITED FOR LIN LIPING	4,750,000	0.796
6	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUAH SWEE HUAT (E-KLC)	4,391,000	0.736
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOID SENG HONG (E-BBB)	4,300,000	0.721
8	SO SIANG CHENG	4,000,000	0.670
9	WONG WAI LUM	3,816,000	0.639

ANALYSIS OF WARRANT HOLDINGS

AS AT 31 MARCH 2017 (cont'd)

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2017 (Cont'd)

No.	Name	Holdings	%
10	LIM KAY HUAT	3,508,100	0.588
11	CHOR KIANG MONG	3,500,000	0.586
12	TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOH NG KWA @ LOH NG KAW</i>	3,443,900	0.577
13	ZULKIFLI BIN OSMAN	2,750,000	0.461
14	LIM PEI SHANG	2,528,600	0.424
15	LIM YIT CHAI	2,505,000	0.420
16	GOH AH WAT	2,501,000	0.419
17	NGUAN HOCK SENG	2,425,900	0.406
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>YEAP HOCK CHONG</i>	2,287,000	0.383
19	ONG YOK FO	2,256,000	0.378
20	KOO TUCK CHOY	2,202,100	0.369
21	JF APEX NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TSAN YEE SOON (STA 2)</i>	2,035,000	0.341
22	CHEW GUAT KIM	2,000,000	0.335
23	KHO SOW GAN	2,000,000	0.335
24	LILY SURAYA BINTI MOHD AFANDI	2,000,000	0.335
25	LYE SIANG LONG	2,000,000	0.335
26	OO SENG GIM	2,000,000	0.335
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR OO SENG GIM (E-BBB/JLT)</i>	2,000,000	0.335
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAU CHOY LENG (E-BBB)</i>	2,000,000	0.335
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM ENG NAM (E-BBB)</i>	2,000,000	0.335
30	SAROJA A/P GANAPATHY	2,000,000	0.335
Total		431,891,558	72.429

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting of the Company will be held at Langkawi Room, 1st Floor, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Friday, 26 May 2017 at 10.00 a.m., to transact the following:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. **Please refer to Explanatory Note 1**
2. To approve the payment of Directors' fees of RM280,000 for the financial year ending 31 December 2017. **Ordinary Resolution 1**
3. To re-elect the following Directors who are retiring by rotation pursuant to Bye-Law 89(1) of the Bye-Laws of the Company and, who being eligible, offer themselves for re-election:
 - (a) Mr Angus Kwan Chun Jut **Ordinary Resolution 2**
 - (b) Dr Risambessy Izaac **Ordinary Resolution 3**
4. To re-appoint Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**
5. To transact any other business of which due notice shall have been given.

AS SPECIAL BUSINESS

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

6. **AUTHORITY TO ISSUE SHARES** **Ordinary Resolution 5**

"THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to the Bye-Law 12 of the Bye-Laws of the Company, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit, provided that the aggregate nominal value of new ordinary shares to be issued during the preceding twelve (12) months does not exceed ten percent (10%) of the total nominal value of the issued and paid-up capital (excluding treasury shares) of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so allotted on the Bursa Malaysia Securities Berhad AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company, unless such approval is revoked or varied by a resolution of the Company at a general meeting."
7. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP CAPITAL OF THE COMPANY ("PROPOSED RENEWAL OF SHARE BUY-BACK")** **Ordinary Resolution 6**

"THAT subject to compliance with the provisions of the Bye-Laws of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the Companies Act 1981 of Bermuda ("the Act") and all other applicable laws, guidelines, rules and regulations for the time being in force and the approvals of all relevant governmental and/or regulatory authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of SGD0.001 each in the Company's issued and paid-up capital through Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their discretion, deem fit, subject further to the following:

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

- i) the maximum number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the issued and paid-up capital of the Company at any point in time; and
- ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits and the share premium account of the Company. As of 31 December 2016, the audited retained profits and share premium of the Company are RMB2,193,835,000 and RMB449,936,000 respectively;

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as Treasury Shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the MMLR and any other relevant authorities.

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 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 of Share Buy-Back contemplated and/or authorised by this resolution."

