

CHINA STATIONERY LIMITED

**CODE OF CONDUCT
AND BUSINESS ETHICS**

CHINA STATIONERY LIMITED

CODE OF CONDUCT AND BUSINESS ETHICS

TABLE OF CONTENTS		Page No.
1.	Introduction	2
2.	Definitions	2
3.	Business Ethics	2
4.	Policies and Practices	2
5.	Code of Conduct	10
6.	Contravention of the Code	14
7.	Review of the Code	14
8.	Waiver of the Code	14

1. INTRODUCTION

China Stationery Limited (“CSL” or “the Company”) is committed to conducting business on the basis of morality and to create added value to its shareholders and also to put unwavering efforts to ensure that all stakeholders are fairly treated. The Company has clearly announced that it is the duty and responsibility of all Directors, Executives and staff presence to faithfully follow the Business Ethics and comply with the policies and practices stated in this 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.

2. DEFINITIONS

Business Ethics are the qualities of virtue, truth, justice and righteousness that business conduct should follow.

Code of Conduct is a code of behaviour to be followed to maintain and promote dignity and reputation.

References to “you” in this Code refer to any person to whom this Code applies. Where more specific references are used (such as “employee”), the more specific reference is intended.

3. BUSINESS ETHICS

Business dealings with others shall be conducted with honesty and candour and with respect for the law and the highest standard of ethical behaviour. You shall conduct yourself in a fashion that your actions will stand the closet scrutiny. Such things as personal integrity, good faith and fair dealing, the respectful treatment of others, and all other attributes of good behaviour are important.

3.1 Honesty

Company executives should be truthful to people involved. They should not intentionally mislead or deceive others by distorting information, exaggerating or giving partial truth. Nor should they discriminate against people by doing or abstaining from doing something required to be done.

3.2 Integrity

Company executives should exhibit their personal integrity and courage to uphold their convictions by doing things they perceive as right despite pressures favoring the opposite. They should be respectable, impartial, and committed to their principles. They should fight for their beliefs and never compromise their principles for any objective that would turn them into deceivers or immoral persons.

3.3 **Trust worthiness**

Executives should disclose and provide related information, as well as correct any misunderstanding on facts. They should try in every proper way to fulfil their promises. They should not abuse technical or legal interpretation as an excuse not to cooperate or comply with contractual obligations.

3.4 **Loyalty**

Company executives should exhibit their loyalty to the Company by dedicating themselves to their respective duties and to its people by providing support and assistance whenever required. They should not use or disclose confidential information for personal advantage. On the contrary, they should maintain the ability to make decisions independently as professionals, avoiding inappropriate conduct and conflict of interest, as well as being faithful to the company and their colleagues. If the executives intend to leave and work somewhere else, they should notify appropriately in advance and treat the company information as important and confidential. They should not exploit their former positions for their own benefit.

3.5 **Fairness**

All executives should be fair and just towards all people. They should not use their power deliberately, neither should they resort to cheating or inappropriate tactics to obtain or maintain benefits or advantages from misled or distressed people. Fair-minded executives should disclose the agreements set for consideration and treat everyone equally, be open to disagreeable opinions, willing to admit the mistakes they make, and ready to shift positions and beliefs to appropriate and correct ones, if the situation demands.

3.6 **Concern for others**

Our executives should be considerate, sympathetic, kind, and well intentioned to others. As the golden rule says, “Treat others the way you want to be treated”, executives should provide the help that people need. They should also pursue proper means to achieving business objectives in a way that the business objectives are aligned with the objectives and interests of people.

3.7 **Respects for International Human Rights Principles**

Company executives should mutually respect each other’s honour, freedom, privacy, legal and human rights, as well as the interests of stakeholders. In making their decisions, executives should be gentle and treat everyone as equal without discrimination by gender, class, or race.

The Company requires that all of its Directors, Management and staff strictly respect International human rights principles as part of the operations and the Company does not tolerate any violations thereof.

3.8 **Commitment to Excellence**

Executives should excel in their performance, i.e., should be equipped with knowledge, be prepared, and should work hard to enhance knowledge and skills to cope with every issue under one’s responsibilities.

