

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>less sum as the company requires.</p> <p>(3) Any member or other person may request the company to furnish him with a copy of the register, or of any part thereof, but only so far as it relates to names, addresses, number of shares held and amounts paid on shares, on payment in advance of one ringgit or such less sum as the company requires for every hundred words or fractional part thereof required to be copied and the company shall cause any copy so requested by any person to be sent to that person within a period of twenty-one days or within such further period as the Registrar considers reasonable in the circumstances commencing on the day next after the day on which the request is received by the company.</p>	<p>other place in Bermuda at which the Register is kept in accordance with the Act or, if appropriate, at the Registration Office or at the office of a share transfer agent of the Company. Any member of the public may require a copy of the Register and branch register of Members, or of any part thereof, on payment of the appropriate fee prescribed under the Act and a copy so requested shall be sent within fourteen (14) days from the Company's receipt of a written request for the same. The Register including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper and in accordance with the requirements of the Designated Stock Exchange and any other applicable laws or regulations, or by any electronic means as may be accepted by the Designated Stock Exchange, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.</p>	
<p>Section 157(1) of the Malaysian Companies Act: The books containing the minutes of proceedings of any general meeting shall be kept by the company at the registered office of the company, and shall be open to the inspection of any member without charge.</p> <p>Section 157(2) of the Malaysian Companies Act: Any member shall be entitled to be furnished within fourteen days after he has made a request in writing in that behalf to the company with a copy of any minutes specified in subsection (1) at a charge not exceeding one ringgit for every hundred words thereof.</p>	<p>Section 82(1) of the Act: Minutes of general meetings of a company shall be open for inspection by any member or director of the company without charge for not less than two hours during business hours each day subject to such reasonable restrictions as the company may impose.</p> <p>Section 82(2) of the Act: Any member or director shall be entitled to be furnished within seven days after he has made a request in that behalf to the company with a copy of any such minutes on the payment of a reasonable charge.</p>	<p>Bye-law 134(1): The Board shall cause Minutes to be duly entered in books provided for the purpose:-</p>

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	<p>(a) of all elections and appointments of officers;</p> <p>(b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board;</p> <p>(c) of all resolutions and proceedings of each general meeting of the Members and meetings of the Board.</p> <p>Bye-law 134(2): Minutes prepared in accordance with the Act and the Bye-laws shall be kept by the Secretary at the Office.</p>	
<i>Inspection of Register of Directors</i>		
<p>Section 141(5) of the Malaysian Companies Act provides that the register shall be open to the inspection of any member of the company without charge and of any other person on payment of two ringgit, or such less sum as the company requires, for each inspection.</p>	<p>Section 92A(3) of the Act: The register of directors and officers shall during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge.</p> <p>Section 92A(3A) of the Act: Any member of the public may require a copy of the register, or any part of it, on payment of the appropriate fee prescribed in the Eighth Schedule to the Act.</p>	<p>Both the Act and the Malaysian Companies Act allow for the inspection of the Register of Directors.</p>
<i>Disclosure of Substantial Shareholders and Director's shareholdings</i>		
<p>Section 69E(1) of the Malaysian Companies Act provides that a person who is a substantial shareholder in a company shall give notice in writing to the company stating his name, nationality and address and full particulars of the voting shares in the company in which he has an interest (including, unless the interest cannot be related to a particular share, the name of the person who is registered as the holder) and full particulars of each such interest and of the circumstances by reason of which he has that</p>	<p>Not provided for in the Act.</p> <p>Bye-law 170(1): For so long as the shares of the Company are listed on the Designated Stock Exchange, each Director shall, upon his appointment to the Board, give an undertaking to the Company that, for so long as he remains a Director, he shall forthwith notify the Secretary of the particulars of the shares beneficially owned by him at the time of his appointment and of any change in such particulars.</p>	<p>The Act does not require the disclosure of shareholder ownership beyond any specified threshold. However, the Bye-laws have provided for shareholding disclosure to be made by directors and substantial shareholders.</p>

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<p>interest.</p> <p>Section 69E(2) of the Malaysian Companies Act:</p> <p>The notice shall be given:-</p> <p>(a) if the person was a substantial shareholder on the date on which this Division (meaning Division 3A of Part IV of the Malaysian Companies Act) came into operation - within one month after that date, or</p> <p>(b) if the person became a substantial shareholder after that date - within seven days after becoming a substantial shareholder.</p> <p>Section 69D of the Malaysian Companies Act defines substantial shareholdings and substantial shareholders as follows:</p> <p>(1) For the purposes of this Division, a person has a substantial shareholding in a company if he has an interest in one or more voting shares in the company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than five per centum of the aggregate of the nominal amounts of all the voting shares in the company.</p> <p>(2) For the purposes of this Division, a person has a substantial shareholding in a company, being a company the share capital of which is divided into two or more classes of the shares, if he has an interest in one or more voting shares included in one of those classes and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than five per centum of the aggregate of the nominal amounts of all the voting shares included in that class.</p> <p>(3) For the purposes of this Division, a person who has a substantial shareholding in a company is a substantial</p>	<p>Bye-law 170(2): For so long as the shares of the Company are listed on the Designated Stock Exchange, each Member shall (a) upon becoming a substantial shareholder of the Company, (b) for so long as he remains a substantial shareholder of the Company, upon a change in the percentage level of his interest or interests in the Company and (c) upon ceasing to be a substantial shareholder of the Company, give and, where applicable, shall procure its relevant beneficial owners having an interest in the Company within the meaning of Section 6A of the Malaysian Companies Act, to give to the Company (through its Secretary) pursuant to the provisions of Division 3A of Part IV of the Malaysian Companies Act, and to the Securities Commission of Malaysia pursuant to the provisions of the Securities Industry (Reporting of Substantial Shareholding) Regulations 1998 (as amended or substituted from time to time), a notice in writing of (i) the particulars of the shares beneficially owned by him, or (ii) the particulars of the change in interests (including the date of change and the circumstances by reason of which that change has occurred), or (iii) the particulars of the date and circumstances of the cessation of substantial shareholding, as the case may be, within seven (7) days after (aa) becoming a substantial shareholder, (bb) the date of change in the percentage level of his interests, or (cc) the date of cessation, as the case may be. For the purposes of this Bye-law 170(2) and Bye-law 172, the term "substantial shareholder" shall have the same meaning ascribed to it in Section 69D of the Malaysian Companies Act, the term "interest" or "interests" shall have the same meaning ascribed to it in Section 6A of the Malaysian Companies Act. The requirement to give notice under Bye-law 170(2) shall not apply to the Depository.</p> <p>Bye-law 170(3): For so long as the shares of the Company are listed on the Designated Stock Exchange, the provisions of Section 69O of the Malaysian Companies Act, giving the Company power to require disclosure of</p>	

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<p>shareholder in that company.</p> <p>Further, Section 69F of the Malaysian Companies Act sets out the requirement for a substantial shareholder to notify the company of any changes to his shareholding interest in the company and Section 69G of the Malaysian Companies Act provides that a substantial shareholder ceasing to be a substantial shareholder shall notify the company accordingly.</p> <p>Section 134 of the Malaysian Companies Act.</p> <p>(1) A company shall keep a register showing with respect to each director of the company particulars of -</p> <p>(a) shares in the company or in a related corporation being shares in which the director has an interest and the nature and extent of that interest;</p> <p>(b) debentures of or participatory interests made available by the company or a related corporation being debentures or participatory interests in which the director has an interest and the nature and extent of that interest;</p> <p>(c) rights or options of the director or of the director and other person or persons in respect of the acquisition or disposal of shares in, debentures of or participatory interests made available by the company or a related corporation; and</p> <p>(d) contracts to which the director is a party or under which he is entitled to a benefit being contracts under which a person has a right to call for or to make delivery of shares in, debentures of or participatory interests made available by the company or a related corporation.</p>	<p>beneficial interest in its shares, shall apply.</p>	
<p><i>Power to Require Disclosure of Auditors' Remuneration</i></p>		

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<p>Section 172(16) of the Malaysian Companies Act: The fees and expenses of an auditor of a company –</p> <p>(a) in the case of an auditor appointed by the company at a general meeting — shall be fixed by the company in general meeting or, if so authorised by the members at the last preceding annual general meeting, by the directors; and</p> <p>(b) in the case of an auditor appointed by the directors or by the Registrar — may be fixed by the directors or by the Registrar, as the case may be and, if not so fixed, shall be fixed as provided in paragraph (a) as if the auditor had been appointed by the company.</p> <p>Section 173(1) of the Malaysian Companies Act: If a company is served with a notice sent by or on behalf of –</p> <p>(a) at least five per centum of the total number of members of the company; or</p> <p>(b) the holders in aggregate of not less than five per centum in nominal value of the company's issued share capital,</p> <p>requiring particulars of all emoluments paid to or receivable by the auditor of the company or any person who is a partner or employer or employee of the auditor, by or from the company or any subsidiary in respect of services other than auditing services rendered to the company, the company shall forthwith –</p> <p>(c) prepare or cause to be prepared a statement showing particulars of all emoluments paid to the auditor or other person and of the services in respect of which the payments have been made for the financial year immediately preceding the service of the notice;</p> <p>(d) forward a copy of the statement to all persons entitled to receive notice of general meetings of the company;</p>	<p>Not provided for in the Act.</p> <p>Bye-law 156(1): The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.</p> <p>Bye-law 156(2): If the Company is served with a notice sent by or on behalf of –</p> <p>(a) at least five per cent (5%) of the total number of Members; or</p> <p>(b) the holders in aggregate of not less than five per centum (5%) in nominal value of the Company's issued share capital,</p> <p>requiring particulars of all emoluments paid to or receivable by the auditor of the Company or any person who is a partner or employer or employee of the auditor, by or from the Company or any subsidiary in respect of services other than auditing services rendered to the Company, the Company shall forthwith:-</p> <p>(i) prepare or cause to be prepared a statement showing particulars of all emoluments paid to the auditor or other person and of the services in respect of which the payments have been made for the financial year immediately preceding the service of the notice;</p> <p>(ii) forward a copy of the statement to all persons entitled to receive notice of general meetings of the Company; and</p> <p>(iii) lay the statement before the Company in general meeting.</p>	<p>The Act does not have provisions requiring disclosure of Auditors' remuneration.</p> <p>In this regard, Bye-law 156(2) provides similar provisions to section 173 of the Malaysian Companies Act.</p> <p>Bye-law 156(1) further provides for the remuneration of the Auditor to be fixed by the company in general meeting or in such manner as the members may determine.</p>

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<p>and (e) lay the statement before the company in general meeting.</p>		
<p><i>Mergers and Similar Arrangements</i></p>		
<p>Section 176 sub-sections (1) to (4) of the Malaysian Companies Act:</p> <p>(1) Where a compromise or arrangement is proposed between a company and its creditors or any class of them or between the company and its members or any class of them the Court may, on the application in a summary way of the company or of any creditor or member of the company, or in the case of a company being wound up of the liquidator, order a meeting of the creditors or class of creditors or of the members of the company or class of members to be summoned in such manner as the Court directs.</p>	<p>Section 99(1) to (4) of the Act:</p> <p>(1) Where a compromise or arrangement is proposed between a company and its creditors or any class of them or between a company and its members or any class of them, the Court may, on the application of the company or of any creditor or member of the company, or, in the case of a company being wound up, of the liquidator, order a meeting of the creditors or class of creditors, or of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.</p>	<p>Both the Act and the Malaysian Companies Act allow for an application to the court by the company for a compromise or arrangement between the company and its members or creditors.</p>
<p>(2) A meeting held pursuant to an order of the Court made under subsection (1) may be adjourned from time to time if the resolution for adjournment is approved by a majority in number representing three-fourths in value of the creditors or class of creditors or members or by proxy at the meeting.</p>	<p>(2) If a majority in number representing three-fourths in value of the creditors or class of creditors or members or class of members, as the case may be, present and voting either in person or by proxy at the meeting, agree to any compromise or arrangement, the compromise or arrangement shall if sanctioned by the Court, be binding on all the creditors or the class of creditors, or on the members or class of members, as the case may be, and also on the company or, in the case of a company in the course of being wound up, on the liquidator and contributories of the company.</p>	
<p>(3) If a majority in number representing three-fourths in value of the creditors or class of creditors or members or class of members present and voting either in person or by proxy at the meeting or the adjourned meeting agrees to any compromise or arrangement the compromise or arrangement shall, if approved by order of the Court, be binding on all the creditors or class of creditors or on the members or class of members (as the case may be) and also on the company or, in the case of a company in the course of</p>	<p>(3) An order made under section 99(2) of the Act shall have no effect until a copy of the order has been delivered to the Registrar for registration, and a copy of every such order shall be annexed to every copy of the memorandum of association of the company issued after the order has been made.</p>	

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<p>being wound up, on the liquidator and contributories of the company.</p> <p>(4) The Court may grant its approval to a compromise or arrangement subject to such alterations or conditions as it thinks just.</p> <p>Section 176(10) of the Malaysian Companies Act: Where no order has been made or resolution passed for the winding up of a company and any such compromise or arrangement has been proposed between the company and its creditors or any class of those creditors, the Court may, in addition to any of its powers, on the application in a summary way of the company or of any member or creditor of the company restrain further proceedings in any action or proceeding against the company except by leave of the Court and subject to such terms as the Court imposes.</p> <p>Section 176 sub-sections (10A) to 10(C) of the Malaysian Companies Act:</p> <p>(10A) The Court may grant a restraining order under subsection (10) to a company for a period of not more than ninety days or such longer period as the Court may for good reason allow if and only if-</p> <p>(a) it is satisfied that there is a proposal for a scheme of compromise or arrangement between the company and its creditors or any class of creditors representing at least one-half in value of all the creditors;</p> <p>(b) the restraining order is necessary to enable the company and its creditors to formalise the scheme of compromise or arrangement for the approval of the creditors or members pursuant to subsection (1);</p>	<p>(4) If a company makes default in complying with section 99(3) of the Act, the company and every officer of the company who knowingly or wilfully authorizes or permits the default shall be liable to a fine of ten dollars for each copy in respect of which default is made.</p> <p>Section 101(1) of the Act: Where an application is made to the Court under section 99 of the Act for the sanctioning of a compromise or arrangement proposed between a company and any such persons as are mentioned in that section, and it is shown to the Court that the compromise or arrangement has been proposed for the purposes of or in connection with a scheme for the reconstruction of any company or companies and that under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (in section 101 of the Act referred to as "a transferor company") is to be transferred to another company (in section 101 of the Act referred to as "the transferee company"), the Court may, subject to section 101(2) of the Act, either by the order sanctioning the compromise or arrangement or by any subsequent order, make provision for all or any of the following matters:</p> <p>(a) the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of any transferor company;</p> <p>(b) the allocation or appropriation by the transferee company of any shares, debentures, policies or other like interests in that company which under the compromise or arrangement are to be allotted or appropriated by that company to or for any person;</p> <p>(c) the continuation by or against the transferee company of any legal proceedings pending by or against any transferor company;</p> <p>(d) the dissolution, without winding up, of any transferor</p>	

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<p>(c) a statement in the prescribed form as to the affairs of the company made up to a date not more than three days before the application is lodged together with the application; and</p> <p>(d) it approves the person nominated by a majority of the creditors in the application by the company under subsection (10) to act as a director or if that person is not already a director, notwithstanding the provisions of the Malaysian Companies Act or the memorandum and articles of the company, appoints the person to act as a director.</p> <p>(10B) The person approved or appointed by the Court to act as a director of the company under subsection (10A) shall have a right of access at all reasonable times to the accounting and other records (including registers) of the company, and is entitled to require from any officer of the company such information and explanation as he may require for the purposes of his duty.</p>	<p>company.</p> <p>(e) the provision to be made for any persons, who within such time and in such manner as the Court directs, dissents from the compromise or arrangement;</p> <p>(f) such incidental, consequential and supplemental matters as are necessary to secure that the reconstruction or amalgamation shall be fully and effectively carried out.</p> <p>Section 101(2) of the Act: No order shall be made under section 101(1) of the Act for the transfer to the transferee company of the whole or any part of the undertaking or of the property or liabilities of any transferor company unless notice of the application for the sanctioning of the compromise or arrangement of which the order is to form a part is given in writing to the Minister and an affidavit signifying the consent of the Minister to the making of the order has been lodged with the Court.</p> <p>Section 101(3) of the Act: Where an order under section 101 of the Act provides for the transfer of property or liabilities, that property shall, by virtue of the order, be transferred to and vest in, and those liabilities shall, by virtue of the order, be transferred to and become the liabilities of, the transferee company, and in the case of any property, if the order so directs, freed from any charge which is by virtue of the compromise or arrangement to cease to have effect.</p> <p>Section 101(4) of the Act: Where an order is made under section 101 of the Act, every company in relation to which the order is made shall cause a copy thereof to be delivered to the Registrar for registration within seven days after the making of the order, and if default is made in complying with section 101(4) of the Act, the company and every officer of the company who knowingly or wilfully authorises or permits the default shall be liable to a fine of two hundred dollars.</p>	
<p>(10C) Any disposition of the property of the company, including things in action and any acquisition of property by the company, other than those made in the ordinary course of business, made after the grant of the restraining order by the Court shall, unless the Court otherwise orders, be void.</p> <p>Section 178 of the Malaysian Companies Act:</p> <p>(1) Where an application is made to the Court under this Part for the approval of a compromise or arrangement and it is shown to the Court that the compromise or arrangement has been proposed for the purposes of or in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies and that under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (in</p>		

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<p>this section referred to as the "transferor company") is to be transferred to another company (in this section referred to as the "transferee company"), the Court may either by the order approving the compromise or arrangement or by any subsequent order provide for all or any of the following matters:</p> <p>(a) the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company;</p> <p>(b) the allotting or appropriation by the transferee company of any shares, debentures, policies or other like interests in that company which under the compromise or arrangement are to be allotted or appropriated by that company to or for any person;</p> <p>(c) the continuation by or against the transferee company of any legal proceedings pending by or against the transferor company;</p> <p>(d) the dissolution, without winding up, of the transferor company;</p> <p>(e) the provision to be made for any persons who, within such time and in such manner as the Court directs, dissent from the compromise or arrangement; and</p> <p>(f) such incidental, consequential and supplemental matters as are necessary to secure that the reconstruction or amalgamation shall be fully and effectively carried out.</p> <p>(2) Where an order made under this section provides for the transfer of property or liabilities, then by virtue of the order that property shall be transferred to and vest in, and those liabilities shall be transferred to and become the liabilities of, the transferee company, free in the case of any particular property if the order so directs, from any change which is by virtue of the</p>	<p>Section 101(5) of the Act: In section 101 of the Act the expression "property" includes all assets, rights and powers of every description, and the expression "liabilities" includes duties.</p> <p>Section 102(1) of the Act: Where a scheme or contract involving the transfer of shares or any class of shares in a company (in section 102 of the Act referred to as "the subject company") to another company, whether a company within the meaning of the Act or not (in section 102 of the Act referred to as "the transferee company"), has, within four months after the making of the offer in that behalf by the transferee company been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved, other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary, the transferee company may, at any time within two months beginning with the date on which such approval is obtained, give notice to any dissenting shareholder that it desires to acquire his shares, and when such a notice is given the transferee company shall, unless on an application made by the dissenting shareholder within one month from the date on which the notice was given the Court thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company.</p> <p>Provided that where shares in the subject company of the same class or classes as the shares whose transfer is involved are already held as aforesaid to a value greater than one-tenth of the aggregate of their value and that of the shares, other than those already held as aforesaid, whose transfer is involved, the foregoing provisions of section 102(1) of the Act shall not apply unless –</p> <p>(a) the transferee company offers the same terms to all holders of the shares, other than those already held as</p>	

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<p>compromise or arrangement to cease to have effect.</p> <p>(3) Where an order is made under this section every company in relation to which the order is made shall lodge within seven days of the making of the order –</p> <p>(a) an office copy of the order with the Registrar; and</p> <p>(b) where the order relates to land, an office copy of the order with the appropriate authority concerned with the registration or recording of dealings in that land,</p> <p>and every company which makes default in complying with this section and every officer of the company who is in default shall be guilty of an offence against the Malaysian Companies Act.</p> <p>(4) No vesting order referred to in this section shall have any effect or operation in transferring or otherwise vesting land until the appropriate entries are made with respect to the vesting of that land by the appropriate authority.</p> <p>(5) In this section –</p> <p>"liabilities" includes duties;</p> <p>"property" includes property rights and powers of every description.</p> <p>(6) Notwithstanding subsection 176(11) "company" in this section does not include any company other than a company as defined in section 4.</p> <p>Section 180 of the Malaysian Companies Act:</p> <p>(1) Where a scheme or contract involving the transfer of</p>	<p>aforsaid, whose transfer is involved, or, where those shares include shares of different classes, of each class of them; and</p> <p>(b) the holders who approve the scheme or contract, besides holding not less than nine-tenths in value of the shares, other than those already held as aforesaid, whose transfer is involved, are not less than three-fourths in number of the holders of those shares.</p> <p>Section 102(2) of the Act: Where, in pursuance of any such scheme or contract as aforesaid, shares in a company are transferred to another company or its nominee, and those shares together with any other shares in the first-mentioned company held by, or by a nominee for, the transferee company or its subsidiary at the date of the transfer comprise or include nine-tenths in value of the shares in the first-mentioned company or of any class of those shares, then –</p> <p>(a) the transferee company shall within one month from the date of the transfer, unless on a previous transfer in pursuance of the scheme or contract it has already complied with this requirement, give notice of that fact to the holders of the remaining shares or of the remaining shares of that class, as the case may be, who have not assented to the scheme or contract; and</p> <p>(b) any such holder may within three months from the giving of the notice to him, himself give notice requiring the transferee company to acquire the shares in question.</p> <p>and where a shareholder gives notice under section</p>	

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<p>all of the shares or all of the shares in any particular class in a company (in this section referred to as the "transferor company") to another company or corporation (in this section referred to as the "transferee company") has within four months after the making of the offer in that behalf by the transferee company been approved as to the shares or as to each class of shares whose transfer is involved by the holders of not less than nine-tenths in nominal value of those shares or of the shares of that class (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary), the transferee company may at any time within two months after the offer has been so approved give notice in the prescribed manner to any dissenting shareholder that it desires to acquire his shares and when such a notice is given the transferee company shall, unless on an application made by the dissenting shareholder within one month from the date on which the notice was given or within seven days of a statement being supplied to a dissenting shareholder pursuant to subsection (2) (whichever is the later) the Court thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms which, under the scheme or contract the shares of the approving shareholders are to be transferred to the transferee company or if the offer contained two or more alternative sets of terms upon the terms which were specified in the offer as being applicable to dissenting shareholders.</p> <p>(2) Where a transferee company has given notice to any dissenting shareholder that it desires to acquire his shares the dissenting shareholder shall be entitled to require the company by a demand in writing served on that company within one month from the date on which the notice was given to supply him with a statement in writing of the names and addresses of all other</p>	<p>102(2)(b) of the Act with respect to any shares, the transferee company shall be entitled and bound to acquire those shares on the terms on which under the scheme or contract the shares of the approving shareholders were transferred to it, or on such other terms as may be agreed or as the Court on the application of either the transferee company or the shareholder thinks fit to order.</p> <p>Section 104(1) of the Act: Two or more companies which are registered in Bermuda may subject to section 4A of the Act amalgamate and continue as one company.</p> <p>Provided that if the amalgamated company is to be a local company it shall comply with the Third Schedule to the Act.</p>	

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<p>dissenting shareholders as shown in the register of members and the transferee company shall not be entitled or bound to acquire the share of the dissenting shareholders until fourteen days after the posting of the statement of those names and addresses to the dissenting shareholder.</p> <p>(3) Where in pursuance of any such scheme or contract, shares in a company are transferred to another company or its nominee and those shares together with any other shares in the first-mentioned company held by, or by a nominee for, the transferee company or its subsidiary at the date of the transfer comprise or include ninety-ninths in nominal value of the shares in the first-mentioned company or of any class of those shares, then –</p> <p>(a) the transferee company shall within one month from the date of the transfer (unless on a previous transfer in pursuance of the scheme or contract it has already complied with this requirement) give notice of that fact in the prescribed manner to the holders of the remaining shares or of the remaining shares of that class who have not assented to the scheme or contract; and</p> <p>(b) any such holder may within three months from the giving of the notice to him require the transferee company to acquire the shares in question,</p> <p>and where a shareholder gives notice under paragraph (b) with respect to any shares, the transferee company shall be entitled and bound to acquire those shares on the terms on which under the scheme or contract the shares of the approving shareholders were transferred to it, or on such other terms as are agreed or as the Court on the application of either the transferee company or the shareholder thinks fit to order.</p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>(4) Where a notice has been given by the transferee company under subsection (1) and the Court has not, on an application made by the dissenting shareholder, ordered to the contrary, the transferee company shall, after the expiration of one month after the date on which the notice has been given or, after fourteen days after a statement has been supplied to a dissenting shareholder pursuant to subsection (2) or if an application to the Court by the dissenting shareholder is then pending, after that application has been disposed of, transmit a copy of the notice to the transferor company together with an instrument of transfer executed, on behalf of the shareholder by any person appointed by the transferee company, and on its own behalf by the transferee company, and pay, allot or transfer to the transferor company the amount or other consideration representing the price payable by the transferee company for the shares which by virtue of this section that company is entitled to acquire, and the transferor company shall thereupon register the transferee company as the holder of those shares.</p>		
<p><i>Shareholders' Suits and Protection of Minority Shareholders</i></p>		
<p>Section 181 of the Malaysian Companies Act: (1) Any member or holder of a debenture of a company or, in the case of a declared company under Part IX, the Minister, may apply to the Court for an order under this section on the ground – (a) that the affairs of the company are being conducted or the powers of the directors are being exercised in a manner oppressive to one or more of the members or holders of debentures including himself or in disregard of his or their interests as members, shareholders or holders of debentures</p>	<p>Section 110(1) of the Act: Subject to section 110(10) of the Act the Minister may, at any time of his own volition or on the application of that proportion of the members of a company, as in his opinion warrants the application, based in respect of a company limited by shares, or other company having a share capital, on their shareholding, appoint one or more inspectors to investigate the affairs of the company and to report thereon in such manner as he may direct. Section 111(1) to (4) of the Act: (1) Any member of a company who complains that the</p>	<p>Both the Act and the Malaysian Companies Act provide for remedies for oppression.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on difference</u>
<p>of the company; or</p> <p>(b) that some act of the company has been done or is threatened or that some resolution of the members, holders of debentures or any class of them has been passed or is proposed which unfairly discriminates against or is otherwise prejudicial to one or more of the members or holders of debentures (including himself).</p> <p>(2) If on such application the Court is of the opinion that either of those grounds is established the Court may, with the view to bringing to an end or remedying the matters complained of, make such order as it thinks fit and without prejudice to the generality of the foregoing the order may –</p> <p>(a) direct or prohibit any act or cancel or vary any transaction or resolution;</p> <p>(b) regulate the conduct of the affairs of the company in future;</p> <p>(c) provide for the purchase of the shares or debentures of the company by other members or holders of debentures of the company or by the company itself;</p> <p>(d) in the case of a purchase of shares by the company provide for a reduction accordingly of the company's capital; or</p> <p>(e) provide that the company be wound up.</p> <p>(3) Where an order that the company be wound up is made pursuant to paragraph (2)(e) the provisions of the Malaysian Companies Act relating to winding up of a company shall, with such adaptations as are necessary, apply as if the order had been made upon a petition duly presented to the Court by the company.</p>	<p>affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under section 110 of the Act the Registrar on behalf of the Minister, may make an application to the Court by petition for an order under section 111 of the Act.</p> <p>(2) If on any such petition the Court is of opinion –</p> <p>(a) that the company's affairs are being conducted or have been conducted as aforesaid; and</p> <p>(b) that to wind up the company would unfairly prejudice that part of the members, but otherwise the facts would justify the making of a winding up order on the ground that it was just and equitable that the company should be wound up,</p> <p>the Court may, with a view to bringing to an end the matters complained of, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future, or for the purchase of the shares of any members of the company by other members of the company or by the company and, in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.</p> <p>(3) Where an order under section 111 of the Act makes an alteration in or addition to any company's memorandum or bye-laws, then, notwithstanding anything in any other provision but subject to the provisions of the order, the company concerned shall not have power without the leave of the Court to make further alteration in or addition to the memorandum or bye-laws as so altered or added to accordingly.</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>In addition, a member of a company who is seeking relief for damage done to the company may bring a common law derivative action in certain circumstances against the persons who have done wrong to the company.</p> <p>Section 181A of the Malaysian Companies Act:</p> <p>(1) A complainant may, with the leave of the Court, bring, intervene in or defend an action on behalf of the company.</p> <p>(2) Proceedings brought under this section shall be brought in the company's name.</p> <p>(3) The right of any person to bring, intervene in, defend or discontinue any proceedings on behalf of a company at common law is not abrogated.</p> <p>(4) For the purposes of this section and sections 181B and 181E, "complainant" means –</p> <p>(a) a member of a company, or a person who is entitled to be registered as member of a company;</p> <p>(b) a former member of a company if the application relates to circumstances in which the member ceased to be a member;</p> <p>(c) any director of a company; or</p> <p>(d) the Registrar, in case of a declared company under Part IX.</p> <p>Section 366A of the Malaysian Companies Act:</p> <p>(1) Where a person has engaged, is engaging or intends to engage in conduct that constituted, constitutes or would constitute –</p> <p>(a) a contravention of the Malaysian Companies Act;</p> <p>(b) an attempt to contravene the Malaysian</p>	<p>(4) An office copy of any order under section 111 of the Act altering or adding to, or giving leave to alter or add to, a company's memorandum or bye-laws shall, within fourteen days after the making thereof, be delivered by the company to the Registrar for registration; and if a company makes default in complying with section 111(4) of the Act, the company and every officer of the company who is in default shall be liable to a default fine.</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>Companies Act;</p> <p>(c) an attempt that aids, abets, advises or procures a person to contravene the Malaysian Companies Act;</p> <p>(d) an attempt to induce, whether by threats, promises or otherwise, a person to contravene the Malaysian Companies Act;</p> <p>(e) an attempt by which any person would be in any way, directly or indirectly, knowingly concerned in, or party to, the contravention by a person of the Malaysian Companies Act; or</p> <p>(f) an attempt of conspiracy with others to contravene the Malaysian Companies Act, the Court may, on the application of the Registrar, or of a person whose interests have been, are or would be affected by the conduct, grant an injunction, on such terms as the Court thinks appropriate, restraining the first-mentioned person from engaging in the conduct and, if in the opinion of the Court it is desirable to do so, requiring that person to do any act or thing.</p>		
<p>(2) Where a person has refused or failed, is refusing or failing, or is intending to refuse or fail, to do an act or thing that the person is required by the Malaysian Companies Act to do, the Court may, on the application of the Registrar or any person whose interests have been, are or would be affected by the refusal or failure to do that act or thing, grant an injunction, on such terms as the Court thinks appropriate, requiring the first-mentioned person to do that act or thing.</p> <p>(3) The power of the Court to grant an injunction restraining a person from engaging in conduct may be exercised whether or not –</p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>(a) it appears to the Court that the person intends to engage again or to continue to engage, in conduct of that kind;</p> <p>(b) the person has previously engaged in conduct of that kind; or</p> <p>(c) there is an imminent danger of substantial damage to any person if the first-mentioned person engages in conduct of that kind.</p> <p>(4) The power of the Court to grant an injunction requiring a person to do an act or thing may be exercised whether or not –</p> <p>(a) it appears to the Court that the person intends to refuse or fail again, or to continue to refuse or fail, to do that act or thing;</p> <p>(b) the person has previously refused or failed to do that act or thing; or</p> <p>(c) there is an imminent danger of substantial damage to any person if the first-mentioned person refuses or fails to do that act or thing. (5) Where the Registrar applies to the Court for the grant of an injunction under this section, the Court shall not require the applicant or any other person, as a condition of granting an interim injunction, to give an undertaking as to damages.</p> <p>(6) Where an application for an injunction under subsection (1) or (2) has been made, the Court may, if the Court determines it to be appropriate, grant an injunction by consent of all parties to the proceedings, whether or not the Court is satisfied that that subsection applies.</p> <p>(7) Where in the opinion of the Court it is desirable to do so, the Court may grant an interim injunction pending determination of an application under subsection (1).</p> <p>(8) The Court may revoke or vary an injunction granted</p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>under subsection (1), (2) or (7).</p> <p>(9) In granting an injunction restraining a person from engaging in particular conduct, or requiring a person to do a particular act or thing, the Court may, either in addition to or in substitution for the grant of the injunction, order that person to pay damages to any other person.</p>		
CHANGES IN CAPITAL		
<i>Power of Directors to Allot and Issue Shares</i>		
<p>Section 132D of the Malaysian Companies Act:</p> <p>(1) Notwithstanding anything in a company's memorandum or articles of association, the directors shall not, without the prior approval of the company in general meeting, exercise any power of the company to issue shares.</p> <p>(2) Approval for the purposes of this section may be confined to a particular exercise of that power or may apply to the exercise of that power generally; and any such approval may be unconditional or subject to conditions.</p> <p>(3) Any approval for the purposes of this section shall continue in force until –</p> <p>(a) the conclusion of the annual general meeting commencing next after the date on which the approval was given; or</p> <p>(b) the expiration of the period within which the next annual general meeting after that date is required by law to be held,</p> <p>whichever is the earlier, but approval may be previously revoked or varied by the company in general meeting.</p> <p>(4) The directors may issue shares notwithstanding that an approval for the purposes of this section has ceased to</p>	<p>Not provided for in the Act.</p> <p>Bye-law 12:</p> <p>(1) Subject to the Act and to the Listing Requirements (if applicable), no shares may be issued by the Board without the prior approval of the Company in general meeting but subject thereto and to the Bye-laws and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount.</p> <p>Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration</p>	<p>The Malaysian Companies Act and the Bye-laws provide that the directors may only allot and issue shares with the prior approval of the company in general meeting. There is no similar requirement under the Act.</p> <p>The Bye-laws contain additional provisions referring to the Listing Requirements in respect of issuance of shares.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>be in force if the shares are issued in pursuance of an offer, agreement or option made or granted by them while the approval was in force and they were authorised by the approval to make or grant an offer, agreement or option which would or might require shares to be issued after the expiration of the approval.</p>	<p>statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.</p>	
<p>(5) Section 154 shall apply to any resolution whereby an approval is given for the purposes of this section.</p>	<p>(2) Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the Listing Requirements, all new shares or other convertible securities shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Board may dispose of those shares or securities in such manner as it thinks most beneficial to the Company. The Board may likewise also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Board, be conveniently offered under this Bye-law 12(2).</p>	
<p>(6) Any issue of shares made by a company in contravention of this section shall be void and consideration given for the shares shall be recoverable accordingly.</p>	<p>(3) Notwithstanding Bye-law 12(2) above but subject to the Statutes and the Listing Requirements (if applicable), the Company in general meeting may by ordinary resolution grant to the Directors a general authority, either unconditionally or subject to such</p>	
<p>(6A) Notwithstanding subsection (1), the directors of a company shall not be required to obtain the prior approval of the company in a general meeting to issue shares where the said shares are to be issued as consideration or part consideration for the acquisition of shares or assets by the company and members of the company have been notified of the intention to issue the shares at least fourteen days before the date of the issue of the said shares.</p>		
<p>(6B) For the purpose of subsection (6A) members of the company are deemed to have been notified of the intention to issue shares of the company if-</p>		
<p>(a) a copy of the statement explaining the purpose of the intended issue of shares has been sent to every member at his last known address according to the register of members; and</p>		
<p>(b) the copy of the statement has been advertised in a national language and an English language newspaper circulating generally throughout Malaysia.</p>		
<p>(7) Any director who knowingly contravenes, or permits or</p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>authorises the contravention of, this section with respect to any issue of shares shall be liable to compensate the company and the person to whom the shares were issued for any loss, damages or costs which the company or that person may have sustained or incurred thereby; but no proceedings to recover any such loss, damages or costs shall be commenced, notwithstanding the provisions of the Malaysian Limitation Act 1953, after the expiration of three years from the date of the issue.</p>	<p>conditions as may be specified in the said ordinary resolution (including but not limited to the aggregate number of Shares which may be issued and the duration of the general authority), to issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or make or grant offers, agreements or options (collectively, "instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; provided that unless otherwise specified in the ordinary resolution or required by any applicable Listing Requirements, such general authority will continue (notwithstanding the authority conferred by the said ordinary resolution may have ceased to be in force) in relation to the issue of shares pursuant to any Instrument made or granted by the Directors while the said ordinary resolution was in force.</p>	
	<p>(4) The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine, provided that such issue must be specifically approved by the Company in general meeting if required by the Listing Requirements.</p> <p>(5) Subject to the Listing Requirements (if applicable), the Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
	<p>(6) Subject to the Listing Requirements, no Director shall participate in a share scheme for employees unless the specific allotment to be made to such Director has been approved by the Company in general meeting.</p>	
<p><i>Powers of Issuer to Purchase its Own Shares</i></p> <p>Section 67A of the Malaysian Companies Act:</p> <p>(1) Notwithstanding the provisions of section 67, a public company with a share capital may, if so authorised by its articles, purchase its own shares.</p> <p>(2) A company shall not purchase its own shares, unless-</p> <p>(a) it is solvent at the date of the purchase and will not become insolvent by incurring the debts involved in the obligation to pay for the shares so purchased;</p> <p>(b) the purchase is made through the Stock Exchange on which the shares of the company are quoted and in accordance with the relevant rules of the Stock Exchange; and</p> <p>(c) the purchase is made in good faith and in the interests of the company.</p> <p>(3) Notwithstanding section 60, the company may apply its share premium account to provide the consideration for the purchase of its own shares.</p> <p>(3A) Where a company has purchased its own shares, the directors of the company may resolve-</p> <p>(a) to cancel the shares so purchased;</p> <p>(b) to retain the shares so purchased in treasury (in</p>	<p>Section 42A(1) of the Act: Subject to the following provisions of section 42A of the Act, a company limited by shares, or other company having a share capital, may, if authorised to do so by its memorandum or bye-laws, purchase its own shares.</p> <p>Section 42A(4) of the Act: A purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws.</p> <p>Section 42A(5) of the Act: No purchase by a company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due.</p> <p>Section 42A(6) of the Act: Shares purchased under section 42A of the Act shall be treated as cancelled and the amount of the company's issued capital shall be diminished by the nominal value of those shares accordingly; but the purchase of shares under section 42A shall not be taken as reducing the amount of the company's authorised capital.</p> <p>Section 42A(6A) of the Act: On the purchase of its own shares under section 42A of the Act, any amount due to a</p>	<p>Both the Act and the Malaysian Companies Act provide for purchase by the company of its own shares.</p> <p>The shares so purchased may be cancelled or held as treasury shares. However, while the Malaysian Companies Act expressly allows such treasury shares to be distributed as dividends to shareholders or resell the treasury shares on the market of the Stock Exchange, the Act provides that the company may hold all or any of the treasury shares or dispose or transfer all or any of them for cash or other consideration or cancel all or any of the treasury shares.</p> <p>The Act allows for bonus shares to be issued out of the treasury shares whereas the Malaysian Companies Act allows for fully paid bonus shares to be issued through application from the capital redemption reserve.</p> <p>The Bye-laws provide for the company to purchase its own shares according to the Act and the Listing Requirements.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