By Order of the Board

Secretarius Services Sdn Bhd
Company Secretary

Dated: 28 April 2017

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. Any Member entitled to attend and vote at a meeting of the Company who is the holder of two (2) or more shares shall be entitled to appoint not more than two (2) proxies to attend and vote instead of him at the same general meeting provided that if the Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 of Malaysia ("Central Depositories Act"), it may appoint at least one (1) proxy to attend and vote at the same general meeting in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of that Securities Account. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting. A proxy need not be a Member.
2. In any case where an instrument of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
4. The instrument appointing a proxy must be deposited at the Share Registrar of the Company in Malaysia at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting, i.e. before 10.00 a.m. on Wednesday, 24 May 2017 or adjourned meeting, and in default the instrument of proxy shall not be treated as valid.
5. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
7. For the purpose of determining a Member who shall be entitled to attend the 2017 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 Central Depositories Act to issue a General Meeting Record of Depositor as at 17 May 2017. 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.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

EXPLANATORY NOTE ON ORDINARY BUSINESS:

1. ITEM 1 OF THE AGENDA – RECEIPT OF REPORT AND AUDITED FINANCIAL STATEMENTS

Agenda item no. 1 is meant for discussion only as the provision of Section 84 of the Bermuda Companies Act, 1981 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

2. ORDINARY RESOLUTION 3 - RE-ELECTION OF DR RISAMBESSY IZAAC AS DIRECTOR

In line with Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Nominating Committee has conducted an annual assessment of the independence of Dr Risambessy Izaac, who has served as an Independent Non-Executive Director of the Company, who is seeking for re-election pursuant to Bye-Law 89(1) of the Bye-Laws of the Company at the forthcoming 2017 Annual General Meeting.

The justifications of the Board of Directors for recommending and supporting the resolution for his re-appointment as Independent Non-Executive Director is disclosed in the Statement on Corporate Governance in the 2017 Annual Report of the Company.

3. ORDINARY RESOLUTION 5 - AUTHORITY TO ISSUE SHARES

The proposed Resolution 5 for the purpose of seeking a renewal for the general mandate to empower the Directors of the Company pursuant to the Bye-Law 12 of the Bye-Laws of the Company, from the date of the above meeting, to issue shares of not more than ten percent (10%) of the nominal value of the issued and paid-up capital of the Company for such purposes as the Directors of the Company consider would be in the interest of the Company.

This authority will, unless revoked or varied at a general meeting, expire at the conclusion of the next annual general meeting of the Company. This authority will provide flexibility and enable the Directors to take swift action for issuance of shares for any possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

The Company did not allot any shares pursuant to the mandate granted to the Directors at the 2016 Annual General Meeting as at the date of this Notice. The Company did not allot any shares pursuant to the mandate granted because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

4. ORDINARY RESOLUTION 6 – PROPOSED RENEWAL OF SHARE BUY-BACK

For further information on proposed Resolution 6, please refer to the Statement of Share Buy-Back dated 28 April 2017 accompanying the Company's Annual Report for the financial year ended 31 December 2016.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

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FORM OF PROXY



CHINA STATIONERY LIMITED

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)
(Company Registration Number 40535)
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)
(Malaysian Branch Registration Number 995224-W)

CDs Account No

No. of shares held

I/We _____ Tel: _____

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

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

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

and / or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the 2017 Annual General Meeting of the Company to be held at Langkawi Room, 1st Floor, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Friday, 26 May 2017 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:

Item	AGENDA			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon			
		ORDINARY RESOLUTION	FOR	AGAINST
2.	Payment of Director's fees for the financial year ending 31 December 2017	1		
3.	Re-election of Mr Angus Kwan Chun Jut as Director	2		
4.	Re-election of Dr Risambessy Izaac as Director	3		
5.	Re-appointment of Messrs RT LLP as Auditors	4		
6.	Authority to Issue Shares	5		
7.	Proposed Renewal of Share Buy-Back Authority	6		

[Please indicate with an "X" in the spaces provided on how you wish your votes to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.]

Signed this _____ day of _____, 2017

* Delete if not applicable

Signature of Shareholder/Common Seal

Notes:

- Any Member entitled to attend and vote at a meeting of the Company who is the holder of two (2) or more shares shall be entitled to appoint not more than two (2) proxies to attend and vote instead of him at the same general meeting provided that if the Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 of Malaysia ("Central Depositories Act"), it may appoint at least one (1) proxy to attend and vote at the same general meeting in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of that Securities Account. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting. A proxy need not be a Member.
- In any case where an instrument of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
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Fold this flap for sealing

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AFFIX
STAMP

The Share Registrar
CHINA STATIONERY LIMITED (995224-W)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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(Malaysian Branch Registration No.: 995224-W)

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

Tel: (86) 594 369 7883

cstationery.com