3.9 Leadership

All executives should be aware of their own responsibilities and leadership requirements and should seek and comply with code of conduct models that would benefit themselves and the organization when put to work. They should also attempt to create an environment in which principles and ethical decision-making are given utmost importance.

3.10 Reputation and Morale

Senior executives should create and defend the Company's reputation, as well as employees' morale, by singly and collectively avoiding any action that would hurt the inter-relation between the Company and employees. On the other hand, all employees must singly and collectively do everything necessary to correct and prevent any wrongdoing committed by others.

3.11 Accountability

Executives should be aware of, and accountable in following ethics when making any decision and omission for the Company, themselves, their colleagues, and the community.

4. POLICIES AND PRACTICES

These policies and practices establish a set of basic principles to guide Director and staffs' conduct; some of the principles covered in this policy are set forth in greater detail in separate Company policies.

4.1 Policy on Compliance with the Law and Relevant Rules and Regulations

The Company is committed to complying with all relevant laws, rules and regulations everywhere it operates and has established the policies as follows:

- 4.1.1 Directors, executives and staff must comply with local laws, rules, regulations as well as customs and traditions of the country in which the Company operates.
- 4.1.2 Directors, executives and staff must comply with the announcements and stipulations of the Bursa Securities Malaysia Berhad ("Bursa Malaysia") and the Securities Commission.
- 4.1.3 Directors, executives and staff must comply with the Company's rules and regulations.
- 4.1.4 Directors, executives and staff must not assist, support or conspire to avoid any legal or regulatory compliance.
- 4.1.5 Directors, executives and staff must cooperate with supervisory agencies as well as report information on violation of or non-compliance with existing laws or regulations to concerned persons.

4.2 Policy on Conflict of Interests

4.2.1 The Company has set up an important policy concerning the conflict of interests and related transactions for Directors, Executives and staff as laid down under the following guidelines:

- a. Avoid any transaction related to oneself, which may lead to a conflict of interest with the Company.
- b. If it is necessary to carry out such transaction for the Company's benefit, conduct it as if it is a transaction done with a third party. However, any such transaction must be fully disclosed and approved by the relevant authority within the Company in advance. Furthermore, Directors and Executives or staff having an interest in a transaction must not be involved in its approval process.
- c. If a transaction is considered as a related party transaction under the Bursa Malaysia notification, Director, Executive and staff must strictly comply with the rules and procedures regarding information disclosure by listed companies for such transactions.
- d. If a Director, Executive, staff or a member of their family is involved with or becomes a shareholder in a business in competition with the Company or any other business that may cause a conflict of interest with the Company, he/she must inform the Board in writing.
- e. If a Director, Executive and staff becomes a Director, partner, advisor or participant in any other capacity in another company or business organization, such position must not conflict with the Company's business or that person's direct responsibilities in the Company.

4.2.2 It is not always easy to know whether any particular conduct constitutes a conflict of interest. Common sense and good judgement will dictate the proper course of action in most situations. However, if there is the slightest question in your mind about the possibility of a conflict, please discuss the matter with your immediate superior. Should you believe that to be inappropriate under the circumstances, then consult the Company's Director or the Senior Independent Director. You shall give the Company your fullest cooperation in the correction of any situation in which a conflict of interest exists or may arise.

In addition, Company transactions involving:-

- (i) any person who, is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee to become a Director of the Company;
- (ii) any person who is known to be the beneficial owner of more than 5% of any class of the Company's voting securities;
- (iii) any immediate family member of any of the foregoing persons; or

- (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest, must be approved in advance by CSL's Audit Committee. For purposes of this section, "immediate family member" includes any child, stepchild, parents, spouse, sibling, grandparents, grandchildren, in-laws, as well as other persons who are members of your household.

4.3 Policy on Confidentiality of Information

4.3.1 In some instances, confidential information may be considered "insider information". If such information is improperly used or disclosed, the employee, the Company, and anyone outside the Company to whom the information has been disclosed, may be subject to liability under Capital Markets and Services Act 2007.