Malaysian Company Law	Bermuda Company Law	Comments on differences
<p>the Malaysian Companies Act referred to as "treasury shares"; or</p> <p>(c) to retain part of the shares so purchased as treasury shares and cancel the remainder.</p> <p>(3B) The directors of the company may –</p> <p>(a) distribute the treasury shares as dividends to shareholders, such dividends to be known as "share dividends"; or</p> <p>(b) resell the treasury shares on the market of the Stock Exchange on which the shares are quoted, in accordance with the relevant rules of the Stock Exchange.</p> <p>(3C) While the shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the company for any purposes including, without limiting the generality of this provision, the provisions of any law or requirements of the articles of association of the company or the listing rules of a Stock Exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.</p> <p>(3D) Where the directors decide to distribute the treasury shares as share dividends, the costs of the shares on the original purchase shall be applied in the reduction of either the share premium account or the funds otherwise available for distribution as dividends or both.</p> <p>(3E) Where the directors resolve to cancel the shares so purchased, or cancel any treasury shares, the issued capital of the company shall be diminished by the shares so cancelled and the amount by which the</p>	<p>shareholder may –</p> <p>(a) be paid in cash;</p> <p>(b) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or</p> <p>(c) be satisfied partly under paragraph (a) and partly under paragraph (b).</p> <p>Section 42A(7) of the Act: Where a company agrees, or is obliged, to purchase any of its shares then –</p> <p>(a) the company shall not be liable in damages in respect of any failure to purchase any of the shares;</p> <p>(b) the court shall not grant an order for specific performance of the purchase if the company shows that to do so would render it insolvent or cause it to breach the provisions of any Act, regulations or license;</p> <p>(c) on a liquidation, other shares which carry rights whether as to capital or income which are preferred to the rights attaching to the shares agreed to be purchased, shall be paid in priority to the purchase price.</p> <p>Section 42B(2) of the Act: Subject to section 42B of the Act, a company limited by shares, or other company having a share capital, may, if authorised to do so by its memorandum or bye-laws, acquire its own shares, to be held as treasury shares, for cash or any other consideration.</p> <p>Section 42B(4) of the Act: A company may not acquire its own shares to be held as treasury shares if, as a result of the acquisition, all of the company's issued shares, other than the shares to be held as treasury shares, would be non-voting shares.</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>company's issued capital is diminished shall be transferred to the capital redemption reserve.</p> <p>(4) The capital redemption reserve may be applied in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.</p> <p>(5) A cancellation of shares made pursuant to subsection (3E) shall not be deemed to be a reduction of share capital within the meaning of the Malaysian Companies Act.</p>	<p>Section 42B(5) of the Act: An acquisition by a company of its own shares to be held as treasury shares may be authorised by its board of directors or otherwise by or in accordance with its bye-laws.</p> <p>Section 42B(6) of the Act: No acquisition by a company of its own shares to be held as treasury shares may be effected if, on the date on which the acquisition is to be effected, there are reasonable grounds for believing that the company is, or after the acquisition would be, unable to pay its liabilities as they become due.</p> <p>Section 42B(7) of the Act: A company that acquires its own shares to be held as treasury shares may-</p> <p>(a) hold all or any of the shares;</p> <p>(b) dispose of or transfer all or any of the shares for cash or other consideration;</p> <p>(c) cancel all or any of the shares.</p> <p>Section 42B(8) of the Act: If shares are cancelled under section 42B of the Act, the amount of the company's issued share capital shall be diminished by the nominal value of those shares, but the cancellation of shares shall not be taken as reducing the amount of the company's authorised share capital.</p> <p>Section 42B(9) of the Act: If a company holds shares as treasury shares, the company shall be entered in the register of members under section 65 of the Act as the member holding the shares.</p> <p>Section 42B(10) of the Act: A company that holds shares as treasury shares shall not exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under section 99 of the Act, and any purported exercise of such a right is void.</p> <p>Section 42B(11) of the Act: No dividend shall be paid to the</p>	

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<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
	<p>company in respect of shares held by the company as treasury shares and no distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares.</p> <p>Section 42B(12) of the Act: Nothing in section 42B of the Act shall prevent a company from –</p> <p>(a) making an allotment of shares as fully paid bonus shares in respect of shares held by the company as treasury shares; or</p> <p>(b) paying any amount payable on the redemption of shares held by the company as treasury shares (if they are redeemable shares).</p> <p>Section 42B(13) of the Act: Any shares allotted by a company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Act as if they had been acquired by the company at the time they were allotted.</p> <p>Section 42B(14) of the Act: Where a company agrees or is obliged to acquire any of its shares to be held as treasury shares –</p> <p>(a) the company shall not be liable in damages in respect of any failure to acquire any of the shares;</p> <p>(b) the Court shall not grant an order for specific performance of the acquisition if the company shows that to do so would render it insolvent or cause it to breach the provisions of any Act, regulation or licence; and</p> <p>(c) on a liquidation, other shares that carry rights, whether as to capital or income, that are preferred to the rights attaching to the shares agreed or obliged to be acquired, shall be paid in priority to the cash or other</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
	<p>consideration to be paid for the shares agreed or obliged to be acquired.</p> <p>Section 42B(15) of the Act: Shares held by a company as treasury shares shall be excluded from the calculation, under sections 12(4), 47(1), 47(7), 89(5), 96(1), 99(2), 102, 103 and 113(1)(c) of the Act, of any percentage or fraction of the share capital, or shares, of the company or of any class of share capital, or shares, of the company.</p> <p>Section 42B(16) of the Act: For the purposes of section 79(2)(b) of the Act, a company that holds shares as treasury shares is not a member of the company.</p> <p>Bye-law 3(2): The Company may purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act and the Listing Requirements on such terms as the Board shall think fit. Any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board in accordance with and subject to the Act, the Listing Requirements, the Company's memorandum of association and, if required by the Listing Requirements, the prior approval of the Members in general meeting. Such approval of the Members shall remain in force for such maximum period allowed by the Listing Requirements, unless it is revoked or varied by ordinary resolution of the Company in general meeting, and may thereafter be renewed by the Members in general meeting. For so long as the shares of the Company are listed on the Designated Stock Exchange, the Company shall make such announcements to the Designated Stock Exchange of any purchase or acquisition by the Company of its own shares as may be required by the Listing Requirements.</p>	
<p><i>Power for any Subsidiary of the Issuer to own shares in its Parent Company</i></p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>Section 17 of the Malaysian Companies Act:</p> <p>(1) A corporation cannot be a member of a company which is its holding company, and any allotment or transfer of shares in a company to its subsidiary shall be void.</p> <p>(2) Subsection (1) shall not apply where the subsidiary is concerned as personal representative, or where it is concerned as trustee, unless the holding company or a subsidiary thereof is beneficially interested under the trust and is not so interested only by way of security for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.</p>	<p>There is no provision in the Act prohibiting a subsidiary from holding shares in its own parent company.</p>	<p>There is no prohibition under the Act against a subsidiary holding shares in its own parent company. Generally, there is such a prohibition in the Malaysian Companies Act save for circumstances mentioned in Section 17(2)-(8) of the Malaysian Companies Act.</p>
<p>(3) This section shall not prevent a subsidiary which is, at the commencement of the Malaysian Companies Act, a member of its holding company, from continuing to be a member but, subject to subsection (2), the subsidiary shall have no right to vote at meetings of the holding company or any class of members thereof.</p> <p>(4) This section shall not prevent a subsidiary from continuing to be a member of its holding company if, at the time when it becomes a subsidiary thereof, it already holds shares in that holding company, but –</p> <p>(a) subject to subsection (2), the subsidiary shall have no right to vote at meetings of the holding company, or any class of members thereof; and</p> <p>(b) the subsidiary shall, within the period of twelve months or such longer period as the Court may allow after becoming the subsidiary of its holding company dispose of all of its shares in the holding company.</p> <p>(5) Subject to subsection (2), subsections (1), (3) and (4) thereof shall apply in relation to a nominee for a</p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>corporation which is a subsidiary as if references in those subsections to such a corporation included references to a nominee for it.</p> <p>(6) This section shall not operate to prevent the allotment of shares in a holding company to a subsidiary which already lawfully holds shares in the holding company if the allotment is made by way of capitalisation of reserves of the holding company and is made to all members of the holding company on a basis which is in direct proportion to the number of shares held by each member in the holding company.</p> <p>(7) Where but for this section a subsidiary would have been entitled to subscribe for shares in the holding company the holding company may, on behalf of the subsidiary, sell the shares for which the subsidiary would otherwise have been entitled to subscribe.</p> <p>(8) In relation to a holding company that is either a company limited by guarantee or an unlimited company, the reference in this section to shares, whether or not it has a share capital, shall be construed as including a reference to the interest of its members as such, whatever the form of that interest.</p>		
<i>Power to Issue Shares at a Discount</i>		
<p>Section 59 of the Malaysian Companies Act:</p> <p>(1) Subject to this section a company may issue shares at a discount of a class already issued if –</p> <p>(a) the issue of the shares at a discount is authorised by resolution passed in general meeting of the company, and is confirmed by order of the Court;</p> <p>(b) the resolution specifies the maximum rate of discount at which the shares are to be issued;</p> <p>(c) at the date of the issue not less than one year has</p>	<p>Bermuda law does not permit a company to issue shares at a discount to the par value of the said shares.</p> <p>Section 38(1) of the Act: It shall be lawful for a company to pay a reasonable commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally for any shares in the company, or procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in the company.</p> <p>Section 38(2) of the Act: Save as aforesaid, no company</p>	<p>Bermuda law does not permit a company to issue shares at a discount to the par value of the said shares.</p> <p>The Malaysian Companies Act only permits issuance of shares at a discount if it is confirmed by an order of the Court.</p> <p>Therefore, issuance of shares at a discount is irrelevant for our Company.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>elapsed since the date on which the company was entitled to commence business; and</p> <p>(d) the shares are issued within one month after the date on which the issue is confirmed by order of the Court or within such extended time as the Court allows.</p> <p>(2) The Court, if having regard to all the circumstances of the case it thinks proper to do so, may make an order confirming the issue on such terms and conditions as it thinks fit.</p> <p>(3) Every prospectus relating to the issue of the shares shall contain particulars of the discount allowed or of so much of that discount as has not been written off at the date of the issue of the prospectus.</p> <p>(4) Notwithstanding any provision of its articles, a company shall not issue at a discount shares of any class unless it first offers the shares to every holder of shares of that class in the company proportionately to the number of those shares held by him.</p> <p>(5) Every such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time not being less than twenty-one days within which the offer may be accepted.</p> <p>(6) If any such offer is not accepted within the time limited by the notice the shares may be issued on terms not more favourable than those offered to the shareholders.</p> <p>Section 58(1) of the Malaysian Companies Act: A company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for</p>	<p>shall apply any of its shares or capital money either directly or indirectly in payment of any commission, discount or allowance to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in the company, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any shares in the company, whether the shares or money be so applied by being added to the purchase money of any property acquired by the company, or the money be paid out of the nominal purchase money or contract price, or otherwise.</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>any shares in the company, if -</p> <p>(a) the payment is authorised by the articles;</p> <p>(b) the commission does not exceed ten per centum of the price at which the shares are issued or the amount or rate authorised by the articles, whichever is the less;</p> <p>(c) the amount or rate of the commission is -</p> <p>(i) in the case of shares of an unlisted recreational club which are offered to the public for subscription or in the case of shares other than of an unlisted recreational club which are offered for subscription or purchase pursuant to a prospectus that is registered under the Securities Commission Act 1993, disclosed in the prospectus; and</p> <p>(ii) in the case of shares not so offered, disclosed in the statement in lieu of prospectus, or in a statement in the prescribed form signed in like manner as a statement in lieu of prospectus and lodged before the payment of the commission with the Registrar, and, where a circular or notice not being a prospectus inviting subscription for the shares is issued, also disclosed in that circular or notice; and</p> <p>(d) the number of shares which persons have agreed for a commission to subscribe absolutely is disclosed in the like manner.</p> <p>(2) Except as provided in subsection (1) no company shall apply any of its shares or capital money either directly or indirectly in payment of any commission, discount or allowance to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares or procuring or agreeing to procure subscriptions whether absolute</p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>or conditional for any shares in the company, whether the shares or money are so applied by being added to the purchase money of any property acquired by the company or to the contract price of any work to be executed for the company, or the money is paid out of the nominal purchase money or contract price or otherwise.</p>		
<p><i>Power to Issue Shares at a Premium</i></p>		
<p>Section 60(2) of the Malaysian Companies Act: Where a company issues shares for which a premium is received by the company whether in cash or in the form of other valuable consideration, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called "the share premium account", and the provisions of the Act relating to the reduction of the share capital of a company shall apply as if the share premium account were paid-up share capital of the company.</p>	<p>Section 40(1) of the Act: Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called "the share premium account", and the provisions of the Act relating to the reduction of the share capital of a company shall, except as provided in section 40 of the Act, apply as if the share premium account were paid-up share capital of the company.</p> <p>Provided that in the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.</p> <p>Section 40(2) of the Act: The share premium account may, notwithstanding anything in section 40(1) of the Act be applied by the company –</p> <p>(a) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;</p> <p>(b) in writing off –</p> <p>(i) the preliminary expenses of the company, or</p> <p>(ii) the expenses of, or the commission paid or discount allotted on, any issue of shares or</p>	<p>Both the Act and the Malaysian Companies Act contain provisions relating to issuance of shares at a premium and the application of premiums received.</p> <p>However, the Act provides that in relation to an exchange of shares where there is an excess value of shares acquired over the nominal value of the shares being issued, such excess value may be credited to a contributed surplus account instead. There is no 'contributed surplus account' in the Malaysian Companies Act. Premiums in relation to a share issue (including, any arising from a share exchange) are required to be credited to the share premium account under section 60 of the Malaysian Companies Act.</p>
<p>Section 60(3) of the Malaysian Companies Act: The share premium account may be applied –</p> <p>(a) in paying up unissued shares to be issued to members of the company as fully paid bonus shares;</p> <p>(b) in paying up in whole or in part the balance unpaid on shares previously issued to members of the company;</p> <p>(c) in the payment of dividends if such dividends are satisfied by the issue of shares to members of the company;</p> <p>(d) in the case of a company which carries on insurance business in Malaysia, by appropriation or transfer to any statutory fund established and maintained pursuant to any law of Malaysia relating to insurance;</p> <p>(e) in writing off –</p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>(i) the preliminary expenses of the company; or</p> <p>(iii) the expenses of, or the commission or brokerage paid or discount allowed on, any duty, fee or tax payable on or in connection with, and issue of shares of the company; or</p> <p>(f) in providing for the premium payable on redemption of redeemable preference shares.</p>	<p>debentures of the company; or</p> <p>(c) in providing for the premiums payable on redemption of any shares or of any debentures of the company.</p>	
<p><i>Redeemable preference shares</i></p>		
<p>Section 61 of the Malaysian Companies Act:</p> <p>(1) Subject to this section a company having a share capital may, if so authorised by its articles, issue preference shares which are, or at the option of the company are to be, liable to be redeemed and the redemption shall be effected only on such terms and in such manner as is provided by the articles.</p> <p>(2) The redemption shall not be taken as reducing the amount of authorised share capital of the company.</p> <p>(3) The shares shall not be redeemed –</p> <p>(a) except out of profits which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purposes of the redemption, and</p> <p>(b) unless they are fully paid up.</p> <p>(4) The premium, if any, payable on redemption shall be provided for out of profits or the share premium account before the shares are redeemed.</p> <p>(5) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve called the "capital redemption reserve" a sum equal to the nominal</p>	<p>Please refer to sections 42 and 43 of the Act as set out under the heading "Rights attaching to shares".</p>	<p>Both the Act and the Malaysian Companies Act contain provisions relating to issuance and redemption of redeemable preference shares.</p> <p>Under the Act, no such redemption may be effected if, on the date on which the redemption is to be effected, there are reasonable grounds for believing that the company is, or after the redemption would be, unable to pay its debts as they become due.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>amount of the shares redeemed, and the provisions of the Malaysian Companies Act relating to the reduction of the share capital of a company shall, except as provided in this section, apply as if the capital redemption reserve were paid-up share capital of the company.</p> <p>(6) Where in pursuance of this section a company has redeemed or is about to redeem any preferences shares, it may issue shares up to the nominal amount of the shares redeemed or to be redeemed as if those shares had never been issued, and accordingly the share capital of the company shall not for the purposes of any fee under the Malaysian Companies Act be deemed to be increased by such issue but where new shares are issued before the redemption of the old shares, the new shares shall not, so far as relates to any fee under the Malaysian Companies Act, be deemed to have been issued in pursuance of this subsection unless the old shares have been redeemed within one month after the issue of the new shares.</p> <p>(7) The capital redemption reserve may be applied in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.</p> <p>Section 60(3)(f) of the Malaysian Companies Act: The share premium account may be applied in providing for the premium payable on redemption of redeemable preference shares.</p>		
<p><i>Power of company to alter its share capital</i></p> <p>Section 62 of the Malaysian Companies Act:</p> <p>(1) A company if so authorised by its articles may in general meeting alter the conditions of its memorandum in anyone or more of the following ways:</p>	<p>Section 45(1) to (4) of the Act:</p> <p>(1) A company limited by shares, or other company having a share capital, if authorised by a general meeting and by its bye-laws, may alter the conditions</p>	<p>Both the Act and the Malaysian Companies Act allow a company to alter its share capital.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>(a) increase its share capital by the creation of new shares of such amount as it thinks expedient;</p> <p>(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;</p> <p>(c) convert all or any of its paid-up shares into stock and reconvert that stock into paid-up shares of any denomination;</p> <p>(d) subdivide its shares or any of them into shares of smaller amount than is fixed by the memorandum, so however that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or</p> <p>(e) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.</p> <p>(2) A cancellation of shares under this section shall not be deemed to be a reduction of share capital within the meaning of the Malaysian Companies Act.</p>	<p>of its memorandum as follows, that is to say, it may –</p> <p>(a) increase its share capital by new shares of such amount as it thinks expedient;</p> <p>(b) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;</p> <p>(c) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;</p> <p>(d) subdivide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;</p> <p>(dd) change the currency denomination of its share capital;</p> <p>(e) make provision for the issue and allotment of shares which do not carry any voting rights; and</p> <p>(f) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.</p> <p>(2) A cancellation of shares in pursuance of section 45 of the Act shall not be deemed to be a reduction of share capital within the meaning of the Act.</p> <p>(3) Whenever a company alters the conditions of its memorandum under section 45(1)(a), (dd) or (f) of the Act, then within thirty days thereafter the company shall file a memorandum with the Registrar setting out the altered conditions.</p> <p>(4) If any company fails to file a memorandum in</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on difference</u>
	<p>accordance with section 45(3) of the Act it shall be liable to a default fine.</p> <p>Bye-law 4: The Company may from time to time by ordinary resolution in accordance with Section 45 of the Act:-</p> <p>(a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;</p> <p>(b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;</p> <p>(c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";</p> <p>(d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
	<p>(e) change the currency denomination of its share capital;</p> <p>(f) make provision for the issue and allotment of shares which do not carry any voting rights; and</p> <p>(g) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.</p>	
<p><i>Reduction of capital</i></p> <p>Section 64(1) of the Malaysian Companies Act: Subject to confirmation by the Court a company may, if so authorised by its articles, by special resolution reduce its share capital in any way and in particular, without limiting the generality of the foregoing, may do all or any of the following:</p> <p>(a) extinguish or reduce the liability on any of its shares in respect of share capital not paid-up;</p> <p>(b) cancel any paid-up share capital which is lost or unrepresented by available assets; or</p> <p>(c) pay off any paid-up share capital which is in excess of the needs of the company.</p> <p>and may so far as necessary alter its memorandum by reducing the amount of its share capital and of its shares accordingly.</p> <p>A company may not reduce its share capital in any way except by a procedure provided for it by the provisions of the Malaysian Companies Act.</p> <p>Please refer to Section 60(2) as set out under the heading "Power to Issue Shares at a Premium" and Section 60(3) as set out under the heading "Redeemable preference shares".</p> <p>Section 64(2) of the Malaysian Companies Act: Where the</p>	<p>Section 46(1) of the Act: A company having share capital if authorised in a general meeting may subject to any order made by the Minister under section 6(4) of the Act and to its memorandum and bye-laws on such terms as it may decide reduce its share capital in any way, and in particular, without prejudice to the generality of the foregoing power, by –</p> <p>(a) extinguishing or reducing the liability on any of its shares in respect of capital not paid up; or</p> <p>(b) either with or without extinguishing or reducing liability on any of its shares cancel any paid up capital that is lost or unrepresented by available assets; or</p> <p>(c) either with or without extinguishing or reducing liability of any of its shares and either with or without reducing the number of such shares pay off any paid up capital that is in excess of the requirements of the company.</p> <p>Section 46(2) of the Act: No company shall reduce the amount of its share capital –</p> <p>(a) unless, at a date not more than thirty days and not less than fifteen days before the date on which the reduction of the share capital is to have effect, the company causes a notice to be published in an appointed newspaper stating –</p> <p>(i) the amount of the share capital as last</p>	<p>While there is a need for a special resolution and a confirmation from the court for the reduction of capital under the Malaysian Companies Act, the Act requires the approval of the company in general meeting to reduce the share capital of a company and for a notice of the proposed capital reduction to be published in an appointed newspaper in Bermuda. Further, the company must also satisfy the solvency test.</p> <p>The Bye-laws provide for a special resolution subject to any confirmation or consent required by law.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>proposed reduction of share capital involves either diminution of liability in respect of unpaid share capital or the payment to any shareholder of any paid-up share capital, and in any other case if the Court so directs –</p> <p>(a) every creditor of the company who at the date fixed by the Court is entitled to any debt or claim which, if that date were the commencement of the winding up of the company, would be admissible in proof against the company shall be entitled to object to the reduction;</p> <p>(b) the Court, unless satisfied on affidavit that there are no such creditors, shall settle a list of creditors so entitled to object and for that purpose shall ascertain as far as possible without requiring an application from any creditor the names of those creditors and the nature and amount of their debts or claims, and may publish notices fixing a final day on or before which creditors not entered on the list may claim to be so entered; and</p> <p>(c) where a creditor entered on the list whose debt or claim is not discharged or has not determined does not consent to the reduction, the Court may dispense with the consent of that creditor on the company securing payment of his debt or claim by appropriating as the Court directs –</p> <p>(i) if the company admits the full amount of the debt or claim or though not admitting it is willing to provide for it, the full amount of the debt or claim; or</p> <p>(ii) if the company does not admit and is not willing to provide for the full amount of the debt or claim or if the amount is contingent or not ascertained, an amount fixed by the Court after the like inquiry and adjudication as if the company were being wound up by the Court.</p> <p>Section 64(4) of the Malaysian Companies Act: The Court,</p>	<p>determined by the company;</p> <p>(ii) the amount to which the share capital is to be reduced; and</p> <p>(iii) the date on which the reduction is to have effect; and</p> <p>(b) if, on the date the reduction is to be effected, there are reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due.</p> <p>Section 46(5) of the Act: Where a company having share capital reduces the amount of its share capital, then within thirty days after the date as from which the reduction has effect the company shall file a memorandum, with a copy of the notice referred to in Section 46(2)(a) of the Act, in the office of the Registrar stating that the provisions of Section 46 of the Act have been duly complied with.</p> <p>Please also refer to section 40 of the Act as set out under the heading <i>Power to Issue Shares at a Premium</i>, section 42 of the Act as set out under the heading <i>Rights attaching to shares</i> and sections 42A and 42B of the Act as set out under the heading <i>Powers of Issuer to Purchase its Own Shares</i>.</p> <p>Bye-law 6: The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by the laws of Bermuda.</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>if satisfied with respect to every creditor who under subsection (2) is entitled to object, that either his consent to the reduction has been obtained or his debt or claim has been discharged or has determined or has been secured may make an order confirming the reduction on such terms and conditions as it thinks fit.</p> <p>Section 61(5) of the Malaysian Companies Act: Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve called the "capital redemption reserve" a sum equal to the nominal amount of the shares redeemed, and the provisions of the Malaysian Companies Act relating to the reduction of the share capital of a company shall, except as provided in this section, apply as if the capital redemption reserve were paid-up share capital of the company.</p>		
CHANGES IN THE RESPECTIVE RIGHTS OF THE VARIOUS CLASSES OF SHARES INCLUDING THE ACTION NECESSARY TO CHANGE THE RIGHTS		
<p>Section 65(1) of the Malaysian Companies Act: If in the case of a company the share capital of which is divided into different classes of shares provision is made by the memorandum or articles for authorising the variation or abrogation of the rights attached to any class of shares in the company, subject to the consent of any specified proportion of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares, and in pursuance of</p>	<p>Please refer to section 47 of the Act, Bye-law 10 and Bye-law 11 as set out under the heading <i>Rights attaching to shares</i>.</p>	<p>Please refer to the comments under <i>Rights attaching to shares</i>.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>the said provision the rights attached to any such class of shares are at any time varied or abrogated, the holders of not less in the aggregate than ten per centum of the issued shares of that class may apply to the Court to have the variation or abrogation cancelled, and, if any such application is made, the variation or abrogation shall not have effect until confirmed by the Court.</p> <p>Section 65(4) of the Malaysian Companies Act: On the application the Court, after hearing the applicant and any other persons who apply to the Court to be heard and appear to the Court to be interested, may, if satisfied having regard to all the circumstances of the case that the variation or abrogation would unfairly prejudice the shareholders of the class represented by the applicant, disallow the variation or abrogation as the case may be and shall, if not so satisfied, confirm it, and the decision of the Court shall be final.</p>		
<p>Section 65(6) of the Malaysian Companies Act: The issue by a company of preference shares ranking <i>pari passu</i> with existing preference shares issued by the company shall be deemed to be a variation of the rights attached to those existing preference shares unless the issue of the first-mentioned shares was authorised by the terms of issue of the existing preference shares or by the articles of the company in force at the time the existing preference shares were issued.</p> <p>Section 65(7) of the Malaysian Companies Act: For the purposes of this section the alteration of any provision in the memorandum or articles of a company which affects or relates to the manner in which the rights attaching to the shares of any class may be varied or abrogated shall be deemed to be a variation or abrogation of the rights attached to the shares of that class.</p>		
DIVIDENDS		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p><i>Dividends and Other Methods of Distribution</i></p> <p>Section 365 of the Malaysian Companies Act:</p> <p>(1) No dividend shall be payable to the shareholders of any company except out of profits or pursuant to Section 60.</p> <p>(2) Every director or manager of a company who wilfully pays or permits to be paid any dividend out of what he knows is not profits except pursuant to section 60—</p> <p>(a) shall without prejudice to any other liability be guilty of an offence against the Malaysian Companies Act; and</p> <p>(b) shall also be liable to the creditors of the company for the amount of the debts due by the company to them respectively to the extent by which the dividends so paid have exceeded the profits and that amount may be recovered by the creditors or the liquidator suing on behalf of the creditors.</p> <p>(3) If the whole amount is recovered from one director or from the manager he may recover contribution against any other person liable who has directed or consented to the payment.</p> <p>(4) No liability by this section imposed on any person shall on the death of the person extend or pass to his executors or administrators nor shall the estate of any such person after his decease be made liable under this section.</p> <p>(5) In this section "dividend" includes bonus and payment by way of bonus.</p>	<p>Section 54 of the Act</p> <p>(1) A company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that—</p> <p>(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or</p> <p>(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.</p> <p>(2) For the purposes of section 54 of the Act, "contributed surplus" includes proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.</p> <p>Bye-law 138: The Board may, subject to the Bye-laws and in accordance with the Act, declare a dividend in any currency to be paid to the Members and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. The Company in general meeting may also, subject to the Bye-laws and in accordance with the Act, declare a dividend or such other distribution to be paid to the Members but no dividend or distribution shall be declared by the Company in general meeting in excess of the amount recommended by the Board.</p> <p>Bye-law 139: Without prejudice to the generality of the above Bye-law 138 if at any time the share capital of the Company is divided into different classes, the Board may pay such dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of</p>	<p>The Malaysian Companies Act expressly provide for dividend to be payable only out of profits of the company. Under the Act, a company may declare or pay a dividend or make a distribution so long as it can satisfy the solvency test set out in Section 54(1) of the Act.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on difference</u>
<p>Section 60(3)(c) of the Malaysian Companies Act. The share premium account may be applied in the payment of dividends if such dividends are satisfied by the issue of shares to members of the company.</p> <p>Section 67A(3B)(a) of the Malaysian Companies Act: The directors of the company may distribute the treasury shares as dividends to shareholders, such dividends to be known as "share dividends".</p> <p>Please also refer to Section 67A(3A)(c) of the Malaysian Companies Act as set out under the heading "<i>Giving of Financial Assistance to Purchase the Issuer's or its Holding Company's Shares</i>" on distribution of treasury shares as share dividend.</p>	<p>shares conferring any preference for any damage that they may suffer by reason of the payment of any dividend on any shares having deferred or non-preferential rights and may also pay periodically any fixed dividend which is payable on any shares of the Company.</p> <p>Bye-law 140: No dividend shall be paid or distribution made if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.</p> <p>Bye-law 16(2): Notwithstanding any provision in the Bye-laws to the contrary, a Depositor whose name appears in the Register shall be entitled to all rights (including voting and other rights), benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such deposited security registered in the Depositor's name (whether conferred or imposed by the Act, the memorandum of association of the Company or the Bye-laws, or otherwise) as if such Depositor is the sole holder of such deposited security. Notwithstanding that the Depository is named in the Register as the joint holder of any deposited security, the Depository shall not be entitled to any rights (including voting and other rights), benefits, powers and privileges in respect of, or arising from, such deposited security and nor shall the Depository be subject to any liabilities, duties and obligations in respect of, or arising from, such deposited security.</p> <p>Bye-law 144(1): Subject to Bye-law 144(2), any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
	<p>in writing direct. Subject to Bye-law 144(2), every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.</p> <p>Bye-law 144(2): Any dividend, interest or other sum payable in cash to the holder of any deposited security which is jointly held by the Depository and a Depositor may be paid by cheque or warrant sent through the post addressed to the Depositor at his or its address as appearing in the Register in respect of such deposited security. Every such cheque or warrant shall, unless the Depositor otherwise directs, be made payable to the Depositor and shall be sent at his or its risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. A Depositor may give effectual receipt for any dividends or other moneys payable or property distributable in respect of the deposited security held by such Depositor</p>	
<p><i>Time limit after which a dividend entitlement will lapse and an indication of the party in whose favour this entitlement then operates</i></p>	<p>Not provided for in the Act.</p>	<p>The Bye-laws provide for the application of the Malaysian Unclaimed Moneys Act 1965.</p>
<p>There is no such provision in the Malaysian Companies Act which provides for this.</p>	<p>Bye-law 145: All dividends or bonuses unclaimed for one (1) year after having been declared may be disposed off in accordance with the provisions of the Unclaimed Moneys Act 1965 of Malaysia, which shall apply, <i>mutatis</i></p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u> <i>mutandis, to the Company.</i>	<u>Comments on differences</u>
WINDING-UP		
<p>Section 211 of the Malaysian Companies Act: The winding up a company may be either –</p> <p>(a) by the Court; or</p> <p>(b) voluntary.</p> <p>Section 217(1) of the Malaysian Companies Act: A company (whether or not it is being wound up voluntarily) may be wound up under an order of the Court on the petition of –</p> <p>(a) the company;</p> <p>(b) any creditor, including a contingent or prospective creditor, of the company;</p> <p>(c) a contributory or any person who is the personal representative of a deceased contributory or the trustee in bankruptcy or the Official Assignee of the estate of a bankrupt contributory;</p> <p>(d) the liquidator;</p> <p>(e) the Minister pursuant to section 205 or on the ground specified in paragraph 218(1)(d);</p> <p>(f) in the case of a company which is a licensed institution, or a scheduled institution in respect of which the Minister charged with responsibility for finance has made an order under subsection 24(1) of the Malaysian Banking and Financial Institutions Act 1989 (Act 327) or a non-scheduled institution in respect of which such Minister has made an order under subsection 93(1) of that Act, Bank Negara Malaysia;</p> <p>(g) in the case of a company which is licensed under the</p>	<p>Section 157 of the Act: The winding up of a company may be either by the Court or voluntary and the Act, subject to any other Act, shall be applied to the winding up of a company by either of these modes.</p> <p>Section 161 of the Act: In addition to any other provision in the Bermuda Companies Act or any other Act prescribing for the winding up of a company a company may be wound up by the Court if –</p> <p>(a) the company has by resolution resolved that the company be wound up by the Court;</p> <p>(b) subject to section 88 of the Act, default is made in holding the statutory meeting or failing to comply with section 84 or section 89 of the Act;</p> <p>(c) the company does not commence its business within a year of its incorporation or suspends its business for a whole year;</p> <p>(ca) the company carries on any restricted business activity in contravention of section 4A of the Act;</p> <p>(d) the company engages in a prohibited business activity in contravention of section 4B of the Act;</p> <p>(e) the company is unable to pay its debts;</p> <p>(f) the consent by the Minister, where under the Act such consent was required, was obtained as a result of a material misstatement in the application for consent; or</p> <p>(g) the Court is of the opinion that it is just and equitable that the company should be wound up.</p> <p>Section 162 of the Act: A company shall be deemed to be</p>	<p>Both the Act and the Malaysian Companies Act provide the mode for the winding up of a company to be either by the Court or voluntary.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on difference</u>
<p>Malaysian Insurance Act 1996, Bank Negara Malaysia;</p> <p>(h) the Registrar on the ground specified in paragraph 218(1)(m) or (n);</p> <p>(i) in the case of a member institution under the Malaysia Deposit Insurance Corporation Act 2005 [Act 642], the Malaysia Deposit Insurance Corporation under section 71 of that Act,</p> <p>or of any two or more of those parties.</p> <p>Section 218(1) of the Malaysian Companies Act:</p> <p>(1) The Court may order the winding-up if –</p> <p>(a) the company has by special resolution resolved that it be wound-up by the Court;</p> <p>(b) default is made by the company in lodging the statutory report or in holding the statutory meeting;</p> <p>(c) the company does not commence business within a year from its incorporation or suspends its business for a whole year;</p> <p>(d) the number of members is reduced in the case of a company (other than a company the whole of the issued shares in which are held by a holding company) below two;</p> <p>(e) the company is unable to pay its debts;</p> <p>(f) the directors have acted in the affairs of the company in their own interests rather than in the interests of the members as a whole, or in any other manner whatsoever which appears to be unfair or unjust to other members;</p> <p>(g) an inspector appointed under Part IX has reported that he is of opinion –</p> <p>(i) that the company cannot pay its debts and</p>	<p>unable to pay its debts –</p> <p>(a) if a creditor, by assignment or otherwise, to whom the company is indebted in a sum exceeding five hundred dollars then due has served on the company, by leaving it at the registered office of the company, a demand requiring the company to pay the sum so due and the company has for three weeks thereafter neglected to pay the sum or to secure or compound for it to the reasonable satisfaction of the creditor; or</p> <p>(b) if the execution or other process issued on a judgement, decree or order of any court in favour of a creditor of the company is returned unsatisfied in whole or in part; or</p> <p>(c) if it is proved to the satisfaction of the Court that the company is unable to pay its debts; in determining whether a company is unable to pay its debts, the Court shall take into account the contingent and prospective liabilities of the company.</p> <p>Section 163(1) of the Act: An application to the Court for the winding up of a company shall be by petition, presented either by the company or by any creditor or creditors, including any contingent or prospective creditor or creditors, contributory or contributories, or by all of those parties, together or separately.</p> <p>Provided that –</p> <p>(a) a contributory shall not be entitled to present a winding up petition unless the shares in respect of which he is a contributory, or some of them, either were allotted to him or have been held by him and registered in his name, for at least six months during the eighteen months before the commencement of the winding up, or have devolved on him through the death of a former holder; and</p> <p>(b) a winding up petition shall not, if the ground of the</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>should be wound up; or</p> <p>(ii) that it is in the interest of the public or of the shareholders or of the creditors that the company should be wound up.</p> <p>(h) when the period, if any, fixed for the duration of the company by the memorandum or articles expires or the event, if any, occurs on the occurrence of which the memorandum or articles provide that the company is to be dissolved;</p> <p>(i) the Court is of the opinion that it is just and equitable that the company be wound up;</p> <p>(j) the company has held a licence under the Malaysian Banking and Financial Institutions Act 1989 (Act 372) or the Malaysian Islamic Banking Act 1983 (Act 276) and that licence has been revoked or surrendered;</p> <p>(k) the company has carried on Islamic banking business, licensed business, or scheduled business, or it has accepted, received or taken deposits in Malaysia, in contravention of the Malaysian Banking and Financial Institutions Act 1989 or the Malaysian Islamic Banking Act 1983, as the case may be;</p> <p>(l) the company has held a licence under the Malaysian Insurance Act 1996 and</p> <p>(i) that licence has been revoked;</p> <p>(ii) Bank Negara Malaysia has petitioned for its winding up under subsection 58(4) of the Malaysian Insurance Act 1996; or</p> <p>(iii) An order under the paragraph 59(4)(b) of the Malaysian Insurance Act 1996 has been made in respect of it;</p>	<p>petition is default in holding the statutory meeting, be presented by any person except a member, nor before the expiration of fourteen days after the last day on which the meeting ought to have been held; and</p> <p>(c) the Court shall not give a hearing to a winding up petition presented by a contingent or prospective creditor until such security for costs has been given as the Court thinks reasonable and until a prima facie case for winding up has been established to the satisfaction of the Court; and</p> <p>(d) in a case falling within section 161(g) of the Act the winding up petition may be presented by the Registrar.</p> <p>Section 163(2) of the Act: When a company is being wound up voluntarily a winding up petition may be presented by the Official Receiver as well as by any other person authorised in that behalf under section 163 of the Act, but the Court shall not make a winding up order on the petition unless it is satisfied that the voluntary winding up cannot be continued with due regard to the interest of the creditors or contributories.</p> <p>Section 201 of the Act: A company shall be wound up voluntarily –</p> <p>(a) when the company resolves in general meeting that the company be wound up voluntarily; or</p> <p>(b) pursuant to section 201A of the Act.</p> <p>Section 201A of the Act: A company shall be wound up voluntarily upon the expiration of the period fixed for the duration of the company by its incorporating Act or its memorandum or upon the occurrence of the event on the occurrence of which its incorporating Act or its memorandum provides that the company is to be dissolved and thereafter the company shall be dissolved in accordance with Part XIII of the Act.</p> <p>Section 202(1) of the Act: Where a company is being</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>(m) the company is being used for unlawful purposes or any purpose prejudicial to or incompatible with peace, welfare, security, public order, good order or morality in Malaysia; or</p> <p>(n) the company is being used for any purpose prejudicial to national security or public interest.</p> <p>Definition of inability to pay debts</p> <p>(2) A company shall be deemed to be unable to pay its debts if –</p> <p>(a) a creditor by assignment or otherwise to whom the company is indebted in a sum exceeding five hundred ringgit then due has served on the company by leaving at the registered office a demand under his hand or under the hand of his agent thereunto lawfully authorised requiring the company to pay the sum so due, and the company has for three weeks thereafter neglected to pay the sum or to secure or compound for it to the reasonable satisfaction of the creditor;</p> <p>(b) execution or other process issued on a judgment, decree or order of any court in favour of a creditor of the company is returned unsatisfied in whole or in part; or</p> <p>(c) it is proved to the satisfaction of the Court that the company is unable to pay its debts; and in determining whether a company is unable to pay its debts the Court shall take into account the contingent and prospective liabilities of the company.</p> <p>Section 219 of the Malaysian Companies Act:</p> <p>(1) Where before the presentation of the petition a resolution has been passed by the company for voluntary winding up, the winding up of the company</p>	<p>wound up voluntarily, then within twenty-one days after –</p> <p>(a) the expiration of the period fixed for the duration of the company by its incorporating Act or memorandum;</p> <p>(b) the occurrence of the event, on the occurrence of which the incorporating Act or memorandum provides that the company is to be dissolved; or</p> <p>(c) the passing of the resolution that the company be wound up voluntarily,</p> <p>the company shall give notice thereof by advertisement in an appointed newspaper.</p> <p>Section 203 of the Act: A voluntary winding up shall be deemed to commence-</p> <p>(a) on the expiration of the period, if any, fixed in the incorporating Act or the memorandum for the duration of a company;</p> <p>(b) on the occurrence of the event, if any, on the occurrence of which it is provided in the incorporating Act or the memorandum that a company is to be dissolved; or</p> <p>(c) at the time of the passing of the resolution for voluntary winding up.</p> <p>Section 206(1) of the Act: Where it is proposed to wind up a company voluntarily, the majority of the directors, shall each make a statutory declaration to the effect that they have formed the opinion that the company will be able to pay its debts in full within such period not exceeding twelve months from the commencement of the winding up as may be specified in the declaration.</p> <p>Section 206(4) of the Act: A winding up in the case of which a declaration has been made and delivered in accordance with section 206 of the Act is in the Act referred to as "a member's voluntary winding up", and a winding up in the</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>shall be deemed to have commenced at the time of the passing of the resolution, and, unless the Court on proof of fraud or mistake thinks fit otherwise to direct, all proceedings taken in the voluntary winding up shall be deemed to have been validly taken.</p> <p>(2) In any other case the winding up shall be deemed to have commenced at the time of the presentation of the petition for the winding up.</p> <p>Section 254(1) of the Malaysian Companies Act: A company may be wound up voluntarily –</p> <p>(a) when the period, if any, fixed for the duration of the company by the memorandum or articles expires, or in the event, if any, occurs, on the occurrence of which the memorandum or articles provide that the company is to be dissolved and the company in general meeting has passed a resolution requiring the company to be wound up voluntarily; or</p> <p>(b) if the company so resolves by special resolution.</p> <p>Section 254(2) of the Malaysian Companies Act: A company shall –</p> <p>(a) within seven days after the passing of a resolution for voluntarily winding up lodge a printed copy of the resolution with the Registrar; and</p> <p>(b) within ten days after the passing of the resolution give notice of the resolution in a newspaper circulating generally throughout Malaysia.</p> <p>Section 255(6) of the Malaysian Companies Act: A voluntary winding up shall commence –</p> <p>(a) where a provisional liquidator has been appointed before the resolution for voluntary winding up was passed, at the time when the declaration referred to in</p>	<p>case of which a declaration has not been made and delivered as aforesaid is in the Act referred to as "a creditors' voluntary winding up".</p> <p>Bye-law 165:</p> <p>(1) The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.</p> <p>(2) A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.</p> <p>Bye-law 166(1): If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Act, divide among the Members (other than the Depository) in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon anyone or more class or classes of property and may determine how such division shall be carried out as between the Members (other than the Depository) or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members (other than the Depository) as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.</p>	