4.3.2 Insider information is material information about a corporation which is generally not available to the public. Material information is information of such importance that it can be expected to affect the judgment of investors as to whether to buy, sell or hold CSL's securities.

4.3.3 The Directors, Executives and staff of CSL are advised to focus on confidential information especially internal information not yet disclosed to public or any data or information that may affect the business of the Company or its share price. The guidelines are as follows:

- a. Directors, executives and staff must not use information they receive from their directorships or employment for personal benefit or for conducting business or other activities in competition with the Company.
- b. Directors, executives and staff must not use information which is not generally known and which may influence the share price (inside information) and must refrain from dealing in the shares of the Company at sensitive times pending major announcements in accordance with the specific policy laid down from time to time specifying the moratorium on share trading during certain periods. Inside information shall also not be given to any third party for the purpose of dealing in the shares of the Company.
- c. Directors, executives and staff must not disclose business secrets to any third party especially to competitors even after a Director, Executive or staff member has left the Company.

4.3.4 The information is likely to be material if it relates to matters as follows:

- Dividend
- Earning
- Significant write-downs of assets or additions to reserves for bad debt reserves or contingent liabilities
- The expansion or curtailment of operations
- Proposals or agreements involving a merger, acquisition, divestiture, recapitalisation, leveraged buy-out, or other extraordinary corporate event

- New products or discoveries
- Major litigation
- Liquidity problems
- Extraordinary management developments
- Public offerings
- Changes in debt ratings
- Other facts relating to the profitability, operating or financial condition of the Company.

4.3.5 Any questions as to whether information is material and not to be made public should be resolved through consultation with the Board of Directors.

4.3.6 If you work in certain areas of the Company, which by virtue of specific activities may provide more access to insider information than other areas, you will be subject to additional restrictions relating to such information.

4.4 Policy on safeguarding Company Property

4.4.1 The Company expects executives and staff to utilise the Company's resources and assets in a most efficient manner, to increase corporate competitiveness and to provide the best possible service to its customers in accordance with the following guidelines:

- a. Executives and staff should use the Company's resources and assets in a cost-efficient manner for maximum benefit of the Company.
- b. Executives and staff should help protect the Company's properties and assets from improper depreciation or loss.
- c. Provide and follow proper preventive systems and procedures and effectively insure the same against any fire, natural calamities, burglary and other risk or damage.

4.4.2 Anytime staff wishes to use a Company's asset for personal use, he/she must first obtain approval from the site Operations Manager of the Manger's designee.

4.5 Company Funds and Business Records

4.5.1 Proper care should be taken to assure that all business records of the Company are prepared and maintained in an accurate and reliable manner and in compliance with all laws and regulations. These records are of great importance to the Company in meeting its financial, legal and management obligations.

4.5.2 To ensure proper accounting, employees should comply with generally accepted accounting principles and with all policies, procedures and controls established by CSL. The books of account and economic evaluations for projects should be made as appropriate. All assets of the Company should be records on the books of the Company. All reimbursable expenses should be reported in full compliance with all regulations. Employees are to cooperate fully and not conceal information from CSL's Internal Auditors or any outside auditors retained by the Company.

4.5.3 No person should issue or authorise issuance of any document of the Company that is false or misleading. No undisclosed or unrecorded fund or asset of the Company should be established for any purpose.

- 4.5.4 No payment should be approved or made with the intention, understanding, or agreement that any part of such payment is to be used for any purpose other than described by the documents supporting the payment.