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>subsection (1) was lodged with the Registrar, and</p> <p>(b) in any other case, at the time of the passing of the resolution for voluntary winding up.</p> <p>Section 257(1) of the Malaysian Companies Act: Where it is proposed to wind up a company voluntarily the directors of the company, or in the case of a company having more than two directors, the majority of the directors may, before the date on which the notices of the meeting at which the resolution for the winding up of the company is to be proposed are sent out, make a written declaration to the effect that they have made an inquiry into the affairs of the company, and that at a meeting of directors have formed the opinion that the company will be able to pay its debts in full within a period not exceeding twelve months after the commencement of the winding up.</p> <p>Section 181(2) of the Malaysian Companies Act: If on such application the Court is of the opinion that either of those grounds is established the Court may, with the view to bringing to an end or remedying the matters complained of, make such order as it thinks fit and without prejudice to the generality of the foregoing the order may-</p> <p>(a) direct or prohibit any act or cancel or vary any transaction or resolution;</p> <p>(b) regulate the conduct of the affairs of the company in future;</p> <p>(c) provide for the purchase of the shares or debentures of the company by other members or holders of debentures of the company or by the company itself;</p> <p>(d) in the case of a purchase of shares by the company provide for a reduction accordingly of the company's capital; or</p> <p>(e) provide that the company be wound up.</p> <p>Section 181(3) of the Malaysian Companies Act: Where an</p>		

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences</u>
<p>order that the company be wound up is made pursuant to paragraph (2)(e) the provisions of the Malaysian Companies Act relating to winding up of a company shall, with such adaptations as are necessary, apply as if the order had been made upon a petition duly presented to the Court by the company.</p>		
<p><i>Limitations on the right to own shares of the company, including limitations on rights of shareholders regarded as non-resident or foreign shareholders to own or vote of their shares</i></p>	<p>There is no limitation, either under Bermuda law or the Bye-laws, on the right of owners of the Company's shares to hold or vote their shares solely by reason that they are non-Bermudians.</p>	<p>Both the Act and the Malaysian Companies Act do not provide limitations on this matter.</p>
<p>There are no provisions in the Malaysian Companies Act providing for this.</p> <p>However, there are guidelines in force established under the Malaysian Government's New Economic Policy which regulate the extent of non-Bumiputera and foreign ownership and control in Malaysian companies, which fall under the purview of the Foreign Investment Committee of the Prime Minister's Department of Malaysia.</p>		
<p><i>Take-over provisions</i></p>		
<p>Governing Provisions: Division 2 of Part VI of the Capital Markets and Services Act 2007 and the Malaysian Code on Take-overs and Mergers 2010 ("Malaysian Code").</p> <p>The Malaysian Code regulates the acquisition of ordinary shares of public companies (whether listed or not listed) in Malaysia and contains certain provisions that may delay, deter or prevent a take-over or change in control of such a public company.</p> <p>The Malaysian Code also applies to a company that is incorporated outside Malaysia but listed on any stock exchange in Malaysia. Under the Malaysian Code, the obligation to make a mandatory general offer is triggered when:-</p> <p>(a) any person or persons acting in concert, acquire,</p>	<p>Bye-law 171: For so long as the shares of the Company are listed on the Designated Stock Exchange, the provisions of Division 2 of Part VI (excluding Section 222 – Section 225) of the Capital Markets and Services Act 2007 and the Malaysian Code on Take-overs and Mergers 2010 or their respective statutory modification or re-enactment or successor for the time being in force shall apply, <i>mutatis mutandis</i>, to all take-over offers for the Company. The provisions of Division 2 of Part VI (excluding Section 222 – Section 225) of the Capital Markets and Services Act 2007 and the Malaysian Code on Take-overs and Mergers 2010 or their respective statutory modification or re-enactment or successor for the time being shall not apply to the Depository.</p>	<p>There are presently no Bermuda laws or regulations of general application which will require persons who acquire significant holdings in the Company's shares to make take-over offers for the Company's shares.</p> <p>In this regard, Bye-law 171 provides for the application, <i>mutatis mutandis</i>, of the Malaysian take-over laws, to all take-over offers for the Company.</p> <p>Furthermore, under Malaysian law, the Malaysian Code will apply to all take-over offers for the Company shares since a company for the purposes of the Malaysian Code has been prescribed to include any company that is incorporated outside Malaysia but listed on any stock exchange in Malaysia. Similarly, Section 222 – Section 225 of the Capital Markets and Services Act 2007 will also apply under Malaysian law.</p>

Annexure A COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW

Malaysian Company Law	Bermuda Company Law	Comments on differences
<p>hold or control the exercise of more than 33% voting shares in a company; or</p> <p>(b) where such person or persons hold more than 33% but less than 50% of the voting shares of a company and acquires in any 6 month period more than 2% of the voting shares of the company.</p> <p>Any person triggering the general offer must, except with the consent of the SC, extend a takeover offer for the remaining voting shares in accordance with the provisions of the Malaysian Code.</p> <p>The SC may extend time for compliance with any provision of the Malaysia Code.</p> <p>Compulsory acquisition provisions are contained in Section 222 -- Section 225 of the Capital Markets and Services Act 2007 whereby the offeror in a take-over offer may acquire the shares of dissenting shareholders where the offer has been accepted by the holders of nine-tenths in the nominal value of those shares.</p>		

ANNEXURE B SUMMARY OF LAWS

This section sets out the summaries of certain aspect of the laws and regulations in the foreign jurisdictions which affect our Group, comprising Bermuda, the PRC and the BVI, which are relevant to our Group's operations and business.

If you intend to have a detailed review of the relevant laws and regulations in the respective foreign jurisdictions, or a detailed explanation on the comparability and/or discrepancy of the relevant laws and regulations between Bermuda, the PRC and the BVI with Malaysia, you are recommended to seek independent legal advice from relevant experts.

(A) SUMMARY OF BERMUDA LAW

Our Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. We are incorporated as an exempted company and have been designated by the Bermuda Monetary Authority as non-resident for Bermuda exchange control purposes.

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

(a) Share capital

The Bermuda Companies Act provides for the giving of financial assistance by a company for the acquisition of its own or its holding company's shares in specific circumstances.

The Bermuda Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Bermuda Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Bermuda Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Bermuda Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

The Bermuda Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

If in the case of a company the share capital of which is divided into different classes of shares, provision is made by the memorandum or bye-laws for authorising the variation of rights attached to any class of shares in the company, subject to the consent of any specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares, and in pursuance of the said provision the rights attached to any such class of shares are at any time varied, the holders of not less in the aggregate than ten percent of the issued shares of that class, may apply to the Court to have the variation cancelled, and, where any such application is made, the variation shall not have effect unless and until it is confirmed by the Court.

If the memorandum or bye-laws of a company with share capital which is divided into different classes of shares makes no provision for varying the rights attached to any class of share and nothing in the memorandum or bye-laws precludes a variation of such rights, the rights attached to any class, unless otherwise provided by the terms of issue of the shares of that class may, whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of the class.

(b) Membership

The Bermuda Companies Act provides that all persons who agree to become members of a company shall upon entry on the register of members, which shall include the branch register, be deemed to be members of the Company.

A company shall not be bound to see to the execution of any trust, whether express, implied or constructive, to which any of its shares are subject and whether or not the company had notice of such trust.

(c) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance directly or indirectly for the purpose of an acquisition of its own or its holding company's shares unless if, on the date from which the financial assistance is to be given, there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due.

In certain circumstances, the prohibition against giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose of the company and the assistance is given in good faith in the interests of the company. In addition, the Bermuda Companies Act expressly provides that the financial assistance may only be given if the company has net assets which are not thereby reduced or, to the extent that they are reduced, if the financial assistance is provided out of funds of the company which would otherwise be available for dividend or distribution.; (ii) an affidavit of solvency is sworn by the directors of the company; and (iii) the financial assistance is approved by resolution of shareholders of the company in a general meeting.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(d) Purchase of shares and warrants by a company and its subsidiaries

The Bermuda Companies Act permits a company, if authorised to do so by its memorandum of association or by its bye-laws, to purchase its own shares. It should be noted that the Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see "Dividends" below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company's share premium account, or out of contributed surplus. A purchase by the Company of its own shares may be authorised by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Bermuda Companies Act provides that no purchase by a company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Bermuda Companies Act shall be treated as cancelled and the amount of the company's issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the company's authorised share capital.

The shares purchased pursuant to the Bermuda Companies Act may also be held as treasury shares. Under the laws of Bermuda, if a company holds shares as treasury shares, the company shall be entered in the register of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares and no dividend or other distribution (whether in cash or otherwise) shall be paid or made to the company in respect of such shares.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the memorandum of association or the bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(e) Dividends and distributions

The Bermuda Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company. It is not necessary for the Company, having been designated as a Non-Resident Entity, to obtain the consent of, licence from, or exemption from any governmental or administrative body or authority of Bermuda to enable the Company to declare or pay a dividend or make a distribution out of contributed surplus as referred to above.

(f) Protection of minorities

The Bermuda Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Bermuda Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's memorandum of association and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the company by reason only of his holding or having held shares in the company or any right to apply or subscribe for shares or to be included in the company's register of members in respect of shares.

(g) Management

The management and administration of a company is essentially governed by Part VI of the Bermuda Companies Act and provides that the management and administration of a company shall be vested in the hands of not less than two directors duly elected by the members.

The Bermuda Companies Act requires that a company maintains either:

- (i) a minimum of one director, other than an alternate director, who is ordinarily resident in Bermuda; or
- (ii) a secretary that is
 - (a) an individual who is ordinarily resident in Bermuda; or
 - (b) a company which is ordinarily resident in Bermuda; or
- (iii) a resident representative that is
 - (a) an individual who is ordinarily resident in Bermuda; or
 - (b) a company which is ordinarily resident in Bermuda.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Exempted companies, the shares of which are listed on an appointed stock exchange, may appoint a resident representative in Bermuda in place of the other Bermuda resident officers, who or which may be either an individual or a corporate entity, whose statutory rights, duties and obligations are established by the Bermuda Companies Act.

The Bermuda Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Bermuda Companies Act, regulations passed pursuant to the Bermuda Companies Act and the bye-laws.

The Bermuda Companies Act contains no specific provision in respect of the establishment or composition of audit committees or similar committees of the board of directors of a company.

(h) Accounting and auditing requirements

The Bermuda Companies Act requires that a company shall cause to be kept proper records of account with respect to -

- (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;
- (ii) all sales and purchases of goods by the company; and
- (iii) the assets and liabilities of the company.

It furthermore requires that the records of account shall be kept at the registered office of a company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Bermuda Companies Act also requires that, these records of account also be maintained at the office of the resident representative where a company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Bermuda Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of the company at the end of each three month period (or each six month period, where the company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the company to make available the records of account to any of the directors of the company should the company for some reason refuse to do so. Furthermore, the Bermuda Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of Bermudian Dollar ("BDS\$") 500.00 (approximately equivalent in value to USD500.00), for the time being.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

The Bermuda Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting -

- (i) financial statements for the period, which shall include -
 - (a) a statement of the results of operations for such period;
 - (b) a statement of retained earnings or deficits;
 - (c) a balance sheet at the end of such period;
 - (d) a statement of changes in the financial position for the period;
 - (e) notes to the financial statements;
 - (f) such further information as required by the Bermuda Companies Act and the company's memorandum of association and its bye-laws;
- (ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and
- (iii) the notes referred to in paragraph (i)(e) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by two of the directors of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Bermuda Companies Act also provides that companies listed on an appointed stock exchange may send summarized financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarized financial statements together with auditors report and notice to elect to receive the unabridged financial statements must be sent to members twenty-one days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

The summarised financial statements must be derived from the company's financial statements and shall include:

- (i) a summarised report of the unabridged financial statements;
- (ii) such further information extracted from the financial statements as the board of directors considers appropriate; and
- (iii) a statement that it is only a summarized version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Bermuda Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Bermuda Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 88, 89 and 90 of the Bermuda Companies Act govern the preparation and maintenance of accounting records and audited financial statements.

(i) Auditors

The members of a company at each annual general meeting shall appoint one or more auditors to hold office until the close of the next annual general meeting, and, if an appointment is not so made, the auditor in office shall continue in office until a successor is appointed.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one days before the annual general meeting; and the company shall send a copy of any such notice to the incumbent auditor, and shall give notice thereof to the members, either by advertisement in an appointed newspaper or in any other mode provided by the bye-laws of the company, not less than seven days before the annual general meeting. An incumbent auditor may however by notice in writing to the secretary of the company waive the foregoing requirements.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

No person shall accept appointment or consent to be appointed as auditor of a company if he is replacing an auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office, until he has requested and received from that auditor a written statement of the circumstances and the reasons why, in that auditor's opinion, he is to be replaced. However, if within fifteen days after making the said request, the person does not receive a written statement as requested, that person may accept appointment or consent to be appointed as auditor of a company. An appointment as auditor of a person who has not requested a written statement from the former auditor is voidable by a resolution of the shareholders at a general meeting.

An auditor of a company who has resigned, been removed, or whose term of office has expired or is about to expire, or who has vacated office, shall be entitled:-

- (i) to attend the general meeting of the company at which he is to be removed or his successor is to be appointed;
- (ii) to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and
- (iii) to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(j) Exchange control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes (a "**Non-Resident Entity**") by the BMA. Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Under the terms of the consent given to the Company by the BMA, the issue of shares and warrants up to the authorised share capital from time to time of the Company to and any transactions in issued shares and warrants between persons, firms or companies regarded as non-resident in Bermuda for exchange control purposes may be effected without further permission from the BMA.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(k) Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "**Government Fee**"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD\$1,995 and the maximum fee being BD\$31,120 (the Bermuda dollar is treated at par with the US dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31st August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to the Company that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entity or any of its operations until 28 March 2016. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities.

The Company has received such an assurance from the Ministry of Finance dated 2 December 2009 granting an exemption until 28 March 2016. However, such exemption shall not prevent the application of any such tax or duty to such persons as are ordinary resident in Bermuda and shall not prevent the application of any tax payable in accordance with the provisions of the Land Tax Act 1967 or otherwise payable in relation to land in Bermuda leased to the Company.

(l) Stamp duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on 1 April 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(m) Loans to directors

The Bermuda Companies Act prohibits the making of loans by the Company to any of its Directors or to their families or companies in which they hold a 20 per cent interest, without the consent of members of the Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the Company is not given for a loan, the Directors who authorised it will be jointly and severally liable for any loss arising.

(n) Inspection of corporate records

Members of the general public have the right to inspect the public documents of the Company available at the office of the Registrar which will include the Company's Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum of Association and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and audited financial statements of the Company, which must be presented to the Annual General Meeting of members. The Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of members of the Company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Bermuda Companies Act stipulates that where a member of the Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. The Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

(o) Winding up

The winding-up of Bermuda companies is governed by the provisions of the Bermuda Companies Act and by the Companies (Winding-Up) Rules 1982 (the "Rules") and may be divided into the following two types:

- (I) Voluntary winding-up which commences with the members' resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members' voluntary winding-up and a creditors' voluntary winding-up; and
- (II) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(I) Voluntary Winding-Up:

- (a) **Members' Voluntary Winding-up** - A members' voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company's directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the members) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company's members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

- (b) **Creditors' Voluntary Winding-up** - A creditors' voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors' voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company's members and, subsequently, at a meeting of the company's creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(II) Compulsory Winding-Up:

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Bermuda Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

- (a) that the company has by resolution resolved that it be wound-up by the Bermuda court;
- (b) that the company is unable to pay its debts;
- (c) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver - a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

A permanent liquidator's powers are prescribed by the Bermuda Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

(p) Repatriation of Capital and Profits

There are no exchange control restrictions presently in effect in Bermuda that would, in ordinary circumstances, prevent the repatriation of funds (regardless of whether they are profits or capital in nature) in a foreign currency from Bermuda to any country by a Non-Resident Entity.

There is no applicable Bermuda law against repatriation of capital paid on shares of a Non-Resident Entity in a foreign currency or remittance of profits by way of dividends in a foreign currency, by or to a Non-Resident Entity nor any applicable Bermuda law which would affect the timing of such repatriation.

(q) Restrictions on the Activities of Exempted Companies

Unless specifically authorised by its memorandum of association, an exempted company shall not be permitted to:-

- (i) acquire or hold land in Bermuda except (a) land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years or (b) with the consent of the Minister granted in his discretion, land by way of lease or tenancy agreement for a term not exceeding twenty-one years in order to provide accommodation or recreational facilities for its officers and employees;
- (ii) take any mortgage of land in Bermuda (subject to certain exceptions); and
- (iii) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Exempted companies are specifically permitted to carry on business in Bermuda with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on outside of Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities or similar investments issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its memorandum of association to enable it to carry on such type of business.

The Company has been incorporated as an "exempted company". Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda with persons outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, the Company has been designated as a Non-Resident Entity and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file with the Registrar of Companies in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

(r) BMA Consents

Specific permission from the BMA is required for all issues and transfers of securities of Bermuda companies, both local and exempted, involving persons who are non-resident, other than in cases where general permission has been given when the company's equity securities are listed on an appointed stock exchange, which includes Bursa Securities, or the company is classified under the Bermuda Monetary Authority (Collective Investment Scheme Classification) Regulations 1998 or successor provisions. General permission is given for the issue and subsequent transfer of any securities of the Company from and/or to a non-resident, for as long as any equity securities of the Company remain so listed on an appointed stock exchange, which includes Bursa Securities.

(s) Prospectus Filing

Before or as soon as practicable after a company offers shares to the public, it must file with the Registrar of Companies in Bermuda a prospectus dealing with the public offering.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

In order to file the prospectus, it is necessary to:

- have a copy of the final prospectus duly signed on the cover by all or one or more of the directors on behalf of all those not signing;
- provide suitable letters of authorisation/powers of attorney from those directors not signing in favour of those who do sign authorising them to sign; and
- provide evidence that the Securities Commission of Malaysia or other competent regulatory authority, as defined by the Companies Act, has approved the prospectus as a basis for the offering of shares to the public.

The Prospectus must be filed with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after it is despatched to potential investors.

(B) SUMMARY OF PRC LAW

(a) The PRC legal system

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC ("**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces, municipalities and autonomous regions and their standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administrative organs which promulgate such laws. All such interpretations carry legal effect.

(b) Judicial system

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People's Courts of the People's Republic of China, the People's Courts comprise the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (the "**Civil Procedure Law**") adopted on 9 April 1991, which was amended on 28 October 2007 and effective on 1 April 2008. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the selection is not contrary to some special requirements of jurisdictions, and the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months. However, from 1 April 2008, such time limit was extended to two years, no matter the nature of the parties to the dispute.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

(c) Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (the "**Arbitration Law**") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

(d) Company Law

On 29 December 1993, the Standing Committee of the Eighth National People's Congress adopted the Company Law, which came into effect on 1 July 1994 and was amended for the first time on 25 December 1999, the second time on 28 August 2004 and the third time on 27 October 2005. The newly amended Company Law of PRC (hereinafter referred to as the "**Company Law**") has been promulgated and became effective from 1 January 2006. "Company" is a corporate legal person, which possesses the status of a legal person in PRC and be liable for its debts to the extent of all its assets. The term "company" as mentioned in the PRC Company Law refers to a limited liability company (the "**LLC**") or a joint stock limited company (the "**JSLC**"). For a LLC, the shareholders bear the responsibility to the company within the capital contributions they have paid, For a JSLC, whose registered capital is divided into shares of equal par value, the shareholders bear responsibility to the shares held by them.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(i) Incorporation

The minimum registered capital for a LLC is RMB30,000 while the registered capital threshold for setting up a JSLC is RMB5 million. However, if any specific laws or regulations other than the Company Law prescribe a relatively higher amount of minimum registered capital, such provisions shall prevail.

The amount of the initial capital contributions made by all shareholders shall be no less than 20% of the registered capital provided that the first capital contribution for a LLC cannot be less than the required minimum registered capital (i.e. RMB30,000) and the rest shall be paid off by the shareholders within 2 years as of the incorporation day; as for an investment company, it may be paid off within 5 years.

A shareholder may make capital contributions in currency, in kind or intellectual property right, land use right or other "non-cash assets" that are transferable and can be monetarily valued. The amount of the capital contributions in currency shall be no less than 30% of the registered capital of the LLC.

(ii) Corporate Governance

The shareholders' meeting, which comprises all the shareholders, is the authority of the company and is the meeting of the company's shareholders to elect the company's directors and supervisors, or review reports on the company's business results, prospects, and plans. Generally, the shareholders exercise their voting rights at the shareholders' meeting based on the shares held by them.

The Board of Directors is a body of elected or appointed persons who jointly oversee the activities of a company and is responsible for the shareholders' meeting. As for a LLC with relatively few shareholders or is relatively small, it may have an executive director assuming the duties of the board to replace the Board of Directors. The executive director may concurrently hold the post of the company's manager.

The Board of Supervisors is a body of elected or appointed persons who jointly check the financial affairs of the company and supervise the acts of the directors and senior managers. No director or senior manager is permitted to concurrently hold the post as a supervisor. The board of supervisors shall include representatives of shareholders and representatives of the employees. A LLC, which has relatively few shareholders or is relatively small, may have 1 or 2 supervisors, and does not have to establish a Board of Supervisors.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Directors, supervisors, and senior managers shall owe the company a duty of care and loyalty. Directors and senior managers should not, by taking advantage of their powers, accept bribes or other unlawful incomes, or misappropriate the company's property. Further, directors, supervisors and senior managers would be liable for compensation, if they violate PRC laws and regulations or the company's articles of association in performance of their duties and thus cause loss to the company.

(iii) **Financial Allocations**

Pursuant to the Company Law, the company's profit, after paying enterprise income tax and allocating 10% of after-tax profits to the statutory reserve, are available for profits distribution. The allocation may cease when the statutory reserve exceeds 50% of registered capital. The profit distribution shall not be conducted unless the losses of previous fiscal years have been made up.

(iv) **Protection of Shareholders**

The Company Law aims to enhance the protection of shareholders, especially minority shareholders. Set out below is a brief summary of certain provisions with regard to the rights and remedies of shareholders.

(a) **Company's Books and Records**

Shareholders are entitled to check and copy the company's articles of association, financial reports, minutes of the shareholders' meetings, and resolutions of the board of directors and the supervisory board. Shareholders of a LLC are also entitled to inspect the company's accounting books and records.

(b) **Shareholders' Meetings and Resolutions**

Shareholders holding at least 10% of the voting rights of the company are entitled to convene a shareholders' meeting themselves if both the board and the supervisory board are unable to convene such a meeting or if they fail to do so. The Company Law also grants the shareholders the right to revoke any shareholders' or board resolution by an application to the court if either (i) the convening procedures or voting methods adopted in the relevant meeting violate the law or the company's articles of association, or (ii) the resolution itself runs counter to the company's articles of association.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(c) Exit right of LLC Shareholders

The Company Law makes it much easier for a shareholder of a LLC to transfer his or her share to an external party. Such shareholder is only required to obtain consent from 50% of the existing shareholders. Other shareholders who do not respond within 30 days are deemed to have agreed on the share transfer. If over 50% of the rest of the shareholders disagree with the share transfer, those disagreeing shareholders would need to purchase the shares. If the disagreeing shareholders refuse the share purchase, they will be deemed to have agreed on the transfer. On the other hand, shareholders of LLC are entitled to ask the company to repurchase their shares at a reasonable price if they oppose: (i) the company's decision not to distribute dividends for five consecutive profit-making years; (ii) any merger or spin-off the company or the disposition of the company's major assets; or (iii) the renewal of the company's term of operation upon its expiration or the amendment to the company's articles of association upon the occurrence of any reason for dissolution as specified in the articles.

(d) Right to dissolve a company

When a company meets serious difficulty during its operation, if the continued existence of the difficulty will cause heavy loss to shareholder's interest, and such difficulty cannot be solved by other means, the shareholders holding at least 10% of the voting rights of the company are entitled to plead the court for dissolving the company.

(e) Derivative Suits

Any shareholder of a LLC or shareholders of a JSLC holding more than 1% of the shares for more than 180 consecutive days may bring legal proceedings in their own name on behalf of the company against (i) directors, supervisors, or senior managers who fail to comply with the laws and regulations or the company's articles of association in the course of performing their duties, causing loss to the company; or (ii) third parties infringing the company's rights and interests, causing loss to the company.

(e) Taxation

The following is a summary of material tax that applied to foreign investment enterprise ("FIE"):-

(i) Income Tax

Pursuant to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises, together with its Implementation Rules which came into effect on 1 July 1994 (collectively the "Income Tax Law"), FIEs are subject to a 30% income tax plus a 3% local income tax.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

FIEs engaged in production having a period of operation of not less than 10 years shall be exempted from income tax for the first 2 profit making years and a 50% reduction in the income tax payable for the next 3 years. Preferential income tax rates of 24% are also available to, amongst others, FIEs of a production nature located in one of the designated "open economic zones" in the coastal regions of PRC. Putian City of Fujian Province is one of such open economic zones. The 3% local income tax may be reduced or waived by the local government at the provincial level of the place in which the FIEs are located. Income tax is computed annually and payable on a quarterly basis.

Under the Income Tax Law, the foreign investor of a FIE is not required to pay income tax on profits or dividends derived from the FIE and will not be subject to any withholding tax on the outward remittance on such profits or dividends.

The law of the People's Republic of China on Enterprise Income Tax was promulgated by the National People's Congress on 16 March 2007 and came into effect on 1 January 2008, on which its implementation regulations came into force as well (collectively the "**New Income Tax Law**"). The Chinese domestic enterprises and FIEs are treated equally on the income tax rate, and the enterprise income tax rate shall be 25%, but the non-resident enterprise which has no establishment in the PRC, or has establishment but the income has no relationship with such establishment, it shall pay enterprise income tax on such income sourced from the PRC, and the income tax rate shall be 20%.

The enterprises that were approved and established prior to the promulgation of the New Income Tax Law and that, in accordance with then effective tax laws and administrative regulations, enjoy a special lower tax rate shall, in accordance with the provisions of the State Council, progressively transit to the specified tax rate within 5 years following the implementation of the New Income Tax Law. Those enterprises that enjoy a fixed-term tax exemption or tax reduction shall, in accordance with the provisions of the State Council, continue to enjoy such exemption or reduction after the implementation of the New Income Tax Law until the expiration of the term of such exemption or reduction. However, if an enterprise did not enjoy such preferential treatment because it has not yet achieved profitability, the term of such preferential treatment shall be calculated from 1 January 2008 until the expiration of the term of such exemption or reduction.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(ii) Value Added Tax ("VAT")

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax ("VAT Regulations") promulgated by the State Council which was subsequently amended and came into effect on 1 January 2009 and its Implementation Rules, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

A FIE, if it is not qualified as a small-scale VAT tax payer, is subject to value added tax at the rate of 17% on the sale and import of goods (unless (i) the goods fall within Article 2(2) of the VAT Regulations, such as grain, water, gas and newspapers, in which case the VAT rate is 13%; and (ii) the goods are agricultural products produced by a FIE itself specified in the Notice on Issuing Interpretation of Tax Range of Agricultural Products, in which case the VAT is exempted) as well as on processing, repair and replacement services. Goods exported will be taxed at a rate of 0%, except where otherwise determined by the State Council. A FIE importing goods will pay VAT on the total value of the goods.

The applicable VAT rate to the PRC Companies is 17%.

(iii) Business Tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax promulgated by the State Council which was subsequently amended and came into effect on 1 January 2009 and its Implementation Rules, business that provide services including entertainment business, assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 20% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

(iv) Tax on income from the PRC derived by a Non-Resident enterprise

According to the New Income Tax Law, income such as dividends, rental, interest and royalty from the PRC derived by a Non-Resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to FIEs and their investors.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(v) Tax on income from the Non-Resident enterprises' equity transfer

Non-Resident enterprises' equity transfer income realized from sales of shares in the PRC resident enterprises are subject to PRC income tax (exclusive of dealings with stocks of the PRC resident enterprises on the public stock markets). In addition, pursuant to the Circular of the State Administration of Taxation on Strengthening Administration of Enterprise Income Tax on Non-Resident Enterprises' Equity Transfer Income effective on 1 January 2008 ("**Circular 698**"), when a foreign investor (the actual controlling party) transfers a PRC resident enterprise's equity indirectly, if the actual tax rate is lower than 12.5% in the country (region) where the transferred offshore holding company is located or the country (region) does not levy income tax to its resident on overseas income, then the foreign investor shall provide the documents in accordance with the Circular 698 to the local tax authority where the PRC resident enterprise governed by within 30 days after the signing of the equity transfer contract.

(f) Wholly foreign-owned enterprise ("WFOE")

Wholly foreign-owned enterprises are governed by the Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investments, which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 and amended on 12 April 2001 (together the "**Foreign Enterprises Law**").

(i) Procedures for establishment of a WFOE

The establishment of a WFOE will have to be approved by the MOC (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to the MOC (or its delegated authorities) for its record. After obtaining approval from the MOC, a WFOE must also obtain a business license from the State Administration for Industry and Commerce (or its delegated authorities) before it can commence business.

(ii) Nature

A WFOE is generally a limited liability company under the Foreign Enterprises Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by the MOC (or its delegated authorities) in accordance with relevant regulations.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(iii) Repatriation of profits and dividends

The Foreign Enterprise Law provides that after payment of taxes, a WFOE shall make contributions to reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10% of the after-tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up. A WFOE may pay dividends out of distributable profits. Distributable profits means the after tax profits of an enterprise less any recovery of accumulated losses and allocations to statutory funds that it is required to make.

In accordance with the Notice of the Ministry of Finance on the Issue of Handling Financial Issues by Relevant Enterprises after the Implementation of the Company Law promulgated by the Ministry of Finance on 15 March 2006 and effective 1 April 2006, from 1 January 2006, enterprises established in accordance with the Company Law of the PRC shall distribute profits pursuant to Article 167 of the Company Law and shall no longer make contributions to the reserve fund. After an enterprise ceases to make contributions to the reserve fund, it may continue to make contributions to the employee bonus and welfare fund as decided by the board of directors if the purpose, use conditions, and procedures thereof shall be made clear, and such funds shall be managed as debts.

When foreign investors of a FIE want to remit profits or dividends of current year abroad, the foreign investors and the FIE shall present the following documents to the designated foreign exchange banks:

- (a) Tax payment certificate and taxation declaration form (for enterprises enjoying tax reduction or exemption, certificate of tax reduction or exemption issued by domiciled taxation administration shall be provided);
- (b) Auditing Report on the profits or dividends of the current year issued by Certified Public Accountants ("CPA");
- (c) Resolution of the board of directors on the distribution of profits or dividends;
- (d) Certificate of Foreign Exchange Registration;
- (e) Capital Verification Report issued by CPA; and
- (f) Other materials required by the foreign exchange control administration.

If foreign investors of a FIE want to remit profit or dividends of previous year abroad, in addition to the documents prescribed above, an auditing report issued by CPA on the financial position of the relevant accounting years during which such profits or dividends yielded should also be submitted to the bank.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

The bank will review the documents submitted and if all required documents and materials are fully provided and no problem is found, the bank will remit the profits or dividends abroad for the foreign capital enterprises. Such process is administrative and no approval is required.

(g) Repatriation of Capital

Foreign investors are not allowed to repatriate the capital of FIEs out of PRC unless the repatriation of the capital has been duly approved by MOC (or its delegated authorities) under the capital decrease or liquidation situations. The repatriation of the capital is further subject to the approval of the State Administration of Foreign Exchange ("**SAFE**") (or its delegated authorities).

(h) Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the NPC on 26 December 1989, the Ministry of Environmental Protection of the PRC (formerly known as "**State General Administration of Environmental Protection of the State Council**" and "**State Administration of Environmental Protection of the State Council**") sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with relevant bureaus of environmental protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution.

(i) Foreign Exchange Control

Major reforms have been introduced to the foreign exchange control system of the PRC since 1993.

On 28 December 1993, the People's Bank of China (the "PBOC") announced that the dual exchange rate system for RMB against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the PBOC publishes the RMB exchange rate against the USD daily. The daily exchange rate is set by reference to the RMB/USD trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996, the Foreign Exchange Control Regulations of the PRC (as amended on 14 January 1997) came into effect. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange were promulgated by the PBOC and came into effect on 1 July 1996.

On 25 October 1998, the PBOC and the SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions of FIEs may only be conducted at designated banks.

On 9 September 2002, Notice on Further Policy and Related Issues Concerning Current Transaction Foreign Exchange Accounts of Domestic Entities was promulgated by SAFE.

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ANNEXURE B SUMMARY OF LAWS (Cont'd)

On 21 October 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in financing and in Return Investment via Overseas Special Purpose Companies ("**Notice 75**") which came into effect on 1 November 2005. Under Notice 75, PRC residents, including PRC Companies and the PRC resident individuals, have to register their foreign investments with the local SAFE prior to incorporating or taking control of a special purpose vehicle (the "**SPV**"). Where a PRC resident contributes the assets or stock rights of a domestic enterprise that it owns into a SPV, or engages in capital financing abroad after contributing assets or stock rights into SPV, it has to register such change. Other than the abovementioned registration requirement, Notice 75 also requires PRC residents to register, modify or record with the local foreign exchange authority within 30 days from the date of increase/decrease of capital, share transfer, mergers or division, change in long-term equity or debt investments and guarantees in or by the SPV. In addition, the proceeds from overseas listing of the SPV shall, according to the repatriation plan submitted to the foreign exchange administration for record, be repatriated according to current regulations for the administration of foreign exchange. In addition, the foreign exchange income from profits, bonus and capital change obtained by the PRC residents from the SPV shall be repatriated within 180 days.

On 6 June 2006, SAFE issued a Circular on the Revision of Certain Foreign Exchange Control Policies Relating to Overseas Investment ("**Circular 27**"), which came into effect on 1 July 2006. Circular 27 provides the preliminary resources and procedures for the purchase and payment of foreign exchange required of domestic investors qualified as legal persons when investing overseas and sets out the requirements for purpose of use and the maximum amount of the preliminary costs for an overseas investment project to be remitted out of the PRC as well as the approval procedures for the remittance thereof.

On 12 August 2007, SAFE promulgated Notice on the Retaining of Foreign Exchange Earnings by Domestic Entity, which provides that from 12 August 2007, domestic entity may retain its recurrent foreign exchange earnings according to their needs for operation.

On 1 August 2008, the revised Foreign Exchange Control Regulations of the PRC was adopted by the State Council and was promulgated for implementation on 5 August 2008.

In summary, taking into account the promulgation of the recent new regulations and to the extent the existing provisions stipulated in previous regulations do not contradict these new regulations, the present position under the PRC law relating to foreign exchange control are as follows:-

- (a) The previous dual exchange rate system for RMB was abolished and a managed floating exchange rate system based largely on supply and demand with reference to a basket of currencies was introduced. The PBOC, will announce the closing price of foreign currencies against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

- (b) Foreign exchange earnings of domestic entities may be transferred to the PRC or held abroad according to the regulations stipulated by SAFE.
- (c) FIEs may have their own foreign currency accounts and are also permitted to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks.
- (d) Reservation or sale of capital account foreign exchange earnings to designated banks shall be approved by the foreign exchange control administration unless stated otherwise. Foreign exchange funds from capital account shall only be used according to the purpose approved by the foreign exchange control administration and the relevant competent authorities.
- (e) Where a foreign enterprise makes a direct investment or carries out the issuance and/or business of securities or other derivatives within the PRC, or where a domestic entity makes a direct investment or carries out the issuance and/or business of securities or other derivatives outside the PRC, it shall go through the registration procedure according to the relevant regulations stipulated by SAFE. A guarantee or a commercial loan provided to the entity outside the PRC by a domestic entity shall be subject to approval and registration with relevant foreign exchange administration. The utilisation of foreign debts by an enterprise shall be in compliance with relevant regulations and has to undergo foreign debt registration with the foreign exchange control administration.
- (f) FIEs which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.
- (g) FIEs may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds from their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on dividends. Where the amount of the funds in foreign exchange is insufficient, the FIE may, upon the presentation of the resolutions of the directors on the profit distribution plan and other relevant documents, purchase foreign exchange from designated foreign exchange banks.
- (h) FIEs may apply to the bank of China or other designated foreign exchange banks to remit profit out of the PRC to the foreign parties if the requirements provided by the PRC laws, rules and regulations are met.
- (i) Strict supervision and control by foreign exchange control administration has been imposed upon FIEs established in the manner of acquisitions of the PRC enterprises by foreign enterprises with PRC residents as shareholders.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(j) Capital Injection on FIEs

Under the current applicable PRC laws and regulations, the investors of FIEs may invest their capital into the PRC by the following manners:

(i) Contribution to the outstanding registered capital

Investors of a FIE are obliged to paid off the registered capital of the FIE within the time limit as approved by the approving authority and stipulated in its articles of association.

When the foreign investors have fully paid off the registered capital of the FIE, the foreign investors may apply to the authorities to increase the amount of the registered capital of the FIE and make contribution to the increased registered capital.

(ii) Shareholder's loan

The investors of a FIE may provide shareholder's loan to the FIE, the parties should enter into written loan agreement and the same should be filed with the local SAFE. The shareholder's loan of a FIE should not exceed the difference between the registered capital and the total investment amount of the FIE.

(iii) Establish a new FIE and make contribution to the registered capital of the new FIE.

(k) OEM Issue

According to PRC laws and regulations, intellectual property right primarily consists of copyright, trademark right and patent right. Anyone who commits infringement of intellectual property right, depending on different natures of the infringement acts, shall be subject to criminal, administrative or civil liabilities.

With respect to criminal liability, the infringer of copyright or trademark right shall be sentenced to fixed-term imprisonment of not more than seven years, and may concurrently or exclusively be punished with a fine. The infringer of patent right shall be sentenced a fixed-term imprisonment of not more than three years and may concurrently or exclusively be punished with a fine.

With respect to administrative liability, relevant copyright administration department may order the infringer of copyright to cease the infringing act, confiscate his/her unlawful income from the act, confiscate and destroy infringing reproductions, confiscate the materials, tools, and equipment mainly used for making the infringing reproductions and impose a fine. Relevant trademark right administration department may order the infringer of trademark right to cease the infringing act, confiscate and destroy infringing reproductions and the tools exclusively used for making the infringing reproductions and counterfeiting registered trademark labels and impose a fine. Relevant patent right administration department may order the infringer of patent right to immediately cease the infringing act; and may order the infringer who counterfeits patent to rectify and have such order announced, confiscate his/her unlawful income from the act, and concurrently impose a fine.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

With respect to civil liability, the infringer shall bear such civil liability as ceasing the infringing act, or paying damages. In addition, the infringer shall compensate on the basis of the actual loss suffered by the right holder or the infringer's unlawful income from the infringing act or interests gained from the act. The amount of damages shall also include the reasonable disbursements paid by the right holder to stop the infringing act. Where the right holder's actual loss or the infringer's unlawful income or interests gained from the infringing act cannot be determined or is difficult to determine, the People's Court shall, depending on the circumstances of the infringing act, decide an amount of the damages not more than RMB500,000 imposed on the infringer of copyright or trademark right, and an amount of the damages ranging from RMB10,000 to RMB1,000,000 imposed on the infringer of patent right.

(I) Product Quality and Consumer Law

(i) Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (the "**Product Quality Law**") which was promulgated on 22 February 1993 and amended on 8 July 2000.

The Product Quality Law is applicable to the production and sale of any product within the PRC, and producers and sellers shall be liable for any failure of their products to meet quality standards in accordance with the Product Quality Law.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

According to the Product Quality Law, consumers or other victims who suffer injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility lies with the producer, the seller shall, after settling the compensation, have the right to recover such compensation from the producer, and vice versa.

(ii) Consumer Law

The Law of the People's Republic of China on Protection of Consumer Rights and Interests (the "**Consumer Law**") was enacted on October 31, 1993 and came into effect on January 1, 1994. According to the Consumer Law, the rights and interests of consumers who buy or use commodities for the purpose of consumption or those who receive services are protected, and all manufacturers and distributors are required to ensure that their products and services will not cause personal or property damage.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

(C) SUMMARY OF BVI LAW

The principal statute governing the formation and operation of a company incorporated in the BVI is the BVI Business Companies Act 2004 (the "**BC Act**").

(a) Policies and law on foreign investment

Subject to the BC Act, any other enactment and the company's memorandum and articles of association, a company has, irrespective of corporate benefit full capacity to carry on or undertake any business or activity, do any act or enter into any transaction including:

- (i) unless it is a company limited by guarantee or an unlimited company that in either case is not authorised to issue shares:
 - (a) issue and cancel shares and hold treasury shares,
 - (b) grant options over unissued shares in the company and treasury shares,
 - (c) issue securities that are convertible into shares, and
 - (d) give financial assistance to any person in connection with the acquisition of its own shares;
- (ii) issue debt obligations of every kind and grant options, warrants and rights to acquire debt obligations;
- (iii) guarantee a liability or obligation of any person and secure any of its obligations by mortgage, pledge or other charge, of any of its assets for that purpose; and
- (iv) protect the assets of the company for the benefit of the company, its creditors and its members and, at the discretion of the directors, for any person having a direct or indirect interest in the company.

There are no limitations, either under BVI law or the memorandum and articles of association of Sunwealth and Campus (the "**BVI Companies**") respectively (the "**M&A**") on the rights of owners of the shares of the BVI Companies to hold or vote their shares solely by reason that they are non-residents of the BVI.

No consent, licence or authorisation of any government authority of the BVI is required to be obtained by the BVI Companies in connection with the issuance and transfers of shares in a BVI company.

(b) Taxation

The BVI Companies are exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts paid by the BVI Companies to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

No estate, inheritance, succession or gift tax is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company.

(c) Exchange Control

There are no exchange control regulations or currency restrictions in the BVI.

(d) Stamp Duty

No stamp duty is payable in the BVI on a transfer of shares in a BVI company.

(e) Repatriation of capital and profits

There are no exchange control restrictions or currency restrictions in the BVI that would prevent the repatriation of funds (regardless of whether they are profits or capital in nature).

Subject to any limitations or provisions to the contrary in its memorandum or articles and the solvency test set out in the BC Act being satisfied, a company may by resolution of directors authorise a distribution to its members.

A distribution may be a direct or indirect transfer of an asset (other than the company's own shares) to or for the benefit of the member, or the incurring of a debt for the benefit of a member.

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ANNEXURE B SUMMARY OF LAWS (Cont'd)



RAJA, DARRYL & LOH
advocates and solicitors

Advocates and Solicitors
Arbitrators and Mediators
Notary Public
Registered Patent Agents
Registered Trade Mark Agents
Registered Industrial Designs Agents

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Our Ref

Your Ref

vmk.893738.vmk

China Stationery Limited ("CSL")
South Unit A, 7/F, Lianhua Building,
No. 2011 Remin South Road,
Luohu District, Shenzhen,
China 518014

BY EMAIL & COURIER

19 January, 2012

Dear Sirs

**Re: Proposed Listing on the Main Market of Bursa Malaysia
Securities Berhad ("Proposal")**

We refer to the letter of conditional approval for the Proposal dated 25 February 2011 issued by the Securities Commission ("SC").

2. The SC had in the said letter requested for, amongst others, in paragraph 1.2(vi), a legal opinion and confirmation on whether there is any restriction relating to the enforcement of the Malaysian rules and regulations on the subsidiaries of CSL and the repatriation of capital and remittance of dividends or profits from the subsidiaries to the shareholders of CSL.
3. We have been instructed to provide the abovesaid opinion. Our opinion below is given based on the laws of Malaysia prevailing as at the date of this letter.

Enforcement of the Malaysian Rules and Regulation on the Subsidiaries of CSL

4. It is unclear from the SC's letter as to what Malaysian rules and regulations are covered or intended to be covered by the SC under paragraph 1.2(vi) of the said letter.
5. National sovereignty is a fundamental principle of international law. Hence typically, national laws do not have extraterritorial application. For instance, the Companies Act 1965 does not generally apply to companies incorporated outside Malaysia save in the case of foreign companies carrying on a business in Malaysia, in which case, the Companies Act 1965 has specific provisions on registration of a branch and maintenance thereof. It is thus generally not possible to enforce the provisions of the Companies Act 1965, on a foreign company, outside Malaysia.

Partners

Darryl S. C. Goon
Dato' Rajesekaran Murugeeh
Chang Wei Mun
Chew Phye Kcai
Christopher K. F. Foo
Ng Sai Yeang
Ravindra Kumar Rengasamy
Raja Eftan Soraya Bi Raja Aman
Lim Siew Ming
Vijay R. Mohana Krishnan
Mark La Brooy
Tong Lai Ling
Tai Chu Wei
Teh Yan Yen
Maidzura Bi Mohammad
Choon Hon Leng
Chong Kok Seng
Yvonne T. M. Ong

Senior Associates

Chong Mei Mei
Soh Ooi Kean Jim
Marie M. Y. Soong
Wong Guan Sean
M. Vinoben A. Mathavaranam
Kong Wang Kuen

Associates

Roland Richard Kual
Fadzilla Bi Ismail
Hew Sheau Ying
Wong Siow Lee
Norazmi Bin Norazman
Goi Syn Chieh
Deepak Mahadevan
Roveena Kaur Tara Singh
Kimberly Lee Swae Ying
Hor Shirley
Tham Li Vyien
Sim Boon Luan
Sharon Lai Yie Ling
Stephane Tee Siow Chung
Lim Kee Wai
Toh Lee Khim
Seow Wei-sheng
Lye Ca-Ryn
Ong Shih Wei
Dinesh Altharayanan
Chua Jin Fong
Loke Yuen Hong
Ong Hwee Koon
Wendy Lim Bia Sun
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Brisbane
Hanoi
Ho Chi Minh City
Hong Kong
Jakarta
Melbourne
Perth
Phnom Penh
Port Moresby
Shanghai
Singapore
Sydney

Associated with Allens Arthur Robinson



ANNEXURE B SUMMARY OF LAWS (Cont'd)

Raja, Darryl & Loh

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19 January, 2012

6. Given that CSL is registered as a foreign company under the Companies Act 1965 and will be listed on the Main Market of Bursa Malaysia Securities Berhad, the relevant provisions of the Companies Act 1965 and generally, the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Listing Requirements"), will apply to CSL, the Subsidiaries of CSL and the officers of CSL and the Subsidiaries of CSL. The Capital Markets and Services Act, 2007 will also apply *inter-alia* to CSL and its officers.

We would highlight that the Listing Requirements govern and cover areas such as :

- (i) Chapter 4A – specific continuing obligations for foreign corporations with primary listing on Bursa Malaysia
 - (ii) Chapter 8 – continuing listing obligations
 - (iii) Chapter 9 – continuing disclosures
 - (iv) Chapter 10 – transactions including related party transactions
 - (v) Chapter 15 – Corporate Governance
7. If there is a breach of any provision in the Companies Act 1965, the Listing Requirements or the Capital Markets and Services Act, 2007, the enforcement procedures would have to be brought in Malaysia against CSL, the Subsidiaries of CSL and the officers of CSL and the Subsidiaries of CSL.

Repatriation of Capital and Remittance of Dividends or Profits from the Subsidiaries of CSL to the Shareholders of CSL

8. In relation to the repatriation of capital and remittance of dividends or profits from the Subsidiaries of CSL to the shareholders of CSL, respective legal counsel from Bermuda, BVI and PRC have given their legal opinions on the same.
9. A copy of Appleby's (CSL's Bermuda legal counsel) legal opinion dated 19 January, 2012 is attached herewith as Appendix A.
10. A copy of Appleby's (CSL's BVI legal counsel) legal opinion dated 19 January, 2012 is attached herewith as Appendix B.
11. A copy of GFE Law Office's (CSL's PRC legal counsel) legal opinion dated 19 January, 2012 is attached herewith as Appendix C.
12. We would highlight that the relevant excerpts relating to repatriation of capital and remittance of dividends or profits from the abovementioned legal opinions have been included in Annexure B (Summary of Law) of the Prospectus for the Proposal.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Raja, Darryl & Loh

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19 January, 2012

Amendment of Constituent Documents of CSL

13. In accordance with Paragraph 5.39 of the Equity Guidelines, the proposed Bye-laws of CSL which was submitted to the SC were with amendments to provide for standards of corporate governance, shareholders' and minority interest protection and regulation of take-overs and mergers at least equivalent to those in Malaysia.
14. Given our comments above, we are of the view that no further amendments to the proposed Bye-laws of CSL are necessary.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Darryl Loh', written in a cursive style.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

Appendix A

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China Stationery Limited
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The People's Republic of China

direct dial:

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Tel 852 2905 5719
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Fax 852 2524 5548

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19 January 2012

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applebyglobal.com

Managing Partner
Frances L Woo

Partners
Jeffrey Kirk
Judy Lee

Dear Sirs

Re: Proposed listing of the shares of China Stationery Limited (the "Company") on Bursa Malaysia Securities Berhad

Bermuda policies governing foreign investments, taxation and exchange control in Bermuda as well as repatriation of capital and remittance of profits from and to Bermuda

We act as the legal counsel of the Company as to Bermuda law in connection with the proposed listing of the Company in conjunction with its listing on the Main Market of the Bursa Malaysia Securities Berhad (the "**Proposed Listing**").

You have requested this firm to provide you with a summary of certain provisions of Bermuda company law and general policy, including an expert report on Bermuda governmental law, decree, regulation or other requirements which may affect the repatriation of capital and the remittance of profit by or to the Company, in connection with the issue of shares in the Company, a Bermuda exempted company, pursuant to a Prospectus (the "**Prospectus**") to be issued by the Company.

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law, governmental law, decrees and regulations. The summary relates only to the laws of Bermuda currently in force, which, for purposes of this

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ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

summary, include the laws, rules, regulations, orders, rulings, directives, notices or circulars of any government, governmental or regulatory bodies of or within Bermuda and all references herein to "applicable Bermuda laws" shall be construed accordingly.

A. Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "**Government Fee**"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD\$1,995 and the maximum fee being BD\$31,120 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31st August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to the Company that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entity or any of its operations until 28 March 2016. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities.

The Company has received such an assurance from the Ministry of Finance dated 2 December 2009 granting an exemption until 28 March 2016. However, such exemption shall not prevent the application of any such tax or duty to such persons as are ordinary resident in Bermuda and shall not prevent the application of any tax payable in accordance with the provisions of the Land Tax Act 1967 or otherwise payable in relation to land in Bermuda leased to the Company.

B. Stamp Duty

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ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on the 1st April, 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

C. Exchange Control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes (a “**Non-Resident Entity**”) by the Bermuda Monetary Authority (“**BMA**”). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Under the terms of the consent given to the Company by the BMA, the issue of shares and warrants up to the authorised share capital from time to time of the Company to and any transactions in issued shares and warrants between persons, firms or companies regarded as non-resident in Bermuda for exchange control purposes may be effected without further permission from the BMA.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

D. Dividends and Distributions

The Companies Act of 1981 of Bermuda (the “**Companies Act**”) provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a)

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ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company. It is not necessary for the Company, having been designated as a Non-Resident Entity, to obtain the consent of, licence from, or exemption from any governmental or administrative body or authority of Bermuda to enable the Company to declare or pay a dividend or make a distribution out of contributed surplus as referred to above.

E. Repatriation of Capital and Profits

There are no exchange control restrictions presently in effect in Bermuda that would, in ordinary circumstances, prevent the repatriation of funds (regardless of whether they are profits or capital in nature) in a foreign currency from Bermuda to any country by a Non-Resident Entity.

F. Restrictions on the Activities of Exempted Companies

Unless specifically authorised by its memorandum of association, an exempted company shall not be permitted to:-

- (i) acquire or hold land in Bermuda except (a) land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years or (b) with the consent of the Minister granted in his discretion, land by way of lease or tenancy agreement for a term not exceeding twenty-one years in order to provide accommodation or recreational facilities for its officers and employees;

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ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

- (ii) take any mortgage of land in Bermuda (subject to certain exceptions);
and
- (iii) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business in Bermuda with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on outside of Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities or similar investments issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its memorandum of association to enable it to carry on such type of business.

The Company has been incorporated as an "exempted company". Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda with persons outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, the Company has been designated as a Non-Resident Entity and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

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The Company will, under the provisions of the Companies Act, be required to file with the Registrar of Companies in January of every year a declaration

ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

in writing stating what is the principal business of the Company and to pay the Government Fee.

G. BMA Consents

Specific permission from the BMA is required for all issues and transfers of securities of Bermuda companies, both local and exempted, involving persons who are non-resident, other than in cases where general permission has been given when the company's equity securities are listed on an appointed stock exchange, which includes Bursa Malaysia Securities Berhad, or the company is classified under the Bermuda Monetary Authority (Collective Investment Scheme Classification) Regulations 1998 or successor provisions. General permission is given for the issue and subsequent transfer of any securities of the Company from and/or to a non-resident, for as long as any equity securities of the Company remain so listed on an appointed stock exchange, which includes Bursa Malaysia Securities Berhad.

H. Prospectus Filing

Before or as soon as practicable after a company offers shares to the public, it must file with the Registrar of Companies in Bermuda a prospectus dealing with the public offering.

In order to file the prospectus, it is necessary to:

- have a copy of the final prospectus duly signed on the cover by all or one or more of the directors on behalf of all those not signing;
- provide suitable letters of authorisation/powers of attorney from those directors not signing in favour of those who do sign authorising them to sign; and
- provide evidence that the Securities Commission of Malaysia or other competent regulatory authority, as defined by the Companies Act, has approved the prospectus as a basis for the offering of shares to the public.


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ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

The Prospectus must be filed with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after it is despatched to potential investors.

Yours faithfully



Appleby

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ANNEXURE B SUMMARY OF LAWS (Cont'd)

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Appendix B

China Stationery Limited
Hanjiang District
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19 January 2012

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British Virgin Islands
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Guernsey
Hong Kong
Isle of Man
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London
Mauritius
Seychelles
Zurich

Dear Sirs

Re: British Virgin Islands (“BVI”) – Policies governing foreign investments, taxation and exchange control in the BVI as well as repatriation of capital and remittance of profits from or to the BVI

We have acted as the legal counsel of Campus Developments Limited and Sunwealth Group Limited (collectively, the “Companies”) as to BVI law in connection with the initial public offering of China Stationery Limited in conjunction with its listing on the Main Market of the Bursa Malaysia Securities Berhad (the “Proposed Listing”).

You have requested this firm to provide you with a summary of certain provisions of BVI company law and general policy, including an expert report on BVI governmental law, decree, regulation or other requirements which may affect the repatriation of capital and the remittance of profit by or to a BVI company.

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of BVI company law, governmental law, decrees and regulations. The summary relates only to the laws of BVI currently in force, which, for purposes of this summary, include the laws, rules, regulations, orders, rulings, directives, notices or circulars of any government, governmental or regulatory bodies of or within the BVI, and all references herein to “applicable BVI laws” shall be construed accordingly.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

Introduction

The principal statute governing the formation and operation of a company incorporated in the BVI is the BVI Business Companies Act 2004 (the "BC Act").

Policies and law on foreign investment

Subject to the BC Act, any other enactment and the company's memorandum and articles of association, a company has, irrespective of corporate benefit full capacity to carry on or undertake any business or activity, do any act or enter into any transaction including:

- (a) unless it is a company limited by guarantee or an unlimited company that in either case is not authorised to issue shares:
 - (i) issue and cancel shares and hold treasury shares,
 - (ii) grant options over unissued shares in the company and treasury shares,
 - (iii) issue securities that are convertible into shares, and
 - (iv) give financial assistance to any person in connection with the acquisition of its own shares;
- (b) issue debt obligations of every kind and grant options, warrants and rights to acquire debt obligations;
- (c) guarantee a liability or obligation of any person and secure any of its obligations by mortgage, pledge or other charge, of any of its assets for that purpose; and
- (d) protect the assets of the company for the benefit of the company, its creditors and its members and, at the discretion of the directors, for any person having a direct or indirect interest in the company.

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There are no limitations under BVI laws on the rights of owners of the shares of the Companies to hold or vote their shares solely by reason that they are non residents of the BVI.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

No consent, licence or authorisation of any government authority of the BVI is required to be obtained by the Companies in connection with the issuance and transfers of shares in a BVI company.

Taxation

The Companies are exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts paid by the Companies to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company.

Exchange control

There are no exchange control regulations or currency restrictions in the BVI.

Stamp duty

No stamp duty is payable in the BVI on a transfer of shares in a BVI company.

Repatriation of capital and profits

There are no exchange control restrictions or currency restrictions in the BVI that would prevent the repatriation of funds (regardless of whether they are profits or capital in nature).

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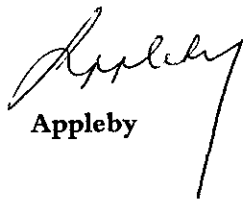
Subject to any limitations or provisions to the contrary in its memorandum or articles and the solvency test set out in the BC Act being satisfied, a company may by resolution of directors authorise a distribution to its members.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

APPLEBY

A distribution may be a direct or indirect transfer of an asset (other than the company's own shares) to or for the benefit of the member, or the incurring of a debt for the benefit of a member.

Yours faithfully



Appleby

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Seychelles
Zurich

ANNEXURE B SUMMARY OF LAWS (Cont'd)



廣東恒益律師事務所

(原“廣州市對外經濟律師事務所”)

GFE LAW OFFICE

(Also Known as “Guangzhou Foreign Economic Law Office”)

Appendix C

19 January 2012

The Board of Directors

China Stationery Limited (the “Company”)

Dear Sirs,

EXPERT’S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS OF THE PEOPLE’S REPUBLIC OF CHINA (THE “PRC”, AND SOLELY FOR THE PURPOSE OF THIS EXPERT’S REPORT, THE PRC EXCLUDES THE HONG KONG AND MACAU SPECIAL ADMINISTRATIVE REGIONS OF THE PRC AND TAIWAN) UNDER THE RELEVANT LAWS OF THE PRC IN RELATION TO THE PROPOSED ADMISSION OF THE COMPANY ON THE OFFICIAL LIST OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) AND THE LISTING AND QUOTATION FOR ITS ENTIRE ISSUED AND PAID UP SHARE CAPITAL ON THE MAIN MARKET OF BURSA SECURITIES (THE “PROPOSED LISTING”)

We have acted as legal advisers in the PRC for the Company in respect of the laws of the PRC in connection with its Proposed Listing. We are duly qualified to practice law within the PRC and such qualification has not been revoked, suspended, restricted or limited in any manner whatsoever. Accordingly, we are duly qualified to issue this expert’s report (the “**Expert’s Report**”).