4.6 Policy on Giving and Receiving Gifts and Gratuities

- 4.6.1 The guidelines concerning the giving and receiving gifts and gratuities as follows:
- a. Executives and staff are prohibited from demanding or receiving any benefit from trading parties or other external parties with whom the Company is doing business.
 - b. Executives and staff are strictly prohibited from offering any benefit to any trading parties or other external parties in any attempt to persuade them to commit a fraudulent action.
 - c. Executive and staff should refrain from giving/receiving gifts or gratuities from any trading parties or other external parties with whom the Company is doing business. Gifts given or received during festive occasions are excluded from this requirement provided that they have an appropriate value (not exceeding RM150 per person in aggregate) and are not related to any business commitment.
- 4.6.2 The responsibility is therefore placed on the Executive and staff, where any possible doubt could arise as to the propriety of accepting any such gift or favour, to notify the most senior management available and to act on the advice or instruction given.
- 4.6.3 In order to protect individuals and the Company against any accusation of malpractice in connection with their employment, it is specifically forbidden for the employees for their families to receive any gift or favour of any kind whatsoever (modest or not) from any person who is seeking employment with CSL who offers any such “inducement”, “gift” or “favour” will be immediately disqualified from the selection process.
- 4.6.4 The receipt of modest token gifts such as diaries, calendars or other such “give-away” items permitted. Receipt of modest gifts is allowed during festive seasons where refusal could cause offence.

4.7 Policy on preventing corruption and offering a bribe

- 4.7.1 The guidelines for preventing corruption and offering a bribe are listed as follows:
- a. The Company has guidelines on the giving and receiving of benefits that could improperly influence decision making that stipulate that they should be conducted correctly, honestly, and in ways that are certain not to cause condemnation or loss of reputation. Gifts received by Directors are generally retained within the Company or distributed within office staff.
 - b. Procurement is to be conducted according to the company’s guidelines and should be fair to all involved. The procurement’s decisions are to be made on the basis of reasonable prices, quality, and service, and should stand scrutiny if an investigation occurs.

- c. Transaction with government must not be such as to persuade the government or government officials to do anything wrong or inappropriate. Mutual acknowledgement and building relations, within the proper bounds and normal practices, such as offering congratulatory messages and flowers on public occasions is acceptable.

4.8 Ethics for Intellectual Properties Rights

The Company requires that all of its Directors, Management and staff respect the intellectual property rights of others with care and caution.

4.9 Safety, Occupational Health and Environment

4.9.1 The Company is committed conducting business with the highest standards of safety, occupational health and environmental conditions in accordance with the following general guidelines:

- a. The Company shall comply with all legislations and regulations relating to safety, occupational health and environmental requirements in all locations in which the Company operates.
- b. The Company shall follow practices that constantly ensure that its working environment is safe for the protection of life and property of the Company and its employees.
- c. The Company shall encourage health and safety awareness at all levels and promote procedures and practices that ensure environmental protection taking into account current legislation and industry codes and practices.
- d. The Company shall fully disclose all information regarding its operations and standards in relation to safety, occupational health and the environment.

4.9.2 CSL will seek continuous improvement in its occupational health and safety performance and comply with all applicable laws, regulations and standards that reflect the Company's commitment to occupational health and safety.

4.10 Religious/ Racial/ Sexual Discrimination

4.10.1 CSL is committed to maintain a diverse workplace free of religious and racial discrimination and/or sexual harassment. All employees should be treated with respect in an environment free of unlawful discrimination, harassment and offensive behaviour. It is the responsibility of the senior management to ensure that all workplace decisions and activities are free of unlawful discrimination and harassment and to appropriately investigate all complaints or suspected instances of unlawful discrimination and harassment.

4.10.2 The Company considers any breach to be misconduct. If, after investigation, allegations of harassment are substantiated, the Company will institute appropriate disciplinary action against those responsible, up to and including dismissal.

4.11 Outside Activities and Interests

- 4.11.1 Where a staff wishes to engage in outside activities for personal financial gain or to become involved in another organisation, which has or is likely to have any commercial dealings with the Company, prior written permission must be obtained from the Executive Chairman and Chief Executive Officer. If such permission is not granted, the staff in question must refrain from engaging in such activities, failing which severe disciplinary action will be taken against him/her.
- 4.11.2 CSL also strongly discourages any tendency on the part of Management or supervising personnel to implicitly approve or condone such practices.

4.12 Fair and Courtesy Inter-personal Conduct

The staffs are required to treat their fellow staffs fairly and courteously without regard to race, creed, religion, gender, nationality, age or disability, and shall not cause any form of discrimination or prejudice in the workplace.