We have been requested by the Company to provide this Expert’s Report on Sakura (Fujian) Packaging & Stationery Co., Ltd. (“**Sakura Stationery**”), Sakura (Fujian) Plastic Enterprise Co., Ltd. (“**Sakura Plastic**”) and Ruiyuan (Fujian) Enterprise Co., Ltd. (“**Ruiyuan**”) (collectively, the “**PRC Companies**”) on the policies on foreign investments (including taxation, foreign exchange control) and repatriation of profits as well as expected timeframe in which profits are to be repatriated under the laws of the PRC.

This Expert’s Report has been prepared in relation to the Proposed Listing.

This Expert’s Report is limited to the PRC laws effective as at the date of this Expert’s Report in respect of the captioned matters and this Expert’s Report is given up to the same date thereof.

I. Foreign Investment Laws and Policies in the PRC

The three major Chinese government policies concerning foreign investment in the PRC are outlined in the Provisions on Guiding the Orientation of Foreign Investment, the Catalogue

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ANNEXURE B SUMMARY OF LAWS (Cont'd)

of Industries for Guiding Foreign Investment (amended in 2007) as well as the Catalogue of Priority Industries for Foreign Investment in the Central-Western Region (amended in 2008). These provisions classify investment projects into encouraged, permitted, restricted and prohibited categories. In general, projects engaged in the high-tech, agriculture, forestry, telecommunications, and export oriented sectors will be strongly encouraged and further supported by the PRC government agencies from financial and tax respects.

Foreign investment enterprises (“**FIEs**”) can take many forms such as wholly foreign owned enterprise (“**WFOE**”), equity joint venture or co-operative joint venture.

Furthermore, the PRC Central Government provides a lot of advantages to promote the investment and trading activities through the Hong Kong Special Administration Region of the PRC, and an example of which is the execution of Mainland and Hong Kong Closer Economic Partnership Arrangement in 2003 which provides a lot of convenience to Hong Kong based foreign investors.

WFOEs are governed by the Law of the People’s Republic of China on WFOE which was promulgated on 12 April 1986 and revised on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 as amended on 12 April 2001 (together the “**WFOE Law**”).

The establishment of a WFOE will have to be approved by Ministry of Commerce (“**MOC**”) (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOC (or its delegated authorities) for its record. A WFOE must also obtain a business license from State Administration for Industry and Commerce (or its delegated authorities) before it can commence business.

A WFOE is generally a limited liability company under the WFOE Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOC (or its delegated authorities) in accordance with relevant regulations.

2. Repatriation of Profits and Dividend

The WFOE Law provides that after payment of taxes, a WFOE shall make contributions to reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10% of the after-tax profits must be allocated to the reserve fund. If the cumulative total

ANNEXURE B SUMMARY OF LAWS (Cont'd)

of allocated reserve funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up. A WFOE may pay dividends out of distributable profits. Distributable profits means the after tax profits of an enterprise less any recovery of accumulated losses and allocations to statutory funds that it is required to make.

In accordance with the Notice of the Ministry of Finance on the Issue of Handling Financial Issues by Relevant Enterprises after the Implementation of the Company Law promulgated by the Ministry of Finance on 15 March 2006 and effective 1 April 2006, from 1 January 2006, enterprises established in accordance with the Company Law of the PRC shall distribute profits pursuant to Article 167 of the Company Law and shall no longer make contributions to the reserve fund. After an enterprise ceases to make contributions to the reserve fund, it may continue to make contributions to the employee bonus and welfare fund as decided by the board of directors if the purpose, use conditions, and procedures thereof shall be made clear, and such funds shall be managed as debts.

When foreign investors of a FIE want to remit profits or dividends of current year abroad, the foreign investors and the FIE shall present the following documents to the designated foreign exchange banks:

- (a) Tax payment certificate and taxation declaration form (for enterprises enjoying tax reduction or exemption, certificate of tax reduction or exemption issued by domiciled taxation administration shall be provided);
- (b) Auditing Report on the profits or dividends of the current year issued by Certified Public Accountants ("CPA");
- (c) Resolution of the board of directors on the distribution of profits or dividends;
- (d) Certificate of Foreign Exchange Registration;
- (e) Capital Verification Report issued by CPA; and
- (f) Other materials required by the foreign exchange control administration.

If foreign investors of a FIE want to remit profit or dividends of previous year abroad, in addition to the documents prescribed above, an auditing report issued by CPA on the financial position of the relevant accounting years during which such profits or dividends yielded should also be submitted to the bank.

The bank will review the documents submitted and if all required documents and materials are fully provided and no problem is found, the bank will remit the profits or dividends

ANNEXURE B SUMMARY OF LAWS (Cont'd)

abroad for the foreign capital enterprises. Such process is administrative and no approval is required.

Under the PRC laws, FIEs are not allowed to provide loan or advance to its foreign investors if such loan or advances are remitted abroad in foreign currency.

3. Repatriation of Capital

Foreign investors are not allowed to repatriate the capital of FIEs out of PRC unless the repatriation of the capital has been duly approved by MOC (or its delegated authorities) under the capital decrease or liquidation situations. The repatriation of the capital is further subject to the approval of the State Administration of Foreign Exchange (“SAFE”) (or its delegated authorities).

4. Taxation

4.1 Income Tax

Pursuant to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises, together with its Implementation Rules which came into effect on 1 July 1994 (collectively the “**Income Tax Law**”), FIEs are subject to a 30% income tax plus a 3% local income tax.

FIEs engaged in production having a period of operation of not less than 10 years shall be exempted from income tax for the first 2 profit making years and a 50% reduction in the income tax payable for the next 3 years. Preferential income tax rates of 24% are also available to, amongst others, FIEs of a production nature located in one of the designated “open economic zones” in the coastal regions of PRC. Putian City of Fujian Province is one of such open economic zones. The 3% local income tax may be reduced or waived by the local government at the provincial level of the place in which the FIEs are located. Income tax is computed annually and payable on a quarterly basis.

Under the Income Tax Law, the foreign investor of a FIE is not required to pay income tax on profits or dividends derived from the FIE and will not be subject to any withholding tax on the outward remittance on such profits or dividends.

The law of the People’s Republic of China on Enterprise Income Tax was promulgated by the National People’s Congress on 16 March 2007 and came into effect on 1 January 2008, on which its implementation regulations came into force as well (collectively the “**New Income Tax Law**”). The Chinese domestic enterprises and FIEs are treated equally on the income tax rate, and the enterprise income tax rate shall be 25%, but the non-resident enterprise which has no establishment in the PRC, or has establishment but the income has no relationship with such establishment, it shall pay enterprise income tax on such income sourced from the PRC, and the income tax rate shall be 20%.

ANNEXURE B SUMMARY OF LAWS (Cont'd)

The enterprises that were approved and established prior to the promulgation of the New Income Tax Law and that, in accordance with then effective tax laws and administrative regulations, enjoy a special lower tax rate shall, in accordance with the provisions of the State Council, progressively transit to the specified tax rate within 5 years following the implementation of the New Income Tax Law. Those enterprises that enjoy a fixed-term tax exemption or tax reduction shall, in accordance with the provisions of the State Council, continue to enjoy such exemption or reduction after the implementation of the New Income Tax Law until the expiration of the term of such exemption or reduction. However, if an enterprise did not enjoy such preferential treatment because it has not yet achieved profitability, the term of such preferential treatment shall be calculated from 1 January 2008 until the expiration of the term of such exemption or reduction.

4.2 Value Added Tax ("VAT")

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax ("VAT Regulations") promulgated by the State Council which was subsequently amended and came into effect on 1 January 2009 and its Implementation Rules, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

A FIE, if it is not qualified as a small-scale VAT tax payer, is subject to value added tax at the rate of 17% on the sale and import of goods (unless (i) the goods fall within Article 2(2) of the VAT Regulations, such as grain, water, gas and newspapers, in which case the VAT rate is 13%; and (ii) the goods are agricultural products produced by a FIE itself specified in the Notice on Issuing Interpretation of Tax Range of Agricultural Products, in which case the VAT is exempted) as well as on processing, repair and replacement services. Goods exported will be taxed at a rate of 0%, except where otherwise determined by the State Council. A FIE importing goods will pay VAT on the total value of the goods.

The applicable VTA rate to the PRC Companies is 17%.

4.3 Business Tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax promulgated by the State Council which was subsequently amended and came into effect on 1 January 2009 and its Implementation Rules, business that provide services including entertainment business, assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 20% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

4.4 Tax on income from the PRC derived by a Non-Resident enterprise

According to the New Income Tax Law, income such as dividends, rental, interest and

ANNEXURE B SUMMARY OF LAWS (Cont'd)

royalty from the PRC derived by a Non-Resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to FIEs and their investors.

4.5 Tax on income from the Non-Resident enterprises' equity transfer

Non-Resident enterprises' equity transfer income realized from sales of shares in the PRC resident enterprises are subject to PRC income tax (exclusive of dealings with stocks of the PRC resident enterprises on the public stock markets). In addition, pursuant to the Circular of the State Administration of Taxation on Strengthening Administration of Enterprise Income Tax on Non-Resident Enterprises' Equity Transfer Income effective on 1 January 2008 ("**Circular 698**"), when a foreign investor (the actual controlling party) transfers a PRC resident enterprise's equity indirectly, if the actual tax rate is lower than 12.5% in the country (region) where the transferred offshore holding company is located or the country (region) does not levy income tax to its resident on overseas income, then the foreign investor shall provide the documents in accordance with the Circular 698 to the local tax authority where the PRC resident enterprise governed by within 30 days after the signing of the equity transfer contract.

5. Foreign Exchange Control

Major reforms have been introduced to the foreign exchange control system of the PRC since 1993.

On 28 December 1993, the People's Bank of China (the "**PBOC**") announced that the dual exchange rate system for RMB against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the PBOC publishes the RMB exchange rate against the United States dollar daily. The daily exchange rate is set by reference to the RMB/US\$ trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996, the Foreign Exchange Control Regulations of the PRC (as amended on 14 January 1997) came into effect. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange were promulgated by the PBOC and came into effect on 1 July 1996.

On 25 October 1998, the PBOC and the SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions of FIEs may only be conducted at designated banks.

On 9 September 2002, Notice on Further Policy and Related Issues Concerning Current

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Transaction Foreign Exchange Accounts of Domestic Entities was promulgated by SAFE.

On 21 October 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in financing and in Return Investment via Overseas Special Purpose Companies (“**Notice 75**”) which came into effect on 1 November 2005. Under Notice 75, the PRC residents, including the PRC Companies and PRC resident individuals, have to register their foreign investments with the local SAFE prior to incorporating or taking control of a special purpose vehicle (the “**SPV**”). Where a PRC resident contributes the assets or stock rights of a domestic enterprise that it owns into a SPV, or engages in capital financing abroad after contributing assets or stock rights into SPV, it has to register such change. Other than the abovementioned registration requirement, Notice 75 also requires PRC residents to register, modify or record with the local foreign exchange authority within 30 days from the date of increase/decrease of capital, share transfer, mergers or division, change in long-term equity or debt investments and guarantees in or by the SPV. In addition, the proceeds from overseas listing of the SPV shall, according to the repatriation plan submitted to the foreign exchange administration for record, be repatriated according to current regulations for the administration of foreign exchange. In addition, the foreign exchange income from profits, bonus and capital change obtained by the PRC residents from the SPV shall be repatriated within 180 days.

On 6 June 2006, SAFE issued a Circular on the Revision of Certain Foreign Exchange Control Policies Relating to Overseas Investment (“**Circular 27**”), which came into effect on 1 July 2006. Circular 27 provides the preliminary resources and procedures for the purchase and payment of foreign exchange required of domestic investors qualified as legal persons when investing overseas and sets out the requirements for purpose of use and the maximum amount of the preliminary costs for an overseas investment project to be remitted out of the PRC as well as the approval procedures for the remittance thereof.

On 12 August 2007, SAFE promulgated Notice on the Retaining of Foreign Exchange Earnings by Domestic Entity, which provides that from 12 August 2007, domestic entity may retain its recurrent foreign exchange earnings according to their needs for operation.

On 1 August 2008, the revised Foreign Exchange Control Regulations of the PRC was adopted by the State Council and was promulgated for implementation on 5 August 2008.

In summary, taking into account the promulgation of the recent new regulations and to the extent the existing provisions stipulated in previous regulations do not contradict these new regulations, the present position under the PRC law relating to foreign exchange control are as follows:

ANNEXURE B SUMMARY OF LAWS (Cont'd)

- (a) The previous dual exchange rate system for RMB was abolished and a managed floating exchange rate system based largely on supply and demand with reference to a basket of currencies was introduced. The PBOC, will announce the closing price of foreign currencies against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day.
- (b) Foreign exchange earnings of domestic entities may be transferred to the PRC or held abroad according to the regulations stipulated by SAFE.
- (c) FIEs may have their own foreign currency accounts and are also permitted to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks.
- (d) Reservation or sale of capital account foreign exchange earnings to designated banks shall be approved by the foreign exchange control administration unless stated otherwise. Foreign exchange funds from capital account shall only be used according to the purpose approved by the foreign exchange control administration and the relevant competent authorities.
- (e) Where a foreign enterprise makes a direct investment or carries out the issuance and/or business of securities or other derivatives within the PRC, or where a domestic entity makes a direct investment or carries out the issuance and/or business of securities or other derivatives outside the PRC, it shall go through the registration procedure according to the relevant regulations stipulated by SAFE. A guarantee or a commercial loan provided to the entity outside the PRC by a domestic entity shall be subject to approval and registration with relevant foreign exchange administration. The utilisation of foreign debts by an enterprise shall be in compliance with relevant regulations and has to undergo foreign debt registration with the foreign exchange control administration.
- (f) FIEs which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.
- (g) FIEs may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds from their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on dividends. Where the amount of the funds in foreign exchange is insufficient, the FIE may, upon the presentation of the resolutions of the directors on the profit distribution plan and other relevant documents, purchase foreign exchange from

ANNEXURE B SUMMARY OF LAWS (Cont'd)

designated foreign exchange banks.

- (h) FIEs may apply to the bank of China or other designated foreign exchange banks to remit profit out of the PRC to the foreign parties if the requirements provided by the PRC laws, rules and regulations are met.
- (i) Strict supervision and control by foreign exchange control administration has been imposed upon FIEs established in the manner of acquisitions of the PRC enterprises by foreign enterprises with PRC residents as shareholders.

6. Capital Injection on FIEs

Under the current applicable PRC laws and regulations, the investors of FIEs may invest their capital into the PRC by the following manners:

- (a) Contribution to the outstanding registered capital

Investors of a FIE are obliged to pay off the registered capital of the FIE within the time limit as approved by the approving authority and stipulated in its articles of association.

When the foreign investors have fully paid off the registered capital of the FIE, the foreign investors may apply to the authorities to increase the amount of the registered capital of the FIE and make contribution to the increased registered capital.

- (b) Shareholder's loan

The investors of a FIE may provide shareholder's loan to the FIE, the parties should enter into written loan agreement and the same should be filed with the local SAFE. The shareholder's loan of a FIE should not exceed the difference between the registered capital and the total investment amount of the FIE.

- (c) Establish a new FIE and make contribution to the registered capital of the new FIE.

7. Conclusion

- (a) As the registered capital of Ruiyuan has not been fully paid up, Sunwealth Group Limited ("**Sunwealth**") can invest capital into the PRC by contribution to the outstanding registered capital of Ruiyuan. In addition, it may also provide shareholder's loan to Ruiyuan or establish new FIEs and making contribution to the registered capital of the new FIEs.
- (b) The PRC laws do not prohibit the flow of the capital from Campus Development Limited ("**Campus**") to Sakura Stationery and Sakura Plastic and from Sunwealth to

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Ruiyuan, except that: (i) if the payment is made by way of registered capital contribution, there should be outstanding registered capital in Sakura Stationery, Sakura Plastic and Ruiyuan. In addition, as the registered capitals of Sakura Stationery and Sakura Plastic have been fully paid up and there are no outstanding registered capitals for Sakura Stationery and Sakura Plastic, Sakura Stationery and Sakura Plastic shall apply to competent authorities for increase of their registered capitals; (ii) if the payment is made by way of shareholder's loan to Sakura Stationery, Sakura Plastic and Ruiyuan, the loan amount should not exceed the difference between the registered capital and the total investment amount of each of Sakura Stationery, Sakura Plastic and Ruiyuan. In addition, as the amount of total investment and registered capital of Sakura Stationery are the same, Sakura Stationery shall apply to competent authorities for increase of the total investment amount prior to the arrangement of shareholder's loan; and (iii) if the payment is made by way of contribution to the registered capital of the new FIEs, the incorporation of the new FIEs should be approved by the competent PRC authorities and registered with the relevant Administration for Industry and Commerce.

- (c) Dividends coming out of the PRC from Sakura Stationery, Sakura Plastic and Ruiyuan to their shareholders, namely, Campus and Sunwealth should be subject to 10% withholding tax in the PRC.
- (d) Save for Notice 75 abovementioned, the PRC laws do not prohibit the payment of dividends and profits by Sakura Stationery, Sakura Plastic and Ruiyuan to their shareholders, namely, Campus and Sunwealth.

8. Confidentiality and Reliance

The Expert's Report is given for the sole benefit of the Company for the purpose of the Proposed Listing. It may not be relied on by or distributed to any other person, nor may it be relied on in any other context, nor is it to be quoted or made public in any way without our prior written consent except extracted for disclosure in the prospectus in a manner previously consented by us or pursuant to a demand by a competent regulatory authority in Malaysia or Bermuda or BVI in connection with the Proposed Listing.

Yours faithfully



Andrew Zhang

Partner

For and on behalf of
GFE Law Office



ANNEXURE B SUMMARY OF LAWS (Cont'd)



廣東恒益律師事務所

(原“廣州市對外經濟律師事務所”)

GFE LAW OFFICE

(Also Known as “Guangzhou Foreign Economic Law Office”)

19 January 2012

The Board of Directors

China Stationery Limited (the “Company”)

Dear Sirs,

EXPERT’S REPORT ON SAKURA (FUJIAN) PACKAGING & STATIONERY CO., LTD. (“SAKURA STATIONERY”), SAKURA (FUJIAN) PLASTIC ENTERPRISE CO., LTD. (“SAKURA PLASTIC”) AND RUIYUAN (FUJIAN) ENTERPRISE CO., LTD. (“RUIYUAN”) (COLLECTIVELY, THE “PRC COMPANIES”) ON THE OWNERSHIP OF TITLE TO THE SECURITIES/ASSETS IN THE PEOPLE’S REPUBLIC OF CHINA (THE “PRC”, AND SOLELY FOR THE PURPOSE OF THIS EXPERT’S REPORT, THE PRC EXCLUDES THE HONG KONG AND MACAU SPECIAL ADMINISTRATIVE REGIONS OF THE PRC AND TAIWAN) AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS UNDER THE RELEVANT LAWS OF THE PRC IN RELATION TO THE PROPOSED ADMISSION OF THE COMPANY ON THE OFFICIAL LIST OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) AND THE LISTING AND QUOTATION FOR ITS ENTIRE ISSUED AND PAID UP SHARE CAPITAL ON THE MAIN MARKET OF BURSA SECURITIES (THE “PROPOSED LISTING”)

1. Introduction

- 1.1 We have acted as legal advisers in the PRC for the Company in respect of the laws of the PRC in connection with its Proposed Listing. We are duly qualified to practice law within the PRC and such qualification has not been revoked, suspended, restricted or limited in any manner whatsoever. Accordingly, we are duly qualified to issue this expert’s report (the “**Expert’s Report**”).
- 1.2 We have been requested by the Company to provide this Expert’s Report on the PRC Companies on the ownership of title to the securities/assets in the PRC and the enforceability of agreements, representations and undertakings under the relevant laws of the PRC for the purpose of the Proposed Listing.
- 1.3 In this regards, we understand that this Expert’s Report may be relied upon in connection with the submission of an application for approval of the Proposed Listing to the Securities Commission of Malaysia and the issuance of the prospectus of the Company in relation to the Proposed Listing.

2. Documents Examined and Searches

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ANNEXURE B SUMMARY OF LAWS (Cont'd)

2.1 In connection with the Expert's Report, we have examined the original or copies of the documents set out in **Schedule 1** (the "**Documents**") to this Expert's Report. We have also made such other investigations and inquiries as we have considered necessary or appropriate.

2.2 We have, in addition, made the following searches (collectively, the "**PRC Searches**")

- (a) Oral enquiry with Putian Intermediate People's Court on 13 December 2011;
- (b) Oral enquiry with Jiangkou people's court of the People's Court of Hanjiang District, Putian City on 13 December 2011; and
- (c) Oral enquiry with Putian Real Estate Administration Center, Hanjiang Branch on 13 December 2011.

3. Assumption

For the purpose of this Expert's Report, we have assumed (without making any independent investigation) that:

- (a) All the Documents are true and genuine and have not been forged or tampered with in any manner whatsoever (including substitution of any of the pages thereof), if any of the Documents submitted to us are photocopies, such photocopies are in conformity to their respective original documents;
- (b) All the signatures and seals appearing on the Documents are genuine and all the persons who signed the Documents were duly authorised to do so;
- (c) The factual statements in the Documents are correct and accurate;
- (d) All the information that may influence this Expert's Report has been provided and/or disclosed to us without any concealment, omission or misleading statement;
- (e) All the information provided to us by the PRC Companies and their employees are complete, true and accurate;
- (f) All the written statements and confirmations given by the PRC Companies to us are true and accurate; and
- (g) All the Documents are up-to-date and have not been superseded or revoked and there are no amendments or supplementals thereto (as at the date the same were submitted to us).

4. Qualification

4.1 This Expert's Report is limited to the PRC laws effective as at the date of this Expert's Report in

ANNEXURE B SUMMARY OF LAWS (Cont'd)

respect of the captioned matters (and we express no opinion on any other matter) and this Expoert's Report is given up to the same date thereof.

4.2 This Expert's Report is given on the basis that it will be governed by and construed in accordance with the PRC laws.

4.3 We express no opinion as to any laws, rules and regulations other than the PRC laws.

4.4 We have not made any investigations of, nor do we express or imply any opinion as to any laws, rules and regulations of any other jurisdiction and we have assumed that there is nothing in any other law that affects our opinion.

5. Opinion

On the basis of and subject to the foregoing, we are of the opinion that:

5.1 The PRC Companies are duly incorporated and existing under the laws of PRC and validly existing under the PRC laws, possessing the capacity to sue and be sued in their respective own names under the PRC laws and holds all licenses, certificates and permits from all governmental authorities necessary for the conduct of its business actually undertaken as at the date of this Expert's Report.

5.2 The articles of association of the PRC Companies are legal, binding and enforceable under the PRC laws.

5.3 The PRC Companies have legal and beneficial title to all its buildings as listed below, some of which are subject to following mortgage:

Buildings	Name of Bank/ Mortgagee	Borrower	Mortgagor	The amount of debt secured (RMB)	Loan term
Four building with construction area of 29,373.94 square meters owned by Sakura Plastic	N/A	N/A	N/A	N/A	N/A
Two buildings with construction area of	ABC Hanjiang Branch	Sakura Stationery	Sakura Stationery	Maximum credit amount of 10,390,500	Commencement date of the loan term is between 2 December 2010

ANNEXURE B SUMMARY OF LAWS (Cont'd)

8,200.33 square meters owned by Sakura Stationery					and 1 December 2013
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5.4 There is no restriction under PRC law, any license, permit or constitutional documents of the PRC Companies restricting in any way their rights to own building, plant, machinery and finished products in connection with their business.

5.5 The PRC Companies have the necessary corporate power and authority to enter into and perform their respective obligation under the agreements to which they are a party as set out in items (17)-(109) in section I, items (17)-(34) in section II and items (13)-(39) in section III of Schedule I to this Expert's Report (the "Agreements"). The execution and delivery of the Agreements by the PRC Companies and the performance by the PRC Companies of its obligations thereunder will not violate the articles of association of the PRC Companies nor any applicable law, regulation, order or decree in the PRC.

5.6 The PRC Companies have taken all corporate action required to authorise its execution, delivery and performance of the Agreements. The Agreements have been duly executed and delivered by or on behalf of the respective PRC Companies, and constitute legal, valid and binding obligations of the respective parties to it in accordance with their respective terms thereof.

The execution, delivery and performance of the Agreements by the PRC Companies does not violate in any respect any provision of (i) any treaty, law, rule, administrative regulation, order, decree or any other official pronouncement of any governmental or other public authority in China, or (ii) any of the constitutional documents of the PRC Companies. There is no registration, stamp or other taxes or duties of any kind payable in China in connection with the execution, performance, enforcement by legal proceedings or the admissibility into evidence of Agreements into the courts of China other than those already paid or income taxes.

5.7 The terms of and the representations and undertakings given and/or made by the counter-parties in the Agreements are enforceable against them under the PRC laws.

5.8 All orders, consents, approvals, licenses, authorisations or validations of or exemptions by any government or public body or authority of PRC or any sub-division thereof which are required to authorise or is required in connection with the execution, delivery, performance and enforcement of the Agreements, if any, have been duly obtained in accordance with the PRC laws.

5.9 All registrations and filings with governmental authorities or regulatory bodies in the PRC necessary or desirable to ensure the enforceability in the PRC of any of the Agreements, if any, have been made.

5.10 As confirmed by the PRC Companies, all registration, documentary, recording, transfer or other similar tax, fee or charge payable in the PRC in connection with the execution, delivery, filing,

ANNEXURE B SUMMARY OF LAWS (Cont'd)

registration or performance of the Agreements, if any, have been duly paid and settled as at the date of this Expert's Report.

5.11 The choice of the PRC laws as the governing law in the Agreements is a valid choice of law and would be recognized and given effect to in any action brought before a court of competent jurisdiction in the PRC.


5.12 Campus Development Limited is the legal and beneficial owner of all of the registered capital of Sakura Stationery and Sakura Plastic respectively and Sunwealth Group Limited is the legal and beneficial owner of all of the registered capital of Ruiyuan and all orders, consents, approvals, licenses, authorisations or validations of or exemptions by any government or public body or authority of PRC or any sub-division thereof which are required in relation to the foregoing, if any, have been duly obtained in accordance with PRC laws.

5.13 As confirmed by the PRC Companies and based on the PRC Searches, the PRC Companies are not in the process of being wound up, liquidated, cessation of business or transfer of domicile to other jurisdiction and no proceedings or actions have been initiated to deregister the PRC Companies as at the date of this Expert's Report.

6. Confidentiality and Reliance

This Expert's Report is given for the sole benefit of the Company for the purpose of the Proposed Listing. It may not be relied on by or distributed to any other person, nor may it be relied on in any other context, nor is it to be quoted or made public in any way without our prior written consent except extracted for disclosure in the prospectus in a manner previously consented by us or pursuant to a demand by a competent regulatory authority in Malaysia or Bermuda or BVI in connection with the Proposed Listing.

Yours faithfully


Andrew Zhang
Partner
For and on behalf of
GFE Law Office



ANNEXURE B SUMMARY OF LAWS (Cont'd)

Schedule 1 List of Relevant Documents

I. Regarding Sakura Stationery

1. Approval Letter (No. [1991]063) dated 26 June 1991 issued by the Putian County Foreign Economic and Trade Committee (莆田县对外经济贸易委员会) (“PTFETC”);
2. Approval Certificate (No. [1991] 245) dated 5 July 1991 issued by the People’s Government of Fujian Province (福建省人民政府);
3. Business License (No.01249) dated 15 July 1991 issued by the State Administration for Industry and Commerce (国家工商行政管理局) (“SAIC”);
4. Business License (No.350300400000777) dated 4 August 2008 issued by (莆田市工商行政管理局) (“PTAIC”);
5. Approval Certificate (No. [1991]0545) dated 24 August 2007 issued by the People’s Government of Fujian Province;
6. Tax Certificate (No. 350303611250842) dated 24 June 2010 issued by Fujian Province Putian City Hanjiang District Bureau of State Tax and Fujian Province Putian City Hanjiang District Bureau of Local Tax;
7. Certificate of Foreign Exchange Registration (No.00021138);
8. Code Certificate for Enterprise Legal Entity (No. 61125084-2) issued by Putian City Bureau of Quality and Technical Supervision;
9. Financial Registration For Enterprise with Foreign Investment (No.3503210096) dated 19 November 1996 issued by Financial Bureau of Fujian Province Putian;
10. Social Insurance Registration Certificate (No. 40420020450) dated 30 May 2008 issued by Putian Social Labour and Insurance Company;
11. Customs Certificate (No.3503946029) dated 26 November 1992 issued by Putian Customs;
12. The search print out of “Foreign Investment Enterprise Basic Information Sheet (外资企业登记基本情况表)” dated 13 December 2011 issued by PTAIC;
13. Articles of Association dated 8 May 2007 signed by Campus Development Limited;
14. Property Ownership Certificate (No. HJ8000110) dated 20 April 2006 issued by the Construction Bureau of Putian City (莆田市建设局) (“PTCB”);

ANNEXURE B SUMMARY OF LAWS (Cont'd)

15. Property Ownership Certificate (No. HJ8000111) dated 20 April 2006 issued by PTCB;
16. Certificate of Mortgage (No.H201001699) dated 2 December 2010 issued by PTCB;
17. Transfer agreement dated 8 August 2007 and supplemental agreement dated 20 September 2007 entered into by and between Guan Yongrui (关永瑞) and Sakura Stationery;
18. Transfer agreement dated 8 August 2007 and supplemental agreement dated 20 September 2007 entered into by and between Guan Yongrui and Sakura Stationery;
19. Transfer agreement dated 8 August 2007 and supplemental agreement dated 20 September 2007 entered into by and between Guan Yongrui and Sakura Stationery;
20. Transfer agreement (ZL 200930171742.0) dated 1 July 2011 entered into by and between Guan Yongrui(关永瑞) and Sakura Stationery;
21. Transfer agreement (ZL 200930171743.5) dated 1 July 2011 entered into by and between Guan Yongrui(关永瑞) and the Company;
22. Transfer agreement (ZL 200930171744.X) dated 1 July 2011 entered into by and between Guan Yongrui(关永瑞) and the Company;
23. Transfer agreement (ZL 200930171740.1) dated 1 July 2011 entered into by and between Guan Yongrui(关永瑞) and the Company;
24. Transfer agreement (ZL 200930171741.6) dated 1 July 2011 entered into by and between Guan Yongrui(关永瑞) and the Company;
25. Transfer agreement (ZL 200920181489.1) dated 1 July 2011 entered into by and between Guan Yongrui(关永瑞) and the Company;
26. Insurance Policy dated 28 January 2011 issued by BOC Insurance Company Ltd. Putian Branch (中银保险有限公司莆田中心支公司);
27. Insurance Policy dated 28 January 2011 issued by BOC Insurance Company Ltd. Putian Branch;
28. Insurance Policy dated 21 September 2011 issued by BOC Insurance Company Ltd. Putian Branch;
29. Insurance Policy dated 17 June 2010 issued by PICC Property and Casualty Company Limited, Putian City Hanjiang Branch (中国人民财产保险股份有限公司莆田市涵江支公司);
30. Insurance Policy dated 10 March 2010 issued by PICC Property and Casualty Company Limited, Putian Hanjiang Branch;

ANNEXURE B SUMMARY OF LAWS (Cont'd)

31. Insurance Policy issued by PICC Property and Casualty Company Limited, Putian Hanjiang Branch;
32. Insurance Policy and Endorsement dated 27 November 2009 issued by PICC Property and Casualty Company Limited, Putian Hanjiang Branch;
33. Insurance Policy dated 10 March 2010 issued by PICC Property and Casualty Company Limited Putian Hanjiang Branch;
34. Insurance Policy issued by PICC Property and Casualty Company Limited, Putian Hanjiang Branch;
35. Insurance Policy dated 12 October 2011 issued by PICC Property and Casualty Company Limited, Putian Branch (中国人民财产保险股份有限公司莆田市分公司);
36. Insurance Policy dated 25 August 2011 issued by China Pacific Property Insurance Co.,Ltd., Putian Branch (中国太平洋财产保险股份有限公司莆田中心支公司);
37. Loan contract (No.35010120110007240) dated 12 October 2011 entered into by and between Agricultural Bank of China, Putian City Hanjiang Branch (中国农业银行莆田市涵江支行) ("ABC Hanjiang Branch ") and Sakura Stationery;
38. Loan contract (No.35010120110007780) dated 3 November 2011 entered into by and between ABC Hanjiang Branch and Sakura Stationery;
39. Loan contract (No.35010120120000174) dated 6 January 2012 entered into by and between ABC Hanjiang Branch and Sakura Stationery;
40. Loan contract (No.3501012010001240) dated 10 February 2011 entered into by and between ABC Hanjiang Branch and Sakura Stationery;
41. Loan contract (No. 35010120110001241) dated 10 February 2011 entered into by and between ABC Hanjiang Branch and Sakura Stationery;
42. Mortgage contract with maximum credit amount (No.35100620100017286) dated 11 October 2010 entered into by and between ABC Hanjiang Branch and Sakura Stationery;
43. Mortgage contract with maximum credit amount (No.35100620100021515) dated 2 December 2010 entered into by and between ABC Hanjiang Branch and Sakura Stationery;
44. Purchase contract (购销合同) dated 8 November 2008 entered into by and between Sakura Stationery and Shantou Shanzhang Machine Manufacturing Co., Ltd (汕头市汕樟机械制造有限公司);
45. Purchase contract dated 22 November 2008 entered into by and between Sakura Stationery and Fuzhou Bamin Press Material Co., Ltd (福州八闽印刷物资有限公司);

ANNEXURE B SUMMARY OF LAWS (Cont'd)

46. Purchase contract dated 22 November 2008, Sakura Stationery and Dongguan Henghui Caiyin Machine Co., Ltd (东莞恒晖彩印机械有限公司);
47. Advertisement contract dated 16 June 2009, Sakura Stationery and Shengshi Lianhua Culture Media Advertising (Guangzhou) Co., Ltd (盛世莲花文化传媒广告(广州)有限公司);
48. Sole Agency Agreement dated 10 December 2003 entered into by and between Argsino S.R.L and Sakura Stationery;
49. Sole Agency Agreement dated 18 December 2003 entered into by and between Asource Company Ltd and Sakura Stationery;
50. Sole Agency Agreement dated 20 December 2004 entered into by and between Bazar Clave and Sakura Stationery;
51. Sole Agency Agreement dated 15 December 2003 entered into by and between Pt. Dhalla Citra Persada and Sakura Stationery;
52. Sole Agency Agreement dated 1 March 2008 entered into by and between Rms International Ltd. and Sakura Stationery;
53. Sole Agency Agreement dated 20 December 2004 entered into by and between Samsill. Corporation and Sakura Stationery;
54. Sole Agency Agreement dated 28 January 2008 entered into by and between Karton P+P Spol Sro and Sakura Stationery;
55. Sole Agency Agreement dated 22 January 2008 entered into by and between Xpect Bvba and Sakura Stationery;
56. Agency Agreement dated 6 December 2007 entered into by and between Fujian Province Putian City Nanfang Jinmao Co., Ltd (福建省莆田市南方经贸有限公司) and Sakura Stationery;
57. Agency Agreement dated 7 December 2007 entered into by and between Zhuhai Dongbu Sanmu Shiye Co., Ltd (珠海东部三木实业有限公司) and Sakura Stationery;
58. Agency Agreement and supplemental agreement (Hongbao store (红宝店)) dated 2 November 2007 and 27 December 2007 respectively entered into by and between Shenzhen Suibao Department Store Co., Ltd (深圳岁宝百货有限公司) and Sakura Stationery;
59. Agency Agreement and supplemental agreement (Hongling store(红岭店)) dated 18 November 2007 and 27 December 2007 respectively entered into by and between Shenzhen Suibao Department Store Co., Ltd and Sakura Stationery;

ANNEXURE B SUMMARY OF LAWS (Cont'd)

60. Agency Agreement and supplemental agreement (Jingtian store (景田店)) dated 20 November 2007 and 27 December 2007 respectively entered into by and between Shenzhen Suibao Department Store Co., Ltd and Sakura Stationery;
61. Agency Agreement and supplemental agreement (Jvfu store (聚福店)) dated 20 November 2007 and 27 December 2007 respectively entered into by and between Shenzhen Suibao Department Store Co., Ltd and Sakura Stationery;
62. Agency Agreement and supplemental agreement (Longgang store (龙岗店)) dated 10 November 2007 and 27 December 2007 respectively entered into by and between Shenzhen Suibao Department Store Co., Ltd and Sakura Stationery;
63. Agency Agreement and supplemental agreement (Wanxiang store (万象店)) dated 21 October 2007 and 27 December 2007 respectively entered into by and between Shenzhen Suibao Department Store Co., Ltd and Sakura Stationery;
64. Agency Agreement and supplemental agreement (Huahaoyuan store (花好园店)) dated 15 December 2007 and 27 December 2007 respectively entered into by and between Shenzhen City Shuibao Department Store Co., Ltd and Sakura Stationery;
65. Agency Agreement and supplemental agreement (Mingxing store (明星店)) dated 15 December 2007 and 27 December 2007 respectively entered into by and between Shenzhen City Shuibao Department Store Co., Ltd and Sakura Stationery;
66. Agency Agreement and supplemental agreement dated 15 December 2007 and 25 December 2007 respectively entered into by and between Foshan City Shunde District Daliang Hengfeng Stationery Town (佛山市顺德区大良恒丰文具城) and Sakura Stationery;
67. Agency Agreement and supplemental agreement dated 15 December 2007 and 25 December 2007 entered into by and between Shenzhen City Runshan Shiye Co., Ltd (深圳市润山实业有限公司) and Sakura Stationery;
68. Agency Agreement and supplemental agreement (Wangjiao store (旺角店)) dated 15 December 2007 and 27 December 2007 respectively entered into by and between Zhuhai City Zhuoer Development Co., Ltd (珠海市卓尔发展有限公司) and Sakura Stationery;
69. Agency Agreement and supplemental agreement (Xiangzhou store (香洲店)) dated 15 December 2007 and 27 December 2007 respectively entered into by and between Zhuhai City Zhuoer Development Co., Ltd and Sakura Stationery;
70. Agency Agreement and supplemental agreement dated 15 December 2007 and 25 December 2007 respectively entered into by and between Daqing City Gaoluda Petroleum Machine Co., Ltd (大庆市高路达石油机械有限公司) and Sakura Stationery;

ANNEXURE B SUMMARY OF LAWS (Cont'd)

71. Agency Agreement and supplemental agreement dated 15 December 2007 and 25 December 2007 respectively entered into by and between Nanning City Gelei Kemao Co., Ltd (南宁市格雷科贸有限公司) and Sakura Stationery;
72. Agency Agreement and supplemental agreement dated 15 December 2007 and 26 December 2007 respectively entered into by and between Xiamen City Siming District Century Yipin Office Supplies Trading Company (厦门市思明区世纪壹品办公文具商行) and Sakura Stationery;
73. Agency Agreement and supplemental agreement dated 15 December 2007 and 26 December 2007 respectively entered into by and between Daqing City Xinjinpan Keji Co., Ltd (大庆市鑫金盘科技有限公司) and Sakura Stationery;
74. Agency Agreement and supplemental agreement dated 15 December 2007 and 28 December 2007 respectively entered into by and between Shenzhen City Luohu District Baihelong Stationery Market Yingxin Stationery Trading Company (深圳市罗湖区百合隆文具市场盈信文具商行) and Sakura Stationery;
75. Agency Agreement and supplemental agreement dated 15 December 2007 and 26 December 2007 respectively entered into by and between Shenzhen City Lixin Accounting Supply & Printing Co., Ltd (深圳市立信会计用品印刷有限公司) and Sakura Stationery;
76. Agency Agreement and supplemental agreement dated 15 December 2007 and 26 December 2007 respectively entered into by and between Shenzhen City Quangang Shiye Co., Ltd (深圳市泉港实业有限公司) and Sakura Stationery;
77. Agency Agreement and supplemental agreement (Fuming store (福民店)) dated 15 December 2007 and 27 December 2007 respectively entered into by and between Shenzhen City Futian District Yuanpeng Stationery Wholesale Trading Company (深圳市福田区源鹏文具批发商行) and Sakura Stationery;
78. Purchase and Sale Agreement (Jielong Jinjiang Baolong Store (捷龙晋江宝龙店)) dated 21 April 2008 entered into by and between Xiamen City Siming District Century Yipin Office Supplies Trading Company (厦门市思明区世纪壹品办公文具商行) and Sakura Stationery;
79. Purchase and Sale Agreement (Jielong Jinjiang Jiacheng Store (捷龙晋江嘉诚店)) dated 21 April 2008 entered into by and between Xiamen City Siming District Century Yipin Office Supplies Trading Company and Sakura Stationery;
80. Purchase and Sale Agreement (Jielong Jinjiang Shibiao Store (捷龙晋江市标店)) dated 21 April 2008 entered into by and between Xiamen City Siming District Century Yipin Office Supplies Trading Company and Sakura Stationery;
81. Purchase and Sale Agreement (Jielong Jinjiang Yinglin Store (捷龙晋江英林店)) dated 21 April

ANNEXURE B SUMMARY OF LAWS (Cont'd)

- 2008 entered into by and between Xiamen City Siming District Century Yipin Office Supplies Trading Company and Sakura Stationery;
82. Purchase and Sale Agreement (Jielong Quanzhou Tumen Store (捷龙泉州涂门店)) dated 21 April 2008 entered into by and between Xiamen City Siming District Century Yipin Office Supplies Trading Company and Sakura Stationery;
83. Purchase and Sale Agreement (Jielong Shishi Dehui Store (捷龙石狮德辉店)) dated 21 April 2008 entered into by and between Xiamen City Siming District Century Yipin Office Supplies Trading Company and Sakura Stationery;
84. Purchase and Sale Agreement (Jinchang Jinchuan Road Store (金昌金川路店)) dated 11 November 2008 entered into by and between Lanzhou Culture and Education Supplier Wholesale Company (兰州文教用品批发公司) and Sakura Stationery;
85. Purchase and Sale Agreement (Lanzhou Jiuquan Road Store (兰州酒泉路店)) dated 16 November 2008 entered into by and between Lanzhou Culture and Education Supplier Wholesale Company and Sakura Stationery;
86. Purchase and Sale Agreement (Lanzhou Linxia Road Store (兰州临夏路店)) dated 16 November 2008 entered into by and between Lanzhou Culture and Education Supplier Wholesale Company and Sakura Stationery;
87. Purchase and Sale Agreement (Lanzhou Minzhu Dong Road Store (兰州民主东路店)) dated 16 November 2008 entered into by and between Lanzhou Culture and Education Supplier Wholesale Company and Sakura Stationery;
88. Purchase and Sale Agreement (Xining Wusi Street Store (西宁五四大街店)) dated 21 November 2008 entered into by and between Qinghai Baihuo Stock Co. Ltd (青海百货股份有限公司) and Sakura Stationery;
89. Purchase and Sale Agreement (Xining Xi Street Store (西宁西大街店)) dated 23 November 2008 entered into by and between Qinghai Baihuo Stock Co. Ltd and Sakura Stationery;
90. Purchase and Sale Agreement (Chenggu County Zhangqian Store(城固县张骞店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd (深圳市英之轩实业发展有限公司) and Sakura Stationery;
91. Purchase and Sale Agreement(Foping Store (佛坪店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
92. Purchase and Sale Agreement (Hanzhong Store (汉中店)) dated 20 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd (深圳市英之轩实业发展有限公司) and Sakura Stationery;

ANNEXURE B SUMMARY OF LAWS (Cont'd)

93. Purchase and Sale Agreement (Liuba Store(留坝店)) dated 20 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
94. Purchase and Sale Agreement (Lueyang Store (略阳店)) dated 20 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
95. Purchase and Sale Agreement (Mian County Renming Road Store (勉县人民路店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
96. Purchase and Sale Agreement (Nanzheng Store (南郑店)) dated 20 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
97. Purchase and Sale Agreement (Ningqiang County Xingning Road Store (宁强县兴宁路店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
98. Purchase and Sale Agreement (Xi'an Bei Street Baihuo Marketplace Store (西安北大街百货商场店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
99. Purchase and Sale Agreement (Xi'an Bei Street Commercial Mansion Store (西安北大街商业大厦店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
100. Purchase and Sale Agreement (Xi'an Damai Xiacai Store (西安大麦市街夏彩店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
101. Purchase and Sale Agreement (Xi'an Dong Street Store (西安东大街店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
102. Purchase and Sale Agreement (Xi'an Jiefang Road Store (西安解放路店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
103. Purchase and Sale Agreement (Xixiang Store(西乡店))dated 20 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
104. Purchase and Sale Agreement (Yanta Store (雁塔店)) dated 20 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
105. Purchase and Sale Agreement (Yang County Chengguan Town Store (洋县城关镇店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura

ANNEXURE B SUMMARY OF LAWS (Cont'd)

Stationery;

106. Purchase and Sale Agreement (Zhenba County Hexi Road Store (镇巴县河西路店)) dated 19 November 2008 entered into by and between Shenzhen Yizhixuan Development Co. Ltd and Sakura Stationery;
107. Purchase and Sale Agreement dated 10 September 2008 entered into by and between Xiamen Yinghua Huoban Trading Co., Ltd (厦门樱花伙伴贸易有限公司) and Sakura Stationery;
108. Purchase and Sale Agreement (Xiamen Tianhong Store (厦门天虹店)) dated 10 September 2008 entered into by and between Xiamen Yinghua Huoban Trading Co., Ltd and Sakura Stationery;
109. Purchase and Sale Agreement (Fuzhou Tianhong Store (福州天虹店)) dated 10 September 2008 entered into by and between Xiamen Yinghua Huoban Trading Co., Ltd and Sakura Stationery; and
110. Confirmation Letter dated 19 January 2012 issued by Sakura Stationery.

II. Regarding Sakura Plastic

1. Approval Letter (No. [93]226) dated 20 October 1993 issued by the Putian City Foreign Economic and Trade Committee (莆田市对外经济贸易委员会);
2. Approval Certificate (No. [1993] 0150) dated 28 October 1993 issued by the People's Government of Fujian Province;
3. The search print out of "Foreign Investment Enterprise Basic Information Sheet" dated 13 December 2011 issued by PTAIC;
4. Business License (No.350300400000988) dated 30 December 2010 issued by PTAIC;
5. Approval Certificate (No. [1993]0150) dated 25 March 2008 issued by the People's Government of Fujian;
6. Tax Certificate (No. 350303611256443) dated 24 June 2010 issued by Fujian Province Putian City Hanjiang District Bureau of State Tax and Fujian Province Putian City Hanjiang District Bureau of Local Tax;
7. Certificate of Foreign Exchange Registration (No.00021163);
8. Code Certificate for Enterprise Legal Entity (No. 61125644-3) issued by Putian City Bureau of Quality and Technical Supervision;
9. Financial Registration For Enterprise with Foreign Investment (No.3503210095) issued by Financial Bureau of Fujian Province Putian County;

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10. Social Insurance Registration Certificate (No. 40420020659) dated 30 May 2008 issued by Putian Social Labour and Insurance Company;
11. Customs Certificate (No. 3503946712) dated 20 December 1995 issued by Putian Customs;
12. Articles of Association dated 18 March 2008 signed by Campus Development Limited;
13. Property Ownership Certificate (No. HJ8000153) dated 6 September 2006 issued by PTCB;
14. Property Ownership Certificate (No. H201100627) dated 24 February 2011 issued by PTCB;
15. Property Ownership Certificate (No. H201100629) 24 February 2011 issued by PTCB;
16. Property Ownership Certificate (No. H201100628) 24 February 2011 issued by PTCB;
17. Insurance Policy dated 23 March 2011 issued by China Life Property and Casualty Insurance Company Limited Putian Branch (中国人寿财产保险股份有限公司莆田市中心支公司);
18. Insurance Policy dated 23 March 2011 issued by China Life Property and Casualty Insurance Company Limited Putian Branch;
19. Insurance Policy 24 January 2011 issued by China Pacific Property Insurance Co.,Ltd.,Putian Branch;
20. Insurance Policy 24 January 2011 issued by China Pacific Property Insurance Co.,Ltd.,Putian Branch;
21. Insurance Policy 24 January 2011 issued by China Pacific Property Insurance Co.,Ltd.,Putian Branch;
22. Insurance Policy 31 May 2011 issued by China Pacific Property Insurance Co.,Ltd., Putian Branch;
23. Insurance Policy 25 August 2011 issued by China Pacific Property Insurance Co.,Ltd., Putian Branch;
24. Purchase contract dated 16 February 2008 entered into by and between Sakura Plastic and Shanzhang Shanzhang Machine Manufacturing Co., Ltd (汕头市汕樟机械制造有限公司) (“Shanzhang Machine”);
25. Supplemental agreement dated 28 November 2008 entered into by and between Sakura Plastic and Shanzhang Machine;
26. Purchase contact dated 8 October 2008 entered into by and between Sakura Plastic and Shanzhang Machine;
27. Engineering construction contract dated 14 March 2009 entered into by and between Sakura Plastic and Putian Hancheng Construction Co., Ltd (莆田市涵城建筑工程有限公司) (the name of which has been changed to Fujian Hancheng Construction Co., Ltd (福建省涵城建设工程有限公司) in

ANNEXURE B SUMMARY OF LAWS (Cont'd)

December 2009) (“Hancheng Construction”);

28. Engineering construction contract dated 24 June 2008 entered into by and between Sakura Plastic and Hancheng Construction;
29. Supplemental Agreement dated 15 September 2008 entered into by and between Sakura Plastic and Hancheng Construction;
30. Road construction contract dated 21 October 2008 entered into by and between Sakura Plastic and Hancheng Construction;
31. Engineering construction contract dated 26 July 2010 entered into by and between Sakura Plastic and Hancheng Construction;
32. Purchase and sale agreement dated 1 November 2007 entered into by and between Sakura Plastic and Y&M International Corp.;
33. Purchase and sale agreement dated 1 November 2007 entered into by and between Sakura Plastic and Daelim Corporation;
34. Purchase and sale agreement dated 5 June 2007 entered into by and between Sakura Plastic and Horneman Chemplas (Far East) Ltd.; and
35. Confirmation Letter dated 19 January 2012 issued by Sakura Plastic.

III. Regarding Ruiyuan

1. Approval Letter (No. [2005]139) dated 29 December 2005 issued by the Foreign Trade and Economic Cooperation Bureau of Hanjiang District, Putian City (莆田市涵江区对外贸易经济合作局);
2. Approval Certificate (No. [2006] 0005) dated 17 January 2006 issued by the People’s Government of Fujian Province;
3. The search print out of “Foreign Investment Enterprise Basic Information Sheet” dated 13 December 2011 issued by PTAIC;
4. Business License (No.350300400000945) dated 4 August 2010 issued by PTAIC;
5. Approval Certificate (No. [2006]0005) dated 21 January 2010 issued by the People’s Government of Fujian;
6. Tax Certificate (No. 350303782194515) dated 24 June 2010 issued by Fujian Province Putian City Hanjiang District Bureau of State Tax and Fujian Province Putian City Hanjiang District Bureau of Local Tax;

ANNEXURE B SUMMARY OF LAWS (Cont'd)

7. Certificate of Foreign Exchange Registration (No.00021091);
8. Code Certificate for Enterprise Legal Entity (No. 78219451-5) issued by Putian City Bureau of Quality and Technical Supervision;
9. Financial Registration For Enterprise with Foreign Investment (No.3503211663) issued by Financial Bureau of Fujian Province Putian County;
10. Social Insurance Registration Certificate (No. 40420070073) dated 25 February 2008 issued by Fujian Province Social Insurance Company;
11. Customs Certificate (No.3503947255) dated 17 April 2006 issued by Putian Custom;
12. Articles of Association dated 7 December 2007 and the Supplemental Articles of Association dated 24 December 2008 and 5 January 2010 signed by Sunwealth Group Limited;
13. Grant Contract for State Land Use Right dated 29 December 2006 entered into by and between Putian City Bureau of State Land and Resources, Hanjiang Branch (莆田市国土资源局涵江分局) (“Hanjiang Branch”) and Ruiyuan;
14. Supplemental Grant Contract for State Land Use Right dated 29 December 2006 entered into by and between Hanjiang Branch and Ruiyuan;
15. Lease Agreement dated 29 June 2011 entered into by and between Ruiyuan and Sakura Plastic;
16. Transfer agreement dated 8 August 2007 and a supplemental agreement dated 20 September 2007 entered into by and between Guan Yongrui and Ruiyuan;
17. Transfer agreement dated 8 August 2007 entered into by and between Sakura Stationery and Ruiyuan;
18. Insurance Policy dated 26 May 2011 issued by BOC Insurance Company Ltd Putian Branch;
19. Insurance Policy dated 26 May 2011 issued by BOC Insurance Company Ltd Putian Branch;
20. Insurance Policy dated 23 March 2011 issued by China Life Property and Casualty Insurance Company Limited Putian Branch;
21. Insurance Policy dated 23 March 2011 issued by China Life Property and Casualty Insurance Company Limited Putian Branch;
22. Insurance Policy 25 August 2011 issued by China Pacific Property Insurance Co.,Ltd., Putian Branch;
23. Guarantee contract (No. 3510012012000315) dated 6 January 2012 entered into by and between ABC

ANNEXURE B SUMMARY OF LAWS (Cont'd)

- Hanjiang Branch and Ruiyuan, Kang Guohuang(康国煌) and Chan Fung(陈峰);
24. Guarantee contract (No. 35100120110002967) dated 10 February 2011 entered into by and between ABC Hanjiang Branch and Ruiyuan, Kang Guohuang(康国煌) and Chan Fung(陈峰);
 25. Product purchase contract dated 28 February 2006 entered into by and between Ruiyuan and Xiamen Jiyou New Material Co., Ltd (厦门集优新材料有限公司) (“Xiamen Jiyou”);
 26. Product purchase contract dated 26 February 2009 entered into by and between Ruiyuan and Xiamen Jiyou;
 27. Advertisement contact dated 22 October 2008 entered into by and between Ruiyuan and Shengshi Changcheng International Advertising Co., Ltd, Guangzhou Branch (盛世长城国际广告有限公司广州分公司);
 28. Entrusted design contract dated 2 December 2009 entered into by and between Ruiyuan and Shenzhen Yimei Industry Design Co.,Ltd(深圳市怡美工业设计有限公司)(“Shenzhen Yimei”);
 29. Supplemental agreement dated 15 January 2010 respectively entered into by and between Ruiyuan and Shenzhen Yimei;
 30. Engineering construction contract dated 26 July 2010 entered into by and between Ruiyuan and Hancheng Construction;
 31. Sole Agency Agreement dated 22 March 2006 entered into by and between Argisino S.R.L. and Ruiyuan;
 32. Sole Agency Agreement dated 15 February 2008 entered into by and between Al-mutanabi Stationery and Ruiyuan;
 33. Sole Agency Agreement dated 2 March 2006 entered into by and between Bentata Hermanos.C.A. and Ruiyuan;
 34. Sole Agency Agreement dated 6 March 2006 entered into by and between Ceac Mexicana S.A.De.C.V. and Ruiyuan;
 35. Sole Agency Agreement dated 10 March 2006 entered into by and between Commercial Mon Ami Ltda and Ruiyuan;
 36. Sole Agency Agreement dated 24 March 2006 entered into by and between Control Stationery, Inc and Ruiyuan;
 37. Sole Agency Agreement dated 13 March 2006 entered into by and between Mitter International and Ruiyuan;

ANNEXURE B SUMMARY OF LAWS (Cont'd)

38. Agency Agreement dated 6 December 2007 entered into by and between Fujian Province Putian City Nanfang Jinmao Co., Ltd (福建省莆田市南方经贸有限公司) and Ruiyuan;
39. Agency Agreement dated 7 December 2007 entered into by and between Zhuhai Dongbu Sanmu Shiye Co., Ltd (珠海东部三木实业有限公司) and Ruiyuan; and
40. Confirmation Letter dated 19 January 2012 issued by Ruiyuan.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS**

**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER
2008, 2009, 2010 AND FOR THE SEVEN MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

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ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2008, 2009, 2010 AND FOR THE SEVEN MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011

6 January 2012

The Board of Directors
China Stationery Limited
Canon's Court
22 Victoria Street
Hamilton HM 12, Bermuda

Dear Sirs

We have audited the accompanying Combined Financial Statements of the China Stationery Limited (the "Company") and its subsidiaries (collectively the "Group"), on pages 3 to 65, which comprise the Combined Statements of Financial Position of the Group as at 31 December 2008, 2009, 2010 and 31 July 2011, Combined Statements of Comprehensive Income, Combined Statements of Changes in Equity and Combined Statements of Cash Flows of the Group for each of the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Combined Financial Statements"). The Combined Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), are the responsibility of the management of the Company. Our responsibility is to express an opinion on the Combined Financial Statements based on our audit.

Management's responsibility for the Combined Financial statements

Management is responsible for the preparation and fair presentation of these Combined Financial Statements in accordance with IFRS. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Combined Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the Combined Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Combined Financial Statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

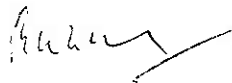
**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

**AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2008, 2009, 2010 AND FOR THE SEVEN MONTHS FINANCIAL PERIOD ENDED
31 JULY 2011 (CONTINUED)**

Opinion

In our opinion, the Combined Financial Statements, for the purpose of this report are prepared on the basis set out in Note 2 of this report, present fairly, in all material respects, the Group's Combined Statements of Financial Position, Combined Statements of Comprehensive Income, Combined Statements of Changes in Equity and Combined Statements of Cash Flows for the Relevant Periods as at 31 December 2008, 2009, 2010, and for the seven months financial period ended 31 July 2011 have been properly prepared in accordance with IFRS.

Yours faithfully



Foo Kon Tan Grant Thornton LLP
Public Accountants and Certified Public Accountants
Singapore

Partner: Wong Kian Kok

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2008, 2009, 2010 AND FOR THE SEVEN MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	Notes	Year ended 31 December			Period ended 31 July	
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000	2011 RMB'000
Revenue	4	857,812	1,079,573	1,408,786	770,348	972,718
Cost of sales		(432,598)	(558,184)	(764,138)	(419,750)	(532,069)
Gross profit		425,214	521,389	644,648	350,598	440,649
Other income	4	6,134	1,918	2,848	1,321	2,206
Selling and distribution expenses		(52,451)	(68,328)	(52,478)	(21,141)	(57,765)
Administrative expenses		(33,538)	(27,390)	(41,887)	(19,200)	(19,756)
Other operating expenses		(2,022)	-	(213)	(123)	-
Finance costs	5	(10,437)	(16,299)	(34,202)	(29,859)	(37,908)
Profit before taxation	6	332,900	411,290	518,716	281,596	327,426
Income tax expense	7	(70,815)	(84,261)	(121,090)	(69,815)	(99,036)
Profit attributable to shareholders/ Total comprehensive income		262,085	327,029	397,626	211,781	228,390
Earnings per share - Basic (RMB cents)	8 (a)	52.42	65.41	79.53	42.35	45.68
Earnings per share - Diluted (RMB cents)	8 (b)	46.64	42.20	59.91	36.76	40.58

The annexed notes form an integral part of and should be read in conjunction with these Combined Financial Statements.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

**COMBINED STATEMENTS OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2008, 2009, 2010 AND 31 JULY 2011**

	Notes	2008 RMB'000	As at 31 December 2009 RMB'000	2010 RMB'000	As at 31 July 2011 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	9	199,714	230,968	289,276	283,016
Land use rights	10	2,242	2,194	2,144	15,338
Non-current receivables	11	86,196	90,620	59,330	48,534
Investment property	12	-	-	210	172
		288,152	323,782	350,960	347,060
Current assets					
Inventories	13	14,631	20,454	35,922	43,535
Trade and other receivables	14	176,386	270,868	359,339	403,199
Cash and bank balances	15	367,758	611,545	902,663	1,109,475
		558,775	902,867	1,297,924	1,556,209
Less:					
Current liabilities					
Trade payables	16	32,402	52,351	63,465	74,923
Accrued liabilities and other payables	17	19,332	25,297	32,150	27,518
Interest-bearing bank borrowings	18	45,000	56,500	49,100	51,600
Amount due to a shareholder	19	71,746	71,746	71,746	71,746
Convertible bonds	20	-	137,018	68,509	101,816
Income tax payable	21	15,376	30,655	29,000	6,858
		183,856	373,567	313,970	334,461
Net current assets		374,919	529,300	983,954	1,221,748
Non-current liability					
Convertible bonds	20	137,018	-	-	-
Deferred income tax liabilities	22	-	-	8,505	14,009
		137,018	-	8,505	14,009
Net assets		526,053	853,082	1,326,409	1,554,799
EQUITY					
Share capital	23	5,791	5,791	5,262	5,262
Reserves	24	520,262	847,291	1,321,147	1,549,537
Total equity		526,053	853,082	1,326,409	1,554,799

The annexed notes form an integral part of and should be read in conjunction with these Combined Financial Statements.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

**COMBINED STATEMENTS OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2008, 2009, 2010 AND FOR THE SEVEN MONTHS FINANCIAL PERIOD ENDED 31 JULY 2010 AND 2011**

	Equity attributable to the Company's shareholders							Total RMB'000
	Share Capital RMB'000 (Note23)	Capital Reserve RMB'000 (Note24(a))	Share Premium RMB'000 (Note24(b))	Treasury Shares RMB'000 (Note24(c))	Merger Deficit RMB'000 (Note24(d))	Statutory Reserves RMB'000 (Note24(e))	Retained Earnings RMB'000	
Balance at 1 January 2008	4,977	64	-	-	(4,150)	55,946	207,131	263,968
Conversion of convertible loan	814	-	94,201	-	-	-	-	95,015
Purchase of treasury shares	-	-	-	(95,015)	-	-	-	(95,015)
Net profit for the year	-	-	-	-	-	-	262,085	262,085
Transfer to statutory reserves	-	-	-	-	-	2,912	(2,912)	-
Balance at 31 December 2008	5,791	64	94,201	(95,015)	(4,150)	58,858	466,304	526,053
Balance at 1 January 2009	5,791	64	94,201	(95,015)	(4,150)	58,858	466,304	526,053
Net profit for the year	-	-	-	-	-	-	327,029	327,029
Transfer to statutory reserves	-	-	-	-	-	9,343	(9,343)	-
Balance at 31 December 2009	5,791	64	94,201	(95,015)	(4,150)	68,201	783,990	853,082
Balance at 1 January 2010	5,791	64	94,201	(95,015)	(4,150)	68,201	783,990	853,082
Net profit for the period	-	-	-	-	-	-	397,626	397,626
Cancellation of 51,291,597 treasury shares	(529)	-	(61,167)	61,696	-	-	-	-
Subscription of treasury shares by LTH*	-	-	44,027	31,674	-	-	-	75,701
Transfer to statutory reserves	-	-	-	-	-	23,583	(23,583)	-
Balance at 31 December 2010	5,262	64	77,061	(1,645)	(4,150)	91,784	1,158,033	1,326,409
Balance at 1 January 2011	5,262	64	77,061	(1,645)	(4,150)	91,784	1,158,033	1,326,409
Net profit for the period	-	-	-	-	-	-	228,390	228,390
Transfer to statutory reserves	-	-	-	-	-	3,146	(3,146)	-
Balance at 31 July 2011	5,262	64	77,061	(1,645)	(4,150)	94,930	1,383,277	1,554,799
Balance at 1 January 2010	5,791	64	94,201	(95,015)	(4,150)	68,201	783,990	853,082
Net profit for the period	-	-	-	-	-	-	211,781	211,781
Cancellation of 51,291,597 treasury shares	(529)	-	(61,167)	61,696	-	-	-	-
Subscription of treasury shares by LTH*	-	-	44,027	31,674	-	-	-	75,701
Transfer to statutory reserves	-	-	-	-	-	15,714	(15,714)	-
Balance at 31 July 2010	5,262	64	77,061	(1,645)	(4,150)	83,915	976,526	1,140,564

*LTH: Lembaga Tabung Haji

The annexed notes form an integral part of and should be read in conjunction with these Combined Financial Statements.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

**COMBINED STATEMENTS OF CASH FLOWS
 FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2008, 2009, 2010 AND FOR THE SEVEN MONTHS FINANCIAL PERIOD ENDED 31 JULY 2010 AND 2011**

	Notes	Year ended 31 December			Period Ended 31 July	
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000	2011 RMB'000
Cash flows from operating activities						
Profit before taxation		332,900	411,290	518,716	281,596	327,426
Adjustments for						
Interest income	4	(3,008)	(1,786)	(2,696)	(1,205)	(2,184)
Depreciation of property, plant and equipment	6/9/12	7,744	13,813	19,190	9,586	14,022
Amortisation of land use rights	6/10	47	48	50	29	139
Loss on disposal of property, plant and equipment	6	2,022	-	213	123	-
Foreign exchange loss/(gain)		340	(4)	4	4	8
Interest expenses	5	10,437	16,299	34,202	29,859	37,908
Operating profit before working capital changes		350,482	439,660	569,679	319,984	377,319
Increase in inventories		(1,378)	(5,823)	(15,468)	(11,312)	(7,613)
Increase in trade and other receivables	A	(81,455)	(108,718)	(69,347)	(24,376)	(42,435)
Increase / (Decrease) in trade payables		7,788	19,949	11,114	8,643	11,458
Increase in accrued liabilities and other payables	B	10,079	5,690	1,801	25,911	(2,262)
Cash generated from operations		285,516	350,758	497,779	318,850	336,467
Interest received		3,008	1,786	2,696	1,205	2,184
Interest paid		(10,437)	(16,299)	(34,202)	(29,859)	(4,601)
Income tax paid		(59,042)	(68,982)	(114,240)	(83,888)	(115,674)
Net cash generated from operating activities		219,045	267,263	352,033	206,308	218,376

The annexed notes form an integral part of and should be read in conjunction with these Combined Financial Statements.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
 FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2008, 2009, 2010 AND FOR THE SEVEN MONTHS FINANCIAL PERIOD ENDED 31 JULY 2010 AND 2011**

	Notes	Year ended 31 December			Period Ended 31 July	
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000	2011 RMB'000
Cash flows from investing activities						
Purchase of property, plant and equipment	9/A/B	(226,023)	(34,980)	(55,451)	(53,869)	(10,094)
Purchase of land use rights	A	(4,712)	-	(5,267)	-	(3,962)
Proceeds from disposal of property, plant and equipment		36	-	15	10	-
Net cash used in investing activities		(230,699)	(34,980)	(60,703)	(53,859)	(14,056)
Cash flows from financing activities						
Bank loans obtained		45,000	56,500	80,100	-	35,100
Repayment of bank loans		(45,000)	(45,000)	(87,500)	-	(32,600)
Proceeds from issue of convertible loan		-	-	-	-	-
Proceeds from issue of convertible bond		137,018	-	-	-	-
Purchase of treasury shares		(95,015)	-	-	-	-
Payment of redemption of convertible bond		-	-	(68,509)	(68,509)	-
Proceeds from subscription of treasury shares by LTH		-	-	75,701	75,701	-
Net cash (used in)/generated from financing activities		42,003	11,500	(208)	7,192	2,500
Net increase in cash and cash equivalents		30,349	243,783	291,122	159,649	206,820
Cash and cash equivalents at 1 January		337,749	367,758	611,545	611,545	902,663
Effect on exchange rate on cash and bank balances on opening balances		(340)	4	(4)	(4)	(8)
Cash and cash equivalents at 31 December / 31 July	15	367,758	611,545	902,663	771,190	1,109,475

Note A:

Included in trade and other receivable as at 31 July 2011 was an amount of RMB43,908,000 (31 December 2010: RMB43,908,000, 31 July 2010: RMB47,118,000, 31 December 2009: RMB61,341,000, 31 December 2008: RMB71,153,000) relating to the deposit paid for plant and machinery and RMB Nil relating to purchase of land use rights (31 July 2010: RMB4,104,000, 31 December 2010: RMB9,371,000, 31 December 2009: RMB4,104,000, 31 December 2008: RMB4,104,000) (Note 11). The amounts have been included as purchase of property, plant and equipment and land use rights for the years and periods respectively.

Note B:

Included in accrued liabilities and other payables as at 31 July 2011 was an amount of RMB2,957,000 (31 December 2010: RMB5,327,000, 31 July 2010: RMB2,695,000, 31 December 2009: RMB275,000, 31 December 2008: RMB4,752,000) relating to the accrual for cost of property, plant and machinery (Note 17). The amounts have been excluded from purchase of property, plant and equipment for the years and periods respectively.

The annexed notes form an integral part of and should be read in conjunction with these Combined Financial Statements.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. INTRODUCTION

The Combined Financial Statements of the Group for the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 respectively were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The Company (Registration No. 40535) is incorporated in Bermuda under the name of China Stationery Limited on 14 August 2007 as an exempted company with limited liabilities.

The registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

On 26 October 2009, the Company is registered as a foreign company in Malaysia (Registration No. 995224-W).

The immediate and ultimate holding company of the Company is Lead Champion Group Limited ("Lead Champion"), a company incorporated in British Virgin Islands ("BVI").

The principal activity of the Company is that of an investment holding company. The principal activities of the Company's subsidiaries are set out in Note 2 to the Combined Financial Statements.