4.13 Dishonesty, Misconduct and Corrupt Practices

- 4.13.1 The staffs are not allowed to be involved in any activity that is deemed by the Company to be an act of dishonesty, misconduct (including use and abuse of drugs) and commercial corruption.
- 4.13.2 The staff shall, at all times, act honestly and in the best interests of the Company and use reasonable diligence in the discharge of the duties of his or her office.

5. CODE OF CONDUCT

5.1 Code of Conduct for Executives

- 5.1.1 Perform duties with honesty, transparency, and fairness to ensure that the decisions and actions are made to the extent possible, in the best interests of all the stakeholders as a whole;
- 5.1.2 Perform duties as professionals with knowledge, skill, determination, and prudence, watchful of trouble in advance; and seeking remedies for anticipated problems; and maintaining the code of conduct, including applying knowledge and skills to managing the Company to the best of their abilities;
- 5.1.3 Do not seek to benefit oneself or related persons by abusing undisclosed or confidential information inside the company or disclose to outsiders, or do anything that can be construed as a conflict of interest;
- 5.1.4 Provide regular supervision and inspection, both inside the company and its environment to ensure compliance to set policies and processes;

- 5.1.5 Provide for a system of accurate, complete, timely, and consistent information reporting, as well as reporting on future trends of the company, based on probability and supported by adequate data;
- 5.1.6 Comply with concerned laws and regulations, be observant, aware upto-date on industrial standards and set guidelines, maintaining adequate and appropriate documents for control and maintenance operations according to guidelines applicable to every level of management to ensure efficient business operations;
- 5.1.7 Develop the business of the company to achieve objectives and standards;
- 5.1.8 Promote company knowledge and understanding.

5.2 Code of Conduct for Board of Directors

- 5.2.1 Specify the direction, goals, policy and business strategy.
- 5.2.2 Perform duties honestly, carefully and for the benefit of the Company.
- 5.2.3 Comply with relevant laws, rules, regulations as well as ethics and good corporate governance practices and conduct business in accordance with the Company's Articles of Association.
- 5.2.4 Follow-up on corporate operations to achieve all objectives.
- 5.2.5 Consider and appoint sub-committees and determine duties and responsibilities of the sub-committees clearly and appropriately.
- 5.2.6 Consider the important business transactions with due care and diligence.
- 5.2.7 Set the Board meeting and consider appropriate agenda items.
- 5.2.8 Assess the Board's performance regularly.
- 5.2.9 Set up succession plan for senior management of the Company.

5.3 Code of Conduct for Committees

- 5.3.1 Perform duties assigned by the Board of Directors with due care and diligence.
- 5.3.2 Perform duties honestly, carefully and for the benefit of the Company without any conflict of interest.
- 5.3.3 Comply with relevant laws, rules, regulations as well as ethics and good corporate governance practices and conduct business in accordance with the Company's Articles of Association.
- 5.3.4 Report the performance to the Board regularly.

5.4 Code of Conduct for Individual Directors

- 5.4.1 Diligently perform all duties assigned by the Board of Directors.
- 5.4.2 Perform duties honestly, carefully and for the full benefit of the Company.
- 5.4.3 Comply with relevant laws, rules, regulations as well as ethics and good corporate governance practices and conduct business in accordance with the Company's Articles of Association.
- 5.4.4 Ensure management performs achievement of Company's objectives.
- 5.4.5 Ensure confidentiality of all inside information and do not allow leaks outside the Company and act at all times without deriving any personal benefit from such inside information not yet disclosed to the Public.
- 5.4.6 Avoid any action or decision that may lead to conflict of interest.

5.5 Code of Conduct for Company Secretary

- 5.5.1 Diligently perform all duties assigned by the Board of Directors.
- 5.5.2 Perform duties honestly, carefully and for the benefit of the Company.
- 5.5.3 Supervise various activities of the Board and the Company in compliance with the relevant laws, rules and regulations as well as ethics and good corporate governance practices and according to Articles of Association of the Company.
- 5.5.4 Hold shareholders' meetings, Board and Committees' meetings and prepare minutes of meetings promptly and fully.
- 5.5.5 Act as a good communication center between Directors and Shareholders.
- 5.5.6 Ensure confidentiality of all inside information including minutes of meetings of the Board and Committees and do not allow leaks outside the Company and act at all times without deriving any personal benefit from such inside information not yet disclosed to the Public.