2 THE REORGANISATION AND BASIS OF PRESENTATION

In July 1991, Mr Chan Fung @ Kwan Wing Yin, the founder and Executive Chairman of the Company, through Kawan Kita (Hong Kong) Co., Ltd ("Kawan Kita"), together with Putian County Jiangkou Hualian Commence Company ("Putian Jiangkou Hualian"), established Sakura (Fujian) Packaging and Stationery Co.,Ltd ("Sakura Stationery") to primarily manufacture plastic files and folders and plastic ornament boards. Sakura Stationery was first incorporated as a sino-foreign equity joint venture and its registered capital was contributed by Kawan Kita and Putian Jiangkou Hualian in the proportion of 95% and 5%, respectively. In March 1992 and October 1993, with the acquisitions of Putian Jiangkou Hualian's stake, Kawan Kita became the sole shareholder of Sakura Stationery, and Sakura Stationery became a Wholly Foreign-Owned Enterprise ("WFOE").

In November 1993, Sakura (Fujian) Plastic Enterprise Co., Ltd "Sakura Plastic", a WFOE, was founded by Kawan Kita, to manufacture PP sheets.

In 2004 and 2007, Campus Developments Limited ("Campus") acquired 100% of the equity interest in Sakura Plastic and Sakura Stationery (respectively) from Kawan Kita for USD5,000,000 (approximately RMB34,140,000) and USD3,800,000 (approximately RMB25,946,000) (respectively). The considerations are equivalent to the registered capital of Sakura Plastic and Sakura Stationery and were satisfied in cash.

In February 2006, Ruiyuan (Fujian) Enterprise Co., Ltd ("Ruiyuan"), a WFOE, was incorporated by Sunwealth Group Limited ("Sunwealth") to undertake the production of our main proprietary product, the plastic tape printer.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2 THE REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

The Company was incorporated on 14 August 2007 in Bermuda as an exempt company limited with liabilities under the Bermuda Companies Act. The Company was incorporated as a holding company to acquire the entire equity interests in Sunwealth and Campus which in turn holds the operating companies in the People's Republic of China ("PRC").

In 2004 and 2007, Campus acquired 100% of the equity interest in Sakura Plastic and Sakura Stationery (respectively) from Kawan Kita for USD5,000,000 and USD3,800,000 (respectively). The consideration is equivalent to the registered capital of Sakura Plastic and Sakura Stationery and were satisfied in cash.

In February 2006, Ruiyuan, a WFOE, was incorporated by Sunwealth to undertake the production of our main proprietary product, the plastic tape printer.

In September 2007, the Company the acquired Campus and Sunwealth from Chan Fung @ Kwan Wing Yin and his spouse Madam Kwan Chun Chu at their respective Net Tangible Assets ("NTA") values as at 31 December 2007 via the issuance of an aggregate of 999,999 Shares in the Company. They nominated Yuan Teng Group Limited ("Yuan Teng") and Wingday International Limited ("Wingday") to receive the said consideration shares on their behalf. Chan Fung @ Kwan Wing Yin had on 17 September 2007 also transferred his 1 share in the Company to Yuan Teng, making the aggregate number of shares held by Yuan Teng and Wingday in the Company to be 1,000,000 ordinary shares of SGD1.00 each. On 17 September 2007, every existing ordinary share of par value S\$1.00 each in the capital of the Company was divided into 500 ordinary shares of par value of S\$0.002. The shareholders of Yuan Teng and Wingday, being Chan Fung @ Kwan Wing Yin, Angus Kwan Chun Jut and Jiang Danping subsequently set up Lead Champion and the entire block of consideration shares was transferred to Lead Champion.

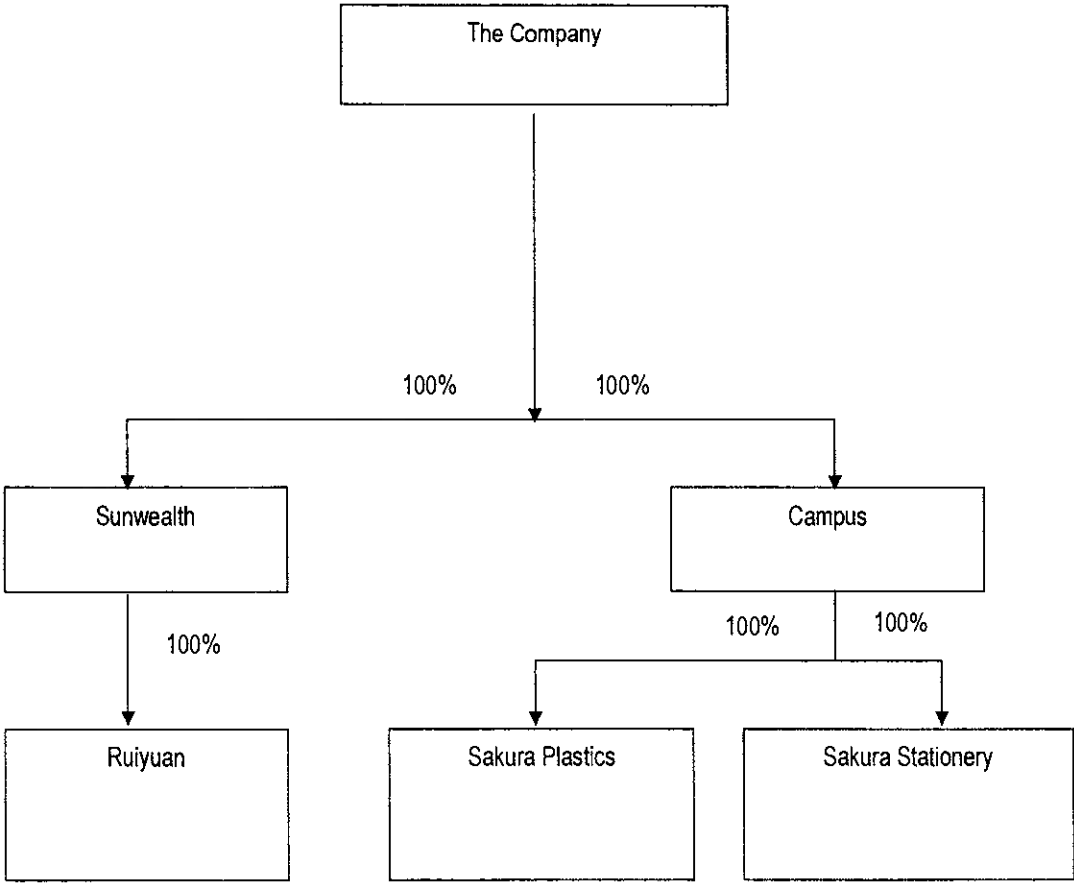
The reorganisation was completed on 17 September 2007 and the Group adopted the current structure in the following page.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. THE REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

The Group structure after the above reorganisation is shown as follows:



ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. THE REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

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

Name of Company	Date and place of incorporation or establishment	Principal activities	Equity held by the Company	Notes
<i>Directly held:</i>				
Sunwealth	22 nd February 2005 BVI	Investment holding	100%	(a)
Campus	3 rd December 2002 BVI	Investment holding	100%	(a)
<i>Indirectly held:</i>				
Ruiyuan	16 th February 2006 PRC	Production and sale of plastic tape printer and ink	100%	(b), (e), (f)
Sakura Plastic	5 th November 1993 PRC	Research, development and production of PP sheets	100%	(c), (e), (f)
Sakura Stationery	15 th July 1991 PRC	Production and sale of plastic stationery	100%	(d), (e), (f)

Notes:

- (a) There is no audit requirement in the BVI. The authorised capital of Sunwealth and Campus are S\$1,000,000 (approximately RMB5,262,000), US\$132,111 (approximately RMB856,000) and US\$867,889 (approximately RMB5,623,000) respectively.
- (b) Ruiyuan was established in the PRC with a registered capital of US\$3,000,000 (approximately RMB19,437,000), which was fully issued and paid-up on 14 May 2009. Ruiyuan increased its share capital to US\$10,000,000 (approximately RMB64,790,000) on 5 Jan 2010 of which the paid up capital is US\$4,400,000 (approximately RMB28,508,000) as of the date of this report. The remaining amount will be repaid within the next 2 years (Note 25(c)).
- (c) Sakura Plastic was established in the PRC, with a registered capital of US\$5,000,000 (approximately RMB32,395,000) which was fully issued and paid-up on 10 December 2002. Sakura Plastic increased its share capital to US\$10,000,000 (approximately RMB64,790,000) on 10 June 2008 of which was fully paid-up on 22 December 2010.
- (d) Sakura Stationery was established in the PRC with a registered capital of US\$3,800,000 (approximately RMB24,620,000), which was fully issued and paid-up on 23 June 1997.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. THE REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

- (e) The financial statements of these companies for the years ended 31 December 2008, 2009, and 2010 were audited by Shenzhen Xi He Certified Public Accountants. The auditors issued an unqualified opinion on these financial statements.
- (f) The financial statements of these companies for the period ended 31 July 2011 were not audited by Shenzhen Xi He Certified Public Accountants at the date of this report.

The Group is regarded as a continuing entity resulting from the Reorganisation since the management of all the entities which took part in the Reorganisation were controlled by the same directors and under common shareholders before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the control over the entities' financial and operating policy decisions and risks and benefits to the ultimate shareholders that existed prior to the Reorganisation. The Reorganisation has been accounted for as a reorganisation under common control in a manner similar to pooling of interests. Accordingly, the Combined Financial Statements for the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiaries which were under common control of the ultimate shareholders and directors that existed prior to the Reorganisation during the Relevant Periods or since their respective dates of incorporation.

The Combined Financial Statements have been prepared based on the audited financial statements of all the entities who took part in the Reorganisation for the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011, and where appropriate, unaudited management accounts of all companies in the Group for the Relevant Periods. The directors of the respective companies of the Group at the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 are responsible for preparing these Combined Financial Statements and the unaudited management accounts of the companies in the Group for the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 2011.

For the purpose of this report, the reporting auditors have examined the aforementioned management accounts for the years ended 31 December 2008, 2009 and 2010 and for the seven months financial period ended 31 July 2011 have carried out independent procedures necessary for the reporting auditors to give an opinion on the Combined Financial Statements of the Group.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Combined Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related interpretations, and have been consistently applied throughout the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011.

Basis of preparation of Combined Financial Statements

The Group has early adopted IFRSs and interpretations which are effective for accounting periods beginning on or after 1 January 2011 for the preparation of these Combined Financial Statements of the Group since 1 January 2008. These Combined Financial Statements are the first set of financial statements prepared in accordance with IFRS by the Group.

The accounting policies set out below have been applied consistently to all periods presented in these Combined Financial Statements and in preparing an opening IFRS statement of financial position as at 1 January 2008 for the purpose of the first set of IFRS financial statements. The accounting policies have been applied consistently by the Group.

On 1 January 2011, the Group adopted the new or revised IFRS and interpretations that are mandatory for application on that date. This includes the following which are relevant to the Group:

IAS 1	Presentation of Financial Statements – Clarification of statement of changes in equity
IAS 24	Related Party Disclosure – Revised definition of related party
IAS 27	Consolidated and Separate Financial Statements – Transition requirements for amendments arising as a result of IAS 27
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues
IAS 34	Interim Financial reporting – Significant events and transactions
IFRS 1	First-time Adoption of IFRSs – Accounting policy changes in the year of adoption, Revaluation basis as deemed cost, Use of deemed cost for operation subject to rate regulation
IFRS 7	Financial Instruments – Clarification of disclosures

The adoption of the above IFRS and interpretations did not result in substantial changes to the Group's accounting policies or any significant impact on the Combined Financial Statements.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation of Combined Financial Statements (continued)

At the date of this report, the following new and amended IFRS and interpretations were issued but not yet effective:

IFRS 1	First-time Adoption of IFRS – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'
IFRS 1	First-time Adoption of IFRS – Additional exemption for entities ceasing to suffer from severe hyperinflation
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets
IFRS 9	Financial Instruments – Clarification and Measurement
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets)
IAS 19	Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects
IAS 27	Consolidated and Separate Financial Statements – Reissued as <i>IAS 27 Separate Financial Statements</i>
IAS 28	Investment in Associates – Reissued as <i>IAS 28 Investments in Associates and Joint Ventures</i>

The management does not anticipate that the adoption of the above IFRS (including consequential amendments) and interpretations will result in any material impact to the financial statements in the period of initial application.

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods after 1 July 2011 or later periods and which the Group has not early adopted.

The Combined Financial Statements have been prepared in accordance with the significant accounting policies set out below and these accounting policies are in accordance with IFRS.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies as described below, management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements.

Critical judgement made in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 20 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 were RMB199,714,000, RMB230,968,000, RMB289,276,000 and RMB283,016,000 respectively. 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.

Withholding tax on dividends

The Group is subject to income taxes in the tax jurisdiction in the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividends distributed to a foreign investor by Foreign Invested Enterprises ("FIE") in the PRC would be subject to a withholding tax of 5% to 10%. The Chinese tax authorities have granted a special tax concession which states that dividends distributed out of the earnings from 1 January 2008 of a FIE's profit, arising in year 2008 and beyond, to be distributed to the foreign investors as dividends shall be subject to withholding tax. The management has considered the above tax exposure and has not provided for deferred tax liability as at 31 December 2008 and 2009 as they have concluded on the Group's dividend policy and they are of the opinion that the profit accumulated from 1 January 2008 to 31 December 2009 will be reinvested in the Group as their operating cash flow. As at 31 December 2010 and 31 July 2011, the management is considering of distributing 20% of the profit after tax as dividends to the shareholders, thus temporary differences which give rise to deferred liabilities as a result of the new CIT are recognised as at 31 December 2010 and seven months financial period ended 31 July 2011.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting estimates and judgements (continued)

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial years and periods are discussed below:

Income tax

The Group has exposure to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims 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. When 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.

Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit history of the Group's customers and the current market condition. Management assesses the collectability of trade receivables at the balance sheet date and makes the provision, if any.

Impairment of property, plant and equipment

Property, plant and equipment have been assessed for any indication of impairment in accordance with the accounting policy. If such indication exists, the recoverable amounts of property, plant and equipment are determined on value-in-use calculations, which require the use of judgement and estimates.

Impairment of inventories

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale, if any. The net realisable 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.

Subsidiaries and Combined Financial Statements

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully combined from the date on which control is transferred to the Group. They are excluded from the date that control ceases.

For acquisition of subsidiaries under common control, the identifiable assets and liabilities were accounted for at their carrying values, in a manner similar to the pooling-of-interest method of consolidation.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting estimates and judgements (continued)

Subsidiaries and Combined Financial Statements (continued)

(i) Subsidiaries (continued)

For acquisition of subsidiaries that is not under common control, the purchase method of accounting is adopted. The cost of such acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates 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 fair value on the date of the acquisition, irrespective of the extent of minority interest.

In preparing the combined financial statements, transactions, balances and unrealised gains on transactions between the combining entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred.

(ii) Basis of preparation under common control business combination

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The reorganisation exercise described in Note 2 to the Combined Financial Statements resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of IFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the Combined Financial Statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs are included in the Combined Financial Statements of the Group as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the Group. Therefore, the Group recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts as if such Combined Financial Statements had been prepared by the controlling party, including adjustments required for conforming to the Group's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the Combined Financial Statements of the Group.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

(i) **Recognition and Measurement**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Construction in progress, which represents buildings under construction, is stated at cost less impairment losses. Cost comprises direct costs incurred during the period of construction. No depreciation is provided on construction in progress. Construction in progress will be classified to the appropriate category of property, plant and equipment upon completion of construction.

(ii) **Reclassification to investment property**

When the use of a property changes from owner-occupied to investment property, the property is remeasured to cost less accumulated depreciation and reclassified as investment property.

(iii) **Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

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

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over the period of the grant of 50 years, which is the lease term. Land use rights represent up-front payments to acquire long-term interests in the usage of land.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property of the Group is measured using the cost model which is the cost less accumulated depreciation and less accumulated impairment losses, if any.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

Impairment of non-financial assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of the Group's property, plant and equipment and land use rights, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit or loss in the period in which it arises unless the asset is carried at revalued amount, in which case, such impairment loss is charged to the equity.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit to which the asset belongs.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit or loss in the period in which it arises.

Financial assets

Financial assets which are under the scope of IAS 39, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

De-recognition of financial assets occurs when the rights to receive cash flows from the instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each of the balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Other than loans and receivables, the Group does not have any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

Receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial liabilities

The Group's financial liabilities include bank borrowings, trade payables, accrued liabilities and other payables, convertible bonds and amount due to a shareholder. Financial liabilities are recognised when the Group become a party to the contractual agreements of the financial instrument. All interest related charges are recognised as an expense in "finance costs" in the profit or loss for the reporting periods. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade payables, accrued liabilities and other payables, convertible bonds and amount due to a shareholder

Trade payables, accrued liabilities and other payables, convertible bonds and amount due to a shareholder are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Convertible bonds

When convertible bonds are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the combined statement of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to the share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and related manufacturing overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Key management personnel

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

Provisions

Provisions are recognised when 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 obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimates.

In cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no contingent liability is recognised in the balance sheet, unless assumed in the course of a business combination.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes on the following bases:

- (i) Revenue is recognised when the products leave the warehouse. Prior to the products leaving the warehouse, the products undergo quality control checks by the Group's Quality Control Department and/or their customers' representatives. The Group generally does not accept returns of the goods arising from quality issues once the products leave the warehouse.
- (ii) Interest income is recognised, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Research and development costs

Research costs are expensed as incurred, except for development costs which relates 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.

Income Tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Combined Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (continued)

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is dealt with in equity.

The Group's sale of goods in the PRC are subject to value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the balance sheet respectively. 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 the purchase of assets or services is not recoverable from the taxation 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.

Retirement benefits scheme

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 is required to contribute a certain percentage of the basic salaries of its 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 to the Group with respect of the Scheme is to pay the ongoing required contributions under the Scheme as mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Segment reporting

A operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the Combined Statements of Cash Flows, cash and cash equivalents comprise cash on hand and bank deposits.

Operating leases

(a) When the Group is the lessee:

The Group leases office buildings under operating leases from non-related parties

(i) Lessee - Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received, if any, are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.

(b) When the Group is the lessor:

The Group leases investment property under operating leases to non-related parties

(ii) Lessee - Operating leases

Leases of investment property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease tenure.

Contingent rents are recognised as income in profit or loss when earned.

Foreign currencies

(i) Functional and presentation currency

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

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than functional currency are recognised in the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency other than functional currency are translated to the functional currency using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date on which the fair value was determined.

(iii) Group companies

For the purposes of presenting financial statements in Renminbi, the results and financial positions of the entity that has a functional currency different from the presentation currency of the Group are translated to the presentation currency as follows:

- (1) assets and liabilities are translated at the closing rate at the reporting date;
- (2) income and expenses are translated at average exchange rates for the year (unless this average exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using exchange rates at the dates of the transactions); and
- (3) All resultant exchange differences are recognised in the currency translation reserve within equity.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Company/Group; (2) has an interest in the Company/ Group that gives it significant influence over the Company/Group; or (3) has joint control over the Company/Group;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Company/ Group;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

Share Capital and Treasury Shares

Ordinary shares are classified as equity.

Any transaction costs associated with the issuance of shares are deducted against the share capital amount (net of any related income tax benefits) to the extent that they are incidental costs directly attributable to the equity transaction.

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.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share Capital and Treasury Shares (Continued)

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 share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after trade discounts. An analysis of the Group's revenue and other income is as follows:

	Note	Year ended 31 December			Period ended 31 July	
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000	2011 RMB'000
Revenue						
Sale of goods		857,812	1,079,573	1,408,786	770,348	972,178
Other income						
Interest income		3,008	1,786	2,696	1,205	2,184
Exchange gain (Net)		2,242	-	-	-	-
Gain on sale of raw materials		670	-	-	-	-
Rental income from investment property	25	-	-	6	-	22
Others		214	132	146	116	-
		6,134	1,918	2,848	1,321	2,206

5. FINANCE COSTS

	Year ended 31 December			Period ended 31 July	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000	2011 RMB'000
Interest charges on:					
Bank borrowings	3,792	4,001	3,270	1,925	1,688
Convertible loan and convertible bond	6,645	12,298	30,932	27,934	36,220
	10,437	16,299	34,202	29,859	37,908

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	Note	Year ended 31 December			Period ended 31 July	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment*	9/12	7,744	13,813	19,190	9,586	14,022
Amortisation of land use rights	10	47	48	50	29	139
Minimum lease payments under operating leases for leasehold buildings		180	187	175	60	70
Exchange loss/ (gain)		(2,242)	615	7,211	1,092	7,039
Directors' remuneration						
- salaries and related cost		750	4,281	4,627	2,809	2,846
- contribution to retirement scheme		3	4	4	2	3
Key management personnel (other than directors)						
- salaries and related cost		1,434	1,806	1,592	1,040	988
- contribution to retirement scheme		44	66	44	24	28
Other than directors and key Management personnel						
- salaries and related cost		10,991	13,411	17,667	9,341	11,858
- contribution to retirement scheme		827	944	1,468	774	1,361
- staff welfare		267	296	247	95	193
Research and Development costs		328	5,494	19,471	9,801	321
Cost of inventories recognised as expenses		357,149	467,070	647,329	288,206	241,458
Expenses incurred in relation to the due diligence		8,965	-	-	-	-
Expenses relating to the proposed initial public offering on Singapore Stock Exchange included in administrative expenses#		13,562	-	-	-	-
Expenses relating to the proposed reverse takeovers on Singapore Stock Exchange included in administrative expenses#		1,157	4,328	-	-	-
Expenses relating to the proposed initial public offering on Bursa Malaysia Stock Exchange included in administrative expenses#		-	6,115	1,673	1,095	1,079
Advertisement expenses included in selling and distribution expenses		30,901	34,490	14,071	1,780	36,390
Loss on disposal of property, plant and equipment included in other operating expenses		2,022	-	213	122	-

* Depreciation expenses amounting to approximately RMB7,560,000, RMB13,602,000, RMB18,578,000, RMB9,463,000 and RMB11,965,000 and RMB184,000, RMB211,000, RMB613,000, RMB123,000 and RMB2,019,000 have been charged as cost of sales and administrative expenses on the face of the Combined Statements of Comprehensive Income for the years ended 31 December 2008, 2009, 2010 and for the seven months financial periods ended 31 July 2010 and 2011 respectively.

Included in the depreciation expenses is depreciation expenses of investment property depreciation expenses amounting to approximately RMB38,000 have been charged as cost of sales on the face of Combined Statements of Comprehensive Income for the seven months financial periods ended 31 July 2011 (31 December 2008: Nil, 31 December 2009: Nil, 31 December 2010: RMB11,000, 31 July 2010: Nil).

Proposed initial public offerings and reverse takeovers were being withdrawn on 11 June 2008 and 2 September 2009 respectively.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

	Note	Year ended 31 December			Period ended 31 July	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current year provision:						
Deferred income tax liabilities	22	-	-	8,505	4,702	5,504
PRC income tax		70,815	84,261	112,585	65,113	93,532
		70,815	84,261	121,090	69,815	99,036

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

	Year ended 31 December			Period ended 31 July	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	332,900	411,290	518,716	281,596	327,426
Tax at the applicable tax rate of 25%	83,225	102,823	129,679	70,399	81,857
Tax effect on non-deductible expenses	6,518	8,358	10,041	10,332	11,675
Tax effect on exempt income	(18,928)	(26,920)	(27,135)	(10,618)	-
Effect of deferred tax on dividend	-	-	8,505	4,702	5,504
	70,815	84,261	121,090	69,815	99,036

The provision for PRC income tax is calculated based on statutory income tax at a rate of 25% for years ended 31 December 2008, 2009, 2010 and for the seven months financial periods ended 31 July 2010 and 2011 in accordance with the relevant PRC income tax rules and regulations for the relevant periods.

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.

On 16 February 2006, Ruiyuan became a wholly foreign-owned enterprise ("WFOE"). In accordance with the tax law, Ruiyuan was entitled to full exemption from state income tax for the first two profit-making years and a 50% reduction in state income tax for the next three years. The first profit-making year commenced in FY2006. Accordingly, Ruiyuan was exempted from state and local income tax in FY2006 and will be exempted from state and local income tax in FY2007 and entitled a 50% reduction for the next three years.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

7. INCOME TAX EXPENSE (CONTINUED)

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008. Under the New Tax Law being effective from 1 January 2008 and in accordance with "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" (Guo Fa [2007] No.39) promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to a transitional tax rate beginning in year 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies and will continue be entitled to the tax holiday period under the old regime. The Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards respectively. In this connection, the above tax holidays will continue to be applicable to Ruiyuan for the financial years ended 31 December 2008 to 31 December 2010.

The future tax rates for the Group's major subsidiaries are as follows:

	Sakura Stationery	Sakura Plastics	Ruiyuan
	<u>Tax rate</u>	<u>Tax rate</u>	<u>Tax rate</u>
2011	25%	25%	25%
2012	25%	25%	25%
2013	25%	25%	25%

8. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated based on profit attributable to equity holders of the Company for the respective years over the weighted average number of shares outstanding of the Company. The Company's weighted average number of shares comprises 500,000,000 which was the pre-invitation shares and was assumed to be in issue throughout the financial years ended 31 December 2008, 2009, 2010 and for the five months financial periods ended 31 July 2010 and 2011 presented respectively.

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: convertible loan and convertible bonds and warrants.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. EARNINGS PER SHARE (CONTINUED)

The effect of the exercise of issue of convertible loan and convertible bonds and warrants on the weighted average number of shares in issue is as follows:

	Year ended 31 December			Period ended 31 July	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000	2011 RMB'000
Profit attributable to shareholders	262,085	327,029	397,626	208,250	228,390
Interest expense on convertible loan, convertible bonds and warrants	6,645	12,298	30,932	27,934	36,220
	<u>268,730</u>	<u>339,327</u>	<u>428,558</u>	<u>236,194</u>	<u>264,610</u>

	Year ended 31 December			Period ended 31 July	
	2008 No. of shares ('000)	2009 No. of shares ('000)	2010 No. of shares ('000)	2010 No. of shares ('000)	2011 No. of shares ('000)
Weighted average number of: Shares used in the calculation of basic earnings per share	500,000	500,000	500,000	500,000	500,000
Potential shares issuable under:					
- convertible loan	59,244	-	-	-	-
- convertible bonds and warrants	16,894	304,086	215,394	215,394	152,043
Weighted average number of ordinary issued and potential shares assuming full conversion	<u>576,138</u>	<u>804,086</u>	<u>715,394</u>	<u>715,394</u>	<u>652,043</u>

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2008						
Cost	4,048	-	86,234	1,093	867	92,242
Accumulated depreciation	(1,286)	-	(39,932)	(582)	(548)	(42,348)
Net book amount	2,762	-	46,302	511	319	49,894
Year ended 31 December 2008						
Opening net book amount	2,762	-	46,302	511	319	49,894
Additions	-	83,056	76,108	97	361	159,622
Disposal	-	-	(2,009)	(49)	-	(2,058)
Depreciation charge	(182)	-	(7,340)	(109)	(113)	(7,744)
Closing net book amount	2,580	83,056	113,061	450	567	199,714
At 31 December 2008						
Cost	4,048	83,056	143,124	708	1,228	232,164
Accumulated depreciation	(1,468)	-	(30,083)	(258)	(661)	(32,450)
Net book amount	2,580	83,056	113,061	450	567	199,714
Year ended 31 December 2009						
Opening net book amount	2,580	83,056	113,061	450	567	199,714
Additions	-	28,721	16,344	2	-	45,067
Depreciation charge	(182)	-	(13,382)	(114)	(135)	(13,813)
Closing net book amount	2,398	111,777	116,023	338	432	230,968
At 31 December 2009						
Cost	4,048	111,777	159,468	710	1,228	277,231
Accumulated depreciation	(1,650)	-	(43,445)	(372)	(796)	(46,263)
Net book amount	2,398	111,777	116,023	338	432	230,968
Year ended 31 December 2010						
Opening net book amount	2,398	111,777	116,023	338	432	230,968
Additions	-	40,872	36,037	1,027	-	77,936
Reclassification to investment property (Note 12)	(1,451)	-	-	-	-	(1,451)
Transfer	135,499	(135,499)	-	-	-	-
Disposal	-	-	(199)	(12)	(17)	(228)
Depreciation charge	(2,406)	-	(16,482)	(156)	(135)	(19,179)
Offset of accumulated depreciation on building reclassified to investment property (Note 12)	1,230	-	-	-	-	1,230
Closing net book amount	135,270	17,150	135,379	1,197	280	289,276

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office RMB'000	Motor vehicles RMB'000	Total RMB'000
At 31 December 2010						
Cost	138,096	17,150	193,512	1,676	1,055	351,489
Accumulated depreciation	(2,826)	-	(58,133)	(479)	(775)	(62,213)
Net book amount	135,270	17,150	135,379	1,197	280	289,276
Period ended 31 July 2011						
Opening net book	135,270	17,150	135,379	1,197	280	289,276
Additions	-	7,378	168	178	-	7,724
Depreciation charge	(3,625)	-	(10,116)	(182)	(61)	(13,984)
Closing net book amount	131,645	24,528	125,431	1,193	219	283,016
At 31 July 2011						
Cost	138,096	24,528	193,680	1,854	1,055	359,213
Accumulated depreciation	(6,451)	-	(68,249)	(661)	(836)	(76,197)
Net book amount	131,645	24,528	125,431	1,193	219	283,016

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

Certain property, plant and equipment with net book value amounting to RMB63,518,000, RMB62,423,000, RMB41,855,000 and RMB39,879,000 as at 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 respectively, were pledged to a bank as securities for borrowings granted to the Group as set out in Note 18.

10. LAND USE RIGHTS

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year				
Cost	1,844	2,452	2,452	2,452
Accumulated amortisation	(163)	(210)	(258)	(308)
Net book amount	1,681	2,242	2,194	2,144
For the year				
Opening net book amount	1,681	2,242	2,194	2,144
Addition	608	-	-	13,333
Amortisation	(47)	(48)	(50)	(139)
Closing net book amount	2,242	2,194	2,144	15,338
At end of the year				
Cost	2,452	2,452	2,452	15,785
Accumulated amortisation	(210)	(258)	(308)	(447)
Net book amount	2,242	2,194	2,144	15,338

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. LAND USE RIGHT (CONTINUED)

The land use rights of the Group refer to land located in PRC. Certain land use rights with net book value amounting to RMB1,644,000, RMB1,607,000, RMB145,000 and RMB143,000 are pledged to a bank as securities for borrowings granted to the Group for the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 respectively as set out in Note 18.

11. NON-CURRENT RECEIVABLES

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current receivables	86,196	90,620	59,330	48,534

As at 31 July 2011, non-current receivables include:

- An amount of RMB4,626,000 relating to renovation cost for a total of 52 shop-in-shop located in PRC which will have future economic benefits for a period of 5 years (2008: RMB10,939,000, 2009: RMB8,495,000, 2010: RMB6,051,000).
- An amount of RMB43,908,000 relating to the deposit of the plant and machinery (2008: RMB71,153,000, 2009: RMB61,341,000, 2010: RMB43,908,000).

Non-current receivables are denominated in Renminbi.

In the opinion of the directors, the fair value has not been materially different from its carrying value.

12. INVESTMENT PROPERTY

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	-	-	-	210
Reclassification from property, plant and equipment	-	-	221	-
Depreciation during the year	-	-	(11)	(38)
At 31 December	-	-	210	172

Investment property comprises a factory building which is leased to a third party. This lease contains a non-cancellable period of 10 years with monthly rental of RMB3,078. No contingent rents are charged (see Note 25). This factory building has been transferred from property, plant and equipment (see Note 9) to investment property, since the factory building was no longer used by the Group and as such it was decided that the factory building would be leased to a third party.

Investment property is depreciated using the straight-line method to write off the cost less any estimated residual values over an estimated useful life of 20 years.

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

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENT PROPERTY (CONTINUED)

The range of yields applied to the net annual rentals to determine the fair value of property for which current prices in an active market are unavailable is as follows:

	31 December		31 July		Yields			
	2008	2009	2010	2011	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	%	%	%	%
Investment property	-	-	271	279	-	-	4.8 - 6.8	3.24 - 5.69

Security

At 31 July 2011, investment property of the Group with a carrying amount of RMB172,000 (31 December 2008, 2009: Nil and 31 December 2010: RMB210,000) is pledged as security to secure bank borrowings (see Note 18).

13. INVENTORIES

	As at 31 December			As at 31 July
	2008	2009	2010	2011
<u>At cost</u>	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	7,210	11,921	16,341	22,261
Work in progress	4,344	4,130	13,801	9,190
Finished goods	3,077	4,403	5,780	12,084
	14,631	20,454	35,922	43,535

During the financial years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011, there has been no inventory written off or allowance for inventory obsolescence.

14. TRADE AND OTHER RECEIVABLES- CURRENT

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	170,825	269,957	348,137	395,050
Prepayments and other receivables	5,561	62	11,202	8,149
Advances to suppliers	-	849	-	-
	176,386	270,868	359,339	403,199

As at 31 July 2011, prepayments and other receivables include:

- a) An amount of RMB150,000 relating to prepaid road signs for which costs have not been incurred at balance sheet date. (2008: RMB4,680,000, 2009: Nil, 2010: RMB2,383,000)

Trade receivables generally have credit terms ranging from 30 days to 180 days.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER RECEIVABLES- CURRENT (CONTINUED)

Trade receivables and other receivables are denominated in the following currencies:

	2008	As at 31 December		As at 31 July
		2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	71,966	97,877	125,209	142,998
United States dollars	104,420	172,991	229,887	254,659
Singapore dollars	-	-	2,365	2,990
Malaysian ringgit	-	-	1,878	2,552
Hong Kong dollars	-	-	-	-
	176,386	270,868	359,339	403,199

15. CASH AND BANK BALANCES

	2008	As at 31 December		As at 31 July
		2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	367,713	611,520	902,626	1,109,434
Cash on hand	45	25	37	41
	367,758	611,545	902,663	1,109,475

Cash and bank balances are denominated in the following currencies:

	2007	As at 31 December		As at 31 July
		2008	2009	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	367,111	611,428	902,561	1,109,229
United States dollars	36	55	62	242
Hong Kong dollars	611	62	40	4
	367,758	611,545	902,663	1,109,475

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.

The cash at bank bears interest rates ranging from 0.36% to 1.15%, 0.01% to 0.36%, 0.01% to 0.36% and 0.02% to 0.40% per annum for the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 respectively.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

16. TRADE PAYABLES

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	32,402	52,351	63,465	74,923

Trade payables are denominated in the following currencies:

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	27,040	37,441	44,458	52,884
United States Dollars	5,362	14,910	19,007	22,039
	32,402	52,351	63,465	74,923

Trade payables generally have credit terms ranging from 30 to 60 days.

17. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued liabilities	7,073	2,608	6,653	5,506
VAT payable	3,507	3,159	2,744	2,663
Advances from customers	59	16,939	16,049	15,015
Accrued IPO expenses	1,601	2,316	1,377	1,377
Accrued advertisement expense	2,340	-	-	-
Property, plant and machinery payables	4,752	275	5,327	2,957
	19,332	25,297	32,150	27,518

The Company entered into convertible loan agreements ("Convertible Loan Agreements") on 28 September 2007 with a group of investors for principal amounts of S\$18.8 million (RMB95,015,000). The fair value of the loan component was determined using the discount rate of 6% per annum commencing on the date of the relevant Loan Receipt until and including the date on which the relevant portion of the Convertible Loan is fully repaid. Any interest chargeable under this Agreement shall be calculated on a daily basis and on the basis of a 365 days year.

The investors shall waive all accrued interest on the Convertible Loan in the event that the Convertible Loan is converted into new Shares on or before 1 October 2008 which the Company was planning to list its shares on the Singapore Stock Exchange. The convertible loan was converted into 78,991,597 shares of the Company on 4 April 2008.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. ACCRUED LIABILITIES AND OTHER PAYABLES (CONTINUED)

Subsequently in and around November and December 2008, the Company acquired back the above issued shares back from the group of investors as treasury shares (Note 24 (c)) as the Company aborted their listing on the Singapore Stock Exchange due to the unfavourable market conditions.

Accrued liabilities and other payables are denominated in the following currencies:

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	15,439	6,066	14,713	11,006
United States dollars	2,792	18,283	17,417	16,491
Singapore dollars	960	911	3	12
Hong Kong dollars	141	37	17	9
	19,332	25,297	32,150	27,518

18. INTEREST-BEARING BANK BORROWINGS

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings:				
Secured and repayable within one year	45,000	56,500	49,100	51,600

The Group's interest-bearing bank loans are guaranteed by :-

- (i) certain property, plant and equipment in Note 9;
- (ii) land use rights in Note 10;
- (iii) director's personal guarantee; and
- (iv) corporate guarantees by external companies and the Group's subsidiaries.

Short-term bank loans bear weighted average effective interest rates of 8.43%, 7.14%, 5.91% and 5.75% per annum for the years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 respectively.

19. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand the fair value approximates its carrying amount as at 31 December 2008, 2009, 2010 and 31 July 2011 respectively.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

20. CONVERTIBLE BONDS

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Convertible bonds	137,018	137,018	68,509	101,816

The convertible bonds is denominated in USD, the breakdown of convertible bonds by WWD Ruby is as follows:-

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	USD'000	USD'000	USD'000	USD'000
Principal	20,000	20,000	10,000	10,000
Interest	-	-	-	5,810

Pursuant to a Subscription Agreement dated 4 December 2008, the Company agreed to issue and WWD Ruby Limited ("WWD Ruby") agreed to subscribe for up to USD30 million in aggregate principal amount of convertible bonds due 2010 ("Convertible Bonds") in two (2) tranches, subject to the fulfillment of certain conditions precedent. The interest is at 9% per annum. The Convertible Bonds are convertible into fully paid common shares with a par value of SGD0.002 each of CSL on the occurrence of certain events.

The first tranche was for USD20million (approximately RMB137,018,000) in aggregate principal amount of the Convertible Bonds. The second tranche was for USD10million (approximately RMB68,509,000) in aggregate principal amount of the Convertible Bonds. On 8 December 2008, the Company issued and WWD Ruby subscribed for the first tranche USD20million (approximately RMB137,018,000) Bonds. The Company did not issue and WWD Ruby did not subscribe to the second tranche.

On 9 June 2010, the Company executed the Consent Deed. Pursuant to the Consent Deed, WWD Ruby consented to LTH investing into the Company via the Investment Agreement. Further, pursuant to the Consent Deed, the Company was to redeem USD10 million (approximately RMB68,509,000) of the Convertible Bonds from WWD Ruby ("Partial Redemption") upon completion of the Partial Redemption, WWD Ruby will continue to hold the remaining USD10million (approximately RMB68,509,000) in convertible bonds ("Remaining Bonds").

Upon the partial redemption, all of the warrants shall immediately be cancelled and WWD Ruby shall not have any further rights against the Company under the terms of the warrants including rights or claims in respect of antecedent breaches. The Partial Redemption was completed on 9 July 2010 and warrants cancelled on 9 July 2010. The Group has paid finance interest amounted to USD5.81million (approximately RMB33,307,000) under the condition for the redemption.

Subsequently, WWD Ruby had on 30 June 2011 issued a notice of redemption for the Remaining Bonds which had expired on 30 June 2011. In conjunction with the said redemption of the Remaining Bonds, on 17 August 2011, the Company had entered into an agreement with an investor, namely Liu Han Yun for the grant of a convertible loan to the Company for purpose of the said redemption by issuing a USD15.81million (approximately RMB101,816,000) new convertible loan.

The Remaining Bonds have been fully redeemed by the Company on 22 August 2011 at a redemption price of USD15.81million (approximately RMB101,816,000) (Note 30).

The directors of the Company are of the opinion that the carrying value and fair value of the convertible bond at inception date is not material.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

21. INCOME TAX PAYABLES

Movement in income tax payable is as follows:

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of financial year	3,603	15,376	30,655	29,000
Current year tax expense on profit	70,815	84,261	121,090	99,036
Income tax paid	(59,042)	(68,982)	(114,240)	(115,674)
Deferred income tax liabilities (Note 22)	-	-	(8,505)	(5,504)
End of financial year	15,376	30,655	29,000	6,858

22. DEFERRED INCOME TAX LIABILITIES

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning	-	-	-	8,505
Transfer from income statement (Note 7)	-	-	8,505	5,504
Balance at end	-	-	8,505	14,009

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which states that distribution of dividends after 1 January 2008 from profits prior 1 January 2008 will be exempt from withholding tax on distribution to foreign investors. As a result, there are no deferred tax liabilities arising from distributed profits of the PRC subsidiaries accumulated up till 31 December 2007.

The Group did not have significant temporary differences which give rise to a deferred tax asset or liability as at 31 December 2008 and 2009 as the profit accumulated from 31 December 2008 to 31 December 2009 will be reinvested in the Group as their operating cash flow.

As at 31 December 2010 and 31 July 2011, deferred tax liabilities arise from 10% withholding tax on 20% of the profit after tax of the PRC subsidiaries as dividends to the shareholders which the Group intend to pay out as dividend in a foreseeable future.

23. SHARE CAPITAL

The Company was incorporated in Bermuda as an exempted company with limited liabilities. At incorporation, the Company has an authorised capital of S\$10,000,000 (approximately RMB52,620,000) comprising 500,000,000 ordinary shares with par value of S\$0.002 each in the capital of the Company. The Company was incorporated as a holding company to acquire the interests in Sunwealth and Campus which in turn holds the operating companies in China.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. RESERVES

	As at 31 December			As at 31 July
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Capital reserve	64	64	64	64
Share premium	94,201	94,201	77,061	77,061
Treasury shares	(95,015)	(95,015)	(1,645)	(1,645)
Merger deficit	(4,150)	(4,150)	(4,150)	(4,150)
Statutory reserve	58,858	68,201	91,784	94,930
Retained earnings	466,304	783,990	1,158,033	1,383,277
	520,262	847,291	1,321,147	1,549,537

(a) Capital Reserve

The capital reserve represents the premium arising from the issue of shares prior to 1 January 2008.

(b) Share Premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.

(c) Treasury shares

The Company acquired 78,991,597 of its own shares in and around November and December 2008. The total amount paid to acquire the shares was RMB95,015,000 and has been presented as a component within shareholders' equity. 51,291,597 treasury shares are subsequently cancelled on 27 January 2010.

Pursuant to an Investment Agreement dated 14 June 2010, LTH subscribed for 26,332,230 treasury shares of the Company at an aggregate of RM36,340,000 (approximately RMB75,701,000) ("Investment Agreement"). The said shares were transferred to LTH on 6 July 2010 from the Company's treasury shares and the Investment Agreement was completed on the same day.

(d) 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.

(e) Statutory Reserves

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.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. RESERVES (CONTINUED)

(e) Statutory Reserves (Continued)

In addition, the Group is required to transfer 5% of its profit after taxation prepared in accordance with the accounting regulations in the PRC to statutory welfare reserve. The use of the statutory public welfare reserve is restricted to capital expenditure for employees' facilities. The statutory public welfare reserve is non-distributable except upon liquidation.

25. COMMITMENTS

(a) Operating leases commitments

Leases as lessee

The total future minimum lease payments of the Group under non-cancellable operating leases are as follows:

	As at 31 December			As at 31 July
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Within one year	103	75	30	120
In the second to fifth years	45	-	-	80
	148	75	30	200

For the seven months financial period ended 31 July 2011, the amounts included future aggregate minimum lease payments under non-cancellable operating leases in respect of properties located in 6A, 7A, Lianhua Building, No 2011 South People's Road, Luohu District, Shenzhen City, PRC.

Leases as lessor

The Group leases out its investment property (see Note 12). The future minimum lease payments under non-cancellable leases are as follows:

	As at 31 December			As at 31 July
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Within one year	-	-	37	37
In the second to fifth years	-	-	185	148
More than five years	-	-	141	157
	-	-	363	342

As at 31 July 2011, RMB15,000 was recognised as rental income in profit or loss by the Group (See Note 4) (2008 and 2009: Nil, 2010: RMB6,000).

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. COMMITMENTS (CONTINUED)

(b) Capital commitments

	2008 RMB'000	As at 31 December		As at 31 July
		2009 RMB'000	2010 RMB'000	2011 RMB'000
Capital expenditure contracted but not provided for in the financial statements	117,255	98,532	155,938	148,594

(c) Other commitments

- (i) As at 31 July 2011, the Group has unpaid capital contribution in Ruiyuan amounting to US\$5,600,000 (approximately RMB36,075,000) (2008: US\$2,128,318 (approximately RMB13,789,000), 2009: Nil, 2010: US\$5,600,000 (approximately RMB36,282,000).
- (ii) As at 31 July 2011, the Group entered into agreements with two foreign companies, who will supply the subsidiary, Sakura Plastics, 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 for one year unless terminated by either party.
- (iii) As at 31 July 2011, the Group has entered into an agreement with a foreign company, who will supply the subsidiary, Sakura Plastics, 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 for one year and so on hereafter unless otherwise terminated by either parties.
- (iv) As at 31 July 2011, the Group has unpaid expenditure in Sakura Stationery of an amount approximately RMB3,850,000 (2008 and 2009: Nil, 2010: RMB4,850,000) in relation to the advertisement expenses.
- (v) As at 31 July 2011, the Group has entered into an agreement with a local company, who will supply the subsidiary, Ruiyuan, raw materials not less than 1,000,000 pieces each for the ink and ink boxes and at a market price to be determined. The agreement is for a period of 2 years commencing 1 March 2009 and is automatically renewable for 2 years and so on hereafter unless otherwise terminated by either parties.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION

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 segments are organised as follows:

(i) Patent

Patented products comprise the plastic tape printer, net bag and files with cover that may be locked. Over the Review Periods, the main patented product is the plastic tape printer.

(ii) 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 file, 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.

Geographical Segments

The Group's revenue contribution is mainly from four geographical regions, namely PRC, Asia, America and Europe. No other region contributes more than 10% of the consolidated revenue and assets.

Asia includes Hong Kong, India, Indonesia, Japan, Kuwait, Philippines, South Korea and Taiwan (excluding PRC).

Europe includes Germany, Greece, Italy, Turkey and the United Kingdom.

America includes Argentina, Canada and the United States.

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. Total segment assets and segment capital expenditure are shown by geographical location of the assets.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the management for the reportable segments for the financial years from 1 January 2008 to 31 December 2008, 1 January 2009 to 31 December 2009, 1 January 2010 to 31 December 2010 and seven months financial periods from 1 January 2010 to 31 July 2010 and 1 January 2011 to 31 July 2011 are as follows:

(A) For the financial year from 1 January 2008 to 31 December 2008

	Patent RMB'000	Non-Patent RMB'000	Total RMB'000
Revenue:			
Revenues from external customers ⁽¹⁾	306,657	551,155	857,812
Inter-segment revenues	7,879	156,441	164,320
Results:			
Interest income	1,734	1,274	3,008
Interest expenses	-	3,792	3,792
Depreciation and amortisation	430	7,350	7,780
Segment profit	161,885	197,211	359,096
Assets:			
Addition to non-current assets ⁽²⁾	978	159,222	160,200
Reportable segment assets	300,326	570,132	870,458
Reportable segment liabilities	17,779	114,137	131,916

(1) There is no revenue from transactions with a single external customer amounting to 10 per cent or more of the Group's revenues.

(2) Additions to non-current assets relate to additions to property, plant and equipment and land use rights.

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	For the year ended 31 December 2008 RMB'000
Profit or loss	
Total profit for reportable segments	359,096
Elimination of intersegments profit	(126)
Unallocated other income and expenses	
Other income	8,628
Interest expense	(6,645)
Selling and distribution expenses	(2,070)
Administration expenses	(25,983)
Profit from operations before income tax expense	332,900

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	As at 31 December 2008 RMB'000
Assets	
Total assets for reportable segments	870,458
Unallocated assets	
Cash and bank balances	609
Elimination of trade receivable – subsidiary	(24,140)
Group assets	<u>846,927</u>
Liabilities	
Total liabilities for reportable segments	131,916
Unallocated liabilities	
Accrued liabilities and other payables	4,334
Convertible bonds	137,018
Amount due to a shareholder	71,746
Elimination of trade payables – subsidiary	(24,140)
Group liabilities	<u>320,874</u>

(C) Geographical Information for the financial year from 1 January 2008 to 31 December 2008

	Revenues ^(a) RMB'000	Non-current assets RMB'000
PRC	288,764	288,152
Asia	242,496	-
Americas	145,525	-
Europe	128,931	-
Others	52,096	-
Total	<u>857,812</u>	<u>288,152</u>

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

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(A) For the financial year from 1 January 2009 to 31 December 2009

	Patent RMB'000	Non-Patent RMB'000	Total RMB'000
Revenue:			
Revenues from external customers ⁽¹⁾	345,240	734,333	1,079,573
Inter-segment revenues	10,813	222,696	233,509
Results:			
Interest income	1,116	670	1,786
Interest expenses	-	4,001	4,001
Depreciation and amortisation	456	13,392	13,848
Segment profit	193,978	248,799	442,777
Assets:			
Addition to non-current assets ⁽²⁾	-	45,067	45,067
Reportable segment assets	491,486	797,218	1,288,704
Reportable segment liabilities	28,978	195,615	224,593

(1) There is no revenue from transactions with a single external customer amounting to 10 per cent or more of the Group's revenues.

(2) Additions to non-current assets relate to additions to property, plant and equipment and land use rights.

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	For the year ended 31 December 2009 RMB'000
<u>Profit or loss</u>	
Total profit for reportable segments	442,777
Elimination of intersegments profit	(646)
Unallocated other income and expenses	
Interest expenses	(12,298)
Selling and distribution expenses	(2,566)
Administrative expenses	(15,977)
Profit from operations before income tax expense	411,290

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	As at 31 December 2009 RMB'000
Assets	
Total assets for reportable segments	1,288,704
Unallocated assets	
Property, plant and equipment	50
Cash and bank balances	69
Elimination of trade receivable – subsidiary	(62,174)
Group assets	<u>1,266,649</u>
Liabilities	
Total liabilities for reportable segments	224,593
Unallocated liabilities	
Accrued liabilities and other payables	2,384
Convertible bonds	137,018
Amount due to a shareholder	71,746
Elimination of trade payables – subsidiary	(62,174)
Group liabilities	<u>373,567</u>

(C) Geographical Information for the financial year from 1 January 2009 to 31 December 2009

	Revenues ^(a) RMB'000	Non-current assets RMB'000
PRC	339,612	323,782
Asia	332,536	-
Americas	176,268	-
Europe	163,560	-
Others	67,597	-
Total	<u>1,079,573</u>	<u>323,782</u>

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

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(A) For the financial year from 1 January 2010 to 31 December 2010

	Patent RMB'000	Non-Patent RMB'000	Total RMB'000
Revenue:			
Revenues from external customers ⁽¹⁾	396,836	1,011,950	1,408,786
Inter-segment revenues	13,902	340,132	354,034
Results:			
Interest income	1,667	1,029	2,696
Interest expenses	-	3,270	3,270
Depreciation and amortisation	456	18,758	19,214
Segment profit	206,709	354,541	561,250
Assets:			
Addition to non-current assets ⁽²⁾	6,455	71,481	77,936
Reportable segment assets	663,380	1,045,487	1,708,867
Reportable segment liabilities	31,380	201,188	232,568

(1) There is no revenue from transactions with a single external customer amounting to 10 per cent or more of the Group's revenues.

(2) Additions to non-current assets relate to additions to property, plant and equipment and land use rights.

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	For the year ended 31 December 2010 RMB'000
Profit or loss	
Total profit for reportable segments	561,250
Elimination of intersegments profit	(1,613)
Unallocated other income and expenses	
Other income	153
Interest expenses	(30,932)
Selling and distribution expenses	(2,826)
Administrative expenses	(7,316)
Profit from operations before income tax expense	518,716

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	As at 31 December 2010 RMB'000
Assets	
Total assets for reportable segments	1,708,867
Unallocated assets	
Property, plant and equipment	35
Investment property	210
Cash and bank	78
Elimination of trade receivable – subsidiary	(60,306)
Group assets	<u>1,648,884</u>
Liabilities	
Total liabilities for reportable segments	232,568
Unallocated liabilities	
Accrued liabilities and other payables	1,453
Convertible bonds	68,509
Deferred income tax liabilities	8,505
Amount due to a shareholder	71,746
Elimination of trade payables – subsidiary	(60,306)
Group liabilities	<u>322,475</u>

(C) Geographical Information for the financial year from 1 January 2010 to 31 December 2010

	Revenues ^(a) RMB'000	Non-current assets RMB'000
PRC	386,988	350,960
Asia	470,791	-
Americas	228,046	-
Europe	227,566	-
Others	95,395	-
Total	<u>1,408,786</u>	<u>350,960</u>

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

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(A) For the financial period from 1 January 2011 to 31 July 2011

	Patent RMB'000	Non-Patent RMB'000	Total RMB'000
Revenue:			
Revenues from external customers ⁽¹⁾	259,822	712,896	972,718
Inter-segment revenues	3,808	163,250	167,058
Results:			
Interest income	1,274	910	2,184
Interest expenses	-	1,688	1,688
Depreciation and amortisation	236	13,879	14,115
Segment profit	135,378	236,469	371,847
Assets:			
Addition to non-current assets ⁽²⁾	-	7,724	7,724
Reportable segment assets	764,853	1,201,182	1,966,035
Reportable segment liabilities	33,058	200,214	233,272

(1) There is no revenue from transactions with a single external customer amounting to 10 per cent or more of the Group's revenues.

(2) Additions to non-current assets relate to additions to property, plant and equipment and land use rights.

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	For the period ended 31 July 2011 RMB'000
Profit or loss	
Total profit for reportable segments	371,847
Elimination of intersegments profit	(460)
Unallocated other income and expenses	
Other income	22
Interest expenses	(36,220)
Selling and distribution expenses	(2,706)
Administrative expenses	(5,057)
Profit from operations before income tax expense	327,426

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	As at 31 July 2011 RMB'000
<u>Assets</u>	
Total assets for reportable segments	1,976,853
Unallocated assets	
Property, plant and equipment	27
Investment property	172
Cash and bank balances	35
Elimination of trade receivable – subsidiary	(73,818)
Group assets	<u>1,903,269</u>
<u>Liabilities</u>	
Total liabilities for reportable segments	233,263
Unallocated liabilities	
Accrued liabilities and other payables	1,454
Convertible bonds	101,816
Deferred income tax liabilities	14,009
Amount due to a shareholder	71,746
Elimination of trade payables – subsidiary	(73,818)
Group liabilities	<u>348,470</u>

(C) Geographical Information for the financial period from 1 January 2011 to 31 July 2011

	Revenues ^(a) RMB'000	Non-current assets RMB'000
PRC	274,453	347,060
Asia	320,576	-
Americas	154,767	-
Europe	155,250	-
Others	67,672	-
Total	<u>972,718</u>	<u>347,060</u>

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

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(A) For the financial period from 1 January 2010 to 31 July 2010

	Patent RMB'000	Non-Patent RMB'000	Total RMB'000
Revenue:			
Revenues from external customers ⁽¹⁾	221,761	548,587	770,348
Inter-segment revenues	8,046	186,447	194,493
Results:			
Interest income	768	436	1,204
Interest expenses	-	1,925	1,925
Depreciation and amortisation	226	10,080	10,306
Segment profit	120,696	195,128	315,824

(1) There is no revenue from transactions with a single external customer amounting to 10 per cent or more of the Group's revenues.

(B) Reconciliation of reportable segment revenue and profit and loss

	For the period ended 31 July 2010 RMB'000
<u>Profit or loss</u>	
Total profit for reportable segments	315,824
Elimination of intersegments profit	(603)
Unallocated other income and expenses	
Other income	1,320
Interest expense	(29,859)
Selling and distribution expenses	(1,631)
Administration expenses	(4,175)
Profit from operations before income tax expense	281,596

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

(C) Geographical Information for the financial period from 1 January 2010 to 31 July 2010

	Revenues^(a) RMB'000
PRC	211,292
Asia	257,071
Americas	125,869
Europe	123,741
Others	52,375
Total	770,348

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES - POLICIES

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the group. Management has in place processes and procedures to monitor the Group's risk exposures whilst balancing the costs associated with such monitoring and management against the costs of risk occurrence. The Group's risk management policies are reviewed periodically for changes in market conditions and the Group's operations.

The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

As at 31 December 2008, 2009, 2010 and 31 July 2011, the Group's financial instruments mainly comprise cash and bank balances, trade and other receivables, trade payables, accrued liabilities and other payables, amount due to a shareholder, convertible bonds and bank borrowings.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rates on financial assets and liabilities are set out below:-

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONTINUED)

(i) Interest rate risk (Continued)

The Group	Weighted Average Effective Interest Rate %	Variable Interest Rate RMB'000	Fixed Interest Rate RMB'000	Non-interest Bearing RMB'000	Total RMB'000
As at 31 December 2008					
Financial Assets					
Cash and bank balances	0.69	367,713	-	45	367,758
Trade and other receivables	-	-	-	246,423	246,423
		367,713	-	246,468	614,181
Financial Liabilities					
Bank borrowings	8.34	-	45,000	-	45,000
Convertible bonds	9.00	-	137,018	-	137,018
Amount due to a shareholder	-	-	-	71,746	71,746
Trade and other payables	-	-	-	49,734	49,734
		-	182,018	121,480	303,498
As at 31 December 2009					
Financial Assets					
Cash and bank balances	0.36	611,520	-	25	611,545
Trade and other receivables	-	-	-	352,993	352,993
		611,520	-	353,018	964,538
Financial Liabilities					
Bank borrowings	7.14	-	56,500	-	56,500
Convertible bonds	9.00	-	137,018	-	137,018
Amount due to a shareholder	-	-	-	71,746	71,746
Trade and other payables	-	-	-	61,158	61,158
		-	193,518	132,904	326,422
As at 31 December 2010					
Financial Assets					
Cash and bank balances	0.36	902,626	-	37	902,663
Trade and other receivables	-	-	-	410,235	410,235
		902,626	-	410,272	1,312,898
Financial Liabilities					
Bank borrowings	5.91	-	49,100	-	49,100
Convertible bonds	9.00	-	68,509	-	68,509
Amount due to a shareholder	-	-	-	71,746	71,746
Trade and other payables	-	-	-	79,621	79,621
		-	117,609	151,367	268,976

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONTINUED)

(i) Interest rate risk (Continued)

The Group	Weighted Average Effective Interest Rate %	Variable Interest Rate RMB'000	Fixed Interest Rate RMB'000	Non-interest Bearing RMB'000	Total RMB'000
As at 31 July 2011					
Financial Assets					
Cash and bank balances	0.47	1,109,434	-	41	1,109,475
Trade and other receivables	-	-	-	403,199	403,199
		1,109,434	-	403,240	1,512,674
Financial Liabilities					
Bank borrowings	5.75	-	51,600	-	51,600
Convertible bonds	9.00	-	101,816	-	101,816
Amount due to a shareholder	-	-	-	71,746	71,746
Trade and other payables	-	-	-	87,425	87,425
		-	153,416	159,171	312,587

The Group's exposure to interest rate risk due to the fluctuation of the prevailing market interest rate is confined to bank deposits and short term bank borrowings which are at prevailing market interest rates.

The Group's interest rate risk is primarily related to its fixed rate bank borrowings which are subject to negotiation on an annual basis. The Group currently does not use any derivative contract to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at reporting date would not affect profit and loss.

Cash flow sensitivity analysis for variable rate instruments

For variable rate financial assets, the Group has determined that the carrying amounts of bank deposits based on their notional amounts, reasonably approximate their fair value because these are mostly short term in nature or are repriced frequently. Below is the table which shows the impact on the interest income, using 100 basis points:

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONTINUED)

Interest rate sensitivity (Continued)

	Basis points	As at 31 December			As at 31 July	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income						
Increase in interest income	100	3,677	6,115	9,026	7,711	11,094
(Decrease) in interest income	(100)	(3,677)	(6,115)	(9,026)	(7,711)	(11,094)

(ii) Foreign currency risk

Foreign 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 carries out its business in the PRC and most of the transactions are denominated in United States dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi in 2008. In 2009, 2010 and for the financial periods ended 31 July 2010 and 2011, most of the transactions are denominated in USD and Renminbi. The Group monitors its foreign currency exposure closely and where necessary, considers hedging significant foreign currency exposure.

The Group	RMB	USD	HKD	SGD	RM	Total
31 December 2008	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Cash and bank balances	367,111	36	611	-	-	367,758
Trade and other receivables	142,003	104,420	-	-	-	246,423
	509,114	104,456	611	-	-	614,181
Financial Liabilities						
Bank borrowings	(45,000)	-	-	-	-	(45,000)
Convertible bonds	-	(137,018)	-	-	-	(137,018)
Amount due to a shareholder	(71,746)	-	-	-	-	(71,746)
Trade and other payables	(40,479)	(8,154)	(141)	(960)	-	(49,734)
	(157,225)	(145,172)	(141)	(960)	-	(303,498)
Less: Net financial assets and (financial liabilities) denominated in functional currency	351,889	-	-	-	-	351,889
Net currency exposure on financial assets and (financial liabilities)	-	(40,716)	470	(960)	-	(41,206)

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONTINUED)

(ii) Foreign currency risk (Continued)

The Group's currency exposure is as follows:

The Group	RMB	USD	HKD	SGD	RM	Total
31 December 2009	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Cash and bank balances	611,428	55	62	-	-	611,545
Trade and other receivables	180,002	172,991	-	-	-	352,993
	791,430	173,046	62	-	-	964,538
Financial Liabilities						
Bank borrowings	(56,500)	-	-	-	-	(56,500)
Convertible bonds	-	(137,018)	-	-	-	(137,018)
Amount due to a shareholder	(71,746)	-	-	-	-	(71,746)
Trade and other payables	(43,507)	(16,703)	(37)	(911)	-	(61,158)
	(171,753)	(153,721)	(37)	(911)	-	(326,422)
Less: Net financial assets and (financial liabilities) denominated in functional currency	619,769	-	-	-	-	619,769
Net currency exposure on financial assets and (financial liabilities)	-	19,325	25	(911)	-	18,439
31 December 2010						
Financial Assets						
Cash and bank balances	902,561	62	40	-	-	902,663
Trade and other receivables	176,105	229,887	-	2,365	1,878	410,235
	1,078,666	229,949	40	2,365	1,878	1,312,898
Financial Liabilities						
Bank borrowings	(49,100)	-	-	-	-	(49,100)
Convertible bonds	-	(68,509)	-	-	-	(68,509)
Amount due to a shareholder	(71,746)	-	-	-	-	(71,746)
Trade and other payables	(59,171)	(20,430)	(17)	(3)	-	(79,621)
	(180,017)	(88,939)	(17)	(3)	-	(268,976)
Less: Net financial assets and (financial liabilities) denominated in functional currency	898,649	-	-	-	-	898,649
Net currency exposure on financial assets and (financial liabilities)	-	141,010	23	2,362	1,878	145,273

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONTINUED)

(iii) Foreign currency risk (continued)

The Group 31 July 2011	RMB RMB'000	USD RMB'000	HKD RMB'000	SGD RMB'000	RM RMB'000	Total RMB'000
Financial Assets						
Cash and bank balances	1,109,229	242	4	-	-	1,109,475
Trade and other receivables	142,998	254,659	-	2,990	2,552	403,199
	1,252,227	254,901	4	2,990	2,552	1,512,674
Financial Liabilities						
Bank borrowings	(51,600)	-	-	-	-	(51,600)
Convertible bonds	-	(101,816)	-	-	-	(101,816)
Amount due to a shareholder	(71,746)	-	-	-	-	(71,746)
Trade and other payables	(63,898)	(23,506)	(9)	(12)	-	(87,425)
	(187,244)	(125,322)	(9)	(12)	-	(312,587)
Less: Net financial assets and (financial liabilities) denominated in functional currency	1,064,983	-	-	-	-	1,064,983
Net currency exposure on financial assets and (financial liabilities)	-	129,579	(5)	2,978	2,552	135,104

A 5% strengthening/weakening of the foreign currencies against the Renminbi for the years ended 31 December 2008, 2009, 2010 and for the seven months financial periods ended 31 July 2010 and 2011 respectively would have had the following impact on the profit by the amounts shown below:

The Group	Increase/ (Decrease) in profit				
	For the years ended 31 December			For Period ended 31 July	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
- strengthened	27,271	36,737	49,136	25,520	31,754
- weakened	(9,187)	(13,415)	(17,146)	(8,749)	(10,807)

The exposures to foreign exchange risk vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of Group's exposure to foreign currency risk.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONTINUED)

(iii) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The table below analyses the maturity profile of the financial liabilities of the Group based on contractual discounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000
The Group				
31 December 2008				
Financial Liabilities				
Bank borrowings	45,000	-	-	-
Convertible bonds	-	137,018	-	-
Amount due to a shareholder	71,746	-	-	-
Trade and other payables	49,734	-	-	-
	166,480	137,018	-	-
31 December 2009				
Financial Liabilities				
Bank borrowings	56,500	-	-	-
Convertible bonds	137,018	-	-	-
Amount due to a shareholder	71,746	-	-	-
Trade and other payables	61,158	-	-	-
	326,422	-	-	-
31 December 2010				
Financial Liabilities				
Bank borrowings	49,100	-	-	-
Convertible bonds	68,509	-	-	-
Amount due to a shareholder	71,746	-	-	-
Trade and other payables	79,621	-	-	-
	268,976	-	-	-

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONTINUED)

(iii) Liquidity risk (Continued)

The Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000
31 July 2011				
Financial Liabilities				
Bank borrowings	51,600	-	-	-
Convertible bonds	68,509	-	-	-
Amount due to a shareholder	71,746	-	-	-
Trade and other payables	87,421	-	-	-
	279,276	-	-	-

(iv) 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 carrying amounts of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has significant concentration of credit risk as to three largest trade receivables as at 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011 which represent approximately 15.0%, 12.8%, 9.9% and 9.4% of the total trade receivables respectively. The Group's cash is held with reputable financial institution, Agricultural Bank of China, Hanjiang Branch Xinhua Da Jie, Hangjiang Putian, Fujian. No other financial assets carry a significant exposure to credit risk.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The provision for impairment loss is based on a review of the expected collectibility of trade and other receivables.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial assets presented on the Combined Statement of Financial Position.

The Group's major class of financial assets are cash and bank balances and trade and other receivables.

**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONTINUED)

(iv) Credit risk (Continued)

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired, are substantially counterparties with good payment records with the Group.

Financial assets that are past due but not impaired

The aging analysis of trade receivables past due but not impaired is as follows:

	31 December 2008 RMB'000	31 December 2009 RMB'000	31 December 2010 RMB'000	31 July 2011 RMB'000
Past due less than 3 months	376	-	-	-

There is no impairment loss recognised in the profit or loss for the reporting periods as all the receivables were subsequently received.

(v) Market price risk

Market 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.

(v) Fair value

The fair value of the Group's financial assets and 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 balance sheet date would be significantly different from the values that would eventually be received or settled.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in this report, the Group had the following transactions with related parties at agreed rates:

	As at 31 December			As at 31 July	
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000	2011 RMB'000
Rental paid to a related party ⁽¹⁾	120	120	120	70	70
Payments made on behalf by the director ⁽²⁾	35,056	-	-	-	-

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

⁽²⁾ This amount has been repaid subsequently to the director from the proceeds received from a financial investor (Note 20).

29. 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 Group is not subject to externally imposed capital requirements, except for, as disclosed in Note 24, the Group's PRC subsidiaries are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2008, 2009, 2010 and for the seven months financial period ended 31 July 2011.

ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE REVIEW PERIODS (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. SUBSEQUENT EVENTS

No other item, transaction or event of a material or unusual item or unusual nature has arisen in the interval between 31 July 2010 and the date of this report except as below:

- (a) WWD Ruby had on 30 June 2011 issued a notice of redemption for the Remaining Bonds which had expired on 30 June 2011. In conjunction with the said redemption of the Remaining Bonds, on 17 August 2011, the Company had entered into an agreement with an investor, namely Liu Han Yun for the grant of a convertible loan to the Company for purpose of the said redemption by issuing a USD15.81million (approximately RMB108,816,000) new convertible loan. The convertible loan entered by the Group and Liu Han Yun shall not bear any interest before the maturity date (12 months from drawdown date). If the conversion notice shall not have been issued by the maturity date, the company shall pay interest in arrears on the outstanding loan from the drawdown date to the date of actual repayment at the rate of 5% per annum, calculated on daily rest basis. The Remaining Bonds of WWD Ruby have been fully redeemed by the Company on 22 August 2011 at a redemption price of USD15.81million (approximately RMB101,816,000) (Note 20).
- (b) On 4 November 2011, the Company issue conversion notice to Liu Han Yun that the Company have completed the Proposed Share Split and determined the public offer price for each of the Shares in their initial public offering as RM0.95 and issue 49,926,316 conversion shares on 7 November 2011 in accordance with the agreement dated 17 August 2011.
- (c) On 2 December 2011, the Company had entered into an extension agreement with Lembaga Tabung Haji (LTH) to extend the Listing Deadline from 30th November 2011 to or before 31st January 2012. In consideration of LTH agreeing to the further extension, the Put Option Price adjusted from RM38.2 million (approximately RMB81,030,000) to RM38.4 million (approximately RMB 83,057,000). In the event Listing does not occur on or before 31 January 2012, LTH has 30 working days to exercise its put option.
- (d) Pursuant to a directors' resolution passed on 6 January 2012, the Company has cancelled all its treasury shares of 2,735,540.


**ANNEXURE C: THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR
THE REVIEW PERIODS (Cont'd)**

STATEMENT BY DIRECTORS

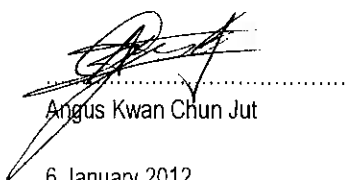
The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying Combined Statements of Financial Position, Combined Statements of Comprehensive Income, Combined Statements of Changes in Equity and the Combined Statements of Cash Flows, together with the notes thereon, are drawn up so as give a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009, 2010 and as at 31 July 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial years and period ended on that date respectively and at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the Directors



Chan Fung @ Kwan Wing Yin



Angus Kwan Chun Jut

6 January 2012