5.6 Code of Conduct for Staff

- 5.6.1 Perform all duties honestly, carefully and for the benefit of the Company.
- 5.6.2 Comply with relevant laws, rules and regulations and follow good ethics while doing business and otherwise.
- 5.6.3 Ensure confidentiality of all inside information and do not leak any inside information outside the Company and act at all times without deriving any personal benefit from such inside information not yet disclosed to the Public.

5.6.4 Maintain harmony among all co-workers and staff in the Company.

5.7 Policy and Practices toward Stakeholders

5.7.1 The Company recognizes the rights of all stakeholders and therefore encourages cooperation between the Company and all the stakeholders including employees/staffs, customers, trading partners, creditors, government agencies, community and society at large. Directors, Executives and staffs must comply with the Code of Conduct which has been established to ensure fair and balanced dealings with all stakeholders.

5.7.2 The following practices may be adopted as guidelines in terms of dealing with stakeholders:

i. Shareholders

The Company is responsible to the shareholders and groups of financial investors and creditors in terms of information disclosure, accounting methods, internal information usage, and conflict of interests. Executives must be honest and any decision must be based on honesty and fairness to both major and minor shareholders as a whole, and for the collective benefit of all.

ii. Customers

The Company must always act to protect customers' interests, be attentive and ultimately responsible to customers with regard to service, by setting and maintaining good standards. They should keep customers' confidential information exclusively for concerned business use, without revealing it unless required by laws, regulations, or with the consent of the information owners, including issues related to marketing, market power exercises, price setting, details of services, quality and safety.

iii. Trading Partners and/or Creditors

The Company should ensure that best practices are set for procurement from suppliers, and that the Company complies with trade terms and terms of borrowing from financial creditors, objectives of using borrowed funds, repayment, collateral, and other terms and conditions.

iv. Competitors

The Company must act within the rules of fair trade, not destroying trade competitors' reputations with false allegations against them without truth, nor should they access competitors' confidential information using dishonest or inappropriate means.

v. Employees

The Company must provide equal opportunities in employment, job security, and career advancement, as well as follow equitable principles related to employees and employment. Also ensure that employees are adequately knowledgeable and skilful in performing company business, and understand relevant code of conduct and good practices and take action for knowledge

enhancement and ability improvement leading to their development in keeping with the trends in the industry.

vi. Community and Society

The Company has to be responsible to the community and society and should be involved in supporting community activities and be attentive to the consequences of the company's conduct that affects people around, beyond the requirements of law, and should make full efforts to gradually absorb social accountability.

The Company is expected to conduct business that will benefit the economy and society while safeguarding customs and traditions of communities in countries where it operates in. It is also the Company's policy to become a responsible corporate citizen to comply with all relevant laws, rules and regulations and to contribute to uplift quality of life by itself and/or through close collaboration with the relevant authorities and the communities.

6. CONTRAVENTION OF THE CODE

Any staff who knows of a suspected contravene or violation of the Code, is encouraged to whistle-blow or report the guilty party or parties to his/her immediate superior or Head of Department or the Chief Operating Officer or the Board. The Human Resource Department shall conduct an investigation on the issue(s) and/or concerns raised. No individual will be discriminated against or suffer any act of retaliation for reporting in good faith on violations or suspected violations of the Code.

7. REVIEW OF THE CODE

The Board shall monitor compliance with the Code and review the Code regularly as practices on Corporate Governance evolve and further guidelines on Corporate Governance are promulgated by the relevant regulatory authorities. All findings and recommendations shall be communicated to the Board.

8. WAIVER OF THE CODE

Waiver of the Code may be granted by the Board or the appropriate Committee of the Board on a case-by-case basis and only in exceptional circumstances.

RECEIPT AND ACKNOWLEDGEMENT

I, _____, hereby acknowledge that I have received and read a copy of the Company's "Code of Conduct and Business Ethics" policy and agree to comply with its terms.

Name: _____

Date: _____