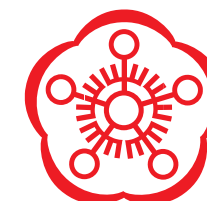


<http://sakura-china.com>

PROSPECTUS



CHINA STATIONERY LIMITED

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)
(Company Registration No.: 40535)
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)
(Malaysian Branch Registration No.: 995224-W)



PROSPECTUS

CHINA STATIONERY LIMITED

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)
(Company Registration No.: 40535)
(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)
(Malaysian Branch Registration No.: 995224-W)

Donglou Village, Wuli Ting, Jiangkou Town,
Hanjiang District, Putian, China
(中国莆田市涵江区江口镇五里亭东楼村)

Tel: (86) 594 369 7883

CHINA STATIONERY LIMITED (Bermuda Company Registration No.: 40535) (Malaysian Branch Registration No.: 995224-W)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF
BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

(I) OFFER FOR SALE OF 133,000,000 ORDINARY SHARES OF SGD0.001 IN OUR COMPANY
("SHARES") BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;

AND

(II) PUBLIC ISSUE OF 90,000,000 NEW SHARES, COMPRISING:

- 60,000,000 SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND
- 30,000,000 SHARES MADE AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS,

AT AN OFFER/ISSUE PRICE OF RM0.95 PER SHARE PAYABLE IN FULL UPON APPLICATION

Adviser, Underwriter & Placement Agent

Sub-Placement Agent



M&A SECURITIES SDN BHD (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

sanston

SANSTON FINANCIAL GROUP LIMITED

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 4 OF THIS PROSPECTUS.

THIS PROSPECTUS IS DATED 31 JANUARY 2012

IMPORTANT NOTICE

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and the Offerors (as herein defined) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there is no false or misleading statement or other facts, the omission of which would make any statement in the Prospectus false or misleading.

M&A Securities Sdn Bhd ("**M&A Securities**"), being the Adviser, Underwriter and Placement Agent for our Initial Public Offering ("**IPO**"), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our Public Issue (as defined in this Prospectus) and the Offer for Sale (as defined in this Prospectus).

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia ("**SC**") has approved our IPO on 25 February 2011. Further to the said approval, on 27 September 2011, M&A Securities Sdn Bhd had on behalf of the Company, submitted an application to the SC to vary certain provisions of its listing exercise ("**Variations**"). On 28 October 2011, the SC had approved the Variations and the varied provisions have been reflected accordingly in this Prospectus. A copy of this Prospectus has been registered with the SC on 30 January 2012. The approval, and registration of this Prospectus, should not be taken to indicate that the SC recommends the IPO or assumes the responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the Shares being offered for investment.

The SC is not liable for any non-disclosure in this Prospectus by us. The SC also takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND AN INVESTMENT IN US. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

On 16 January 2012, approval has been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the admission of our Company to the Official List of the Main Market of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital. Our Shares will be admitted to the Official List of the Main Market of Bursa Securities and official quotation will commence after receipt of confirmation from Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") that all our Shares have been credited into the respective Central Depository System ("**CDS**") accounts of the successful applicants and notices of allotment have been despatched to all successful applicants. Our admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of the merits of our Company, our securities or our IPO. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Acceptance of the applications will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for our entire enlarged and issued paid-up ordinary capital shares on the Main Market of Bursa Securities. Accordingly, all monies paid in respect of any application accepted from you will be returned in full without interest if the application is not made within the third day on which Bursa Securities is open after the date of issue of this Prospectus or the permission is not granted within six (6) weeks from the date of issue

IMPORTANT NOTICE

of this Prospectus (or such longer period as may be specified by the SC) provided that we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If any such monies are not returned in full within fourteen (14) days after we become liable to do so, the provision of Section 243(2) of the Capital Markets and Services Act, 2007 ("**CMSA**") shall apply accordingly.

A copy of this Prospectus, together with the application form, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

A copy of this Prospectus has been or will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority has given its consent to for the allotment and issue as well as transfer of shares of the Company in relation to the listing of shares of the Company on the Main Market of Bursa Malaysia Securities Berhad. In accepting this Prospectus for filing and in granting such consent, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed herein or any of the other documents referred to in this Prospectus.

OTHER STATEMENTS

Pursuant to the Listing Requirements of Bursa Securities for the Main Market, at least 25% of our total number of Shares (as defined herein) for which listing is sought must be held by a minimum number of 1,000 public shareholders, holding not less than 100 Shares each, upon admission to the Main Market of Bursa Securities. In the event that this requirement is not met pursuant to this IPO, we may not be allowed to proceed with our Listing (as defined herein) plan. Should this event occur, monies paid in respect of all applications will be returned in full without interest.

If our Company is required by applicable Malaysian laws to cancel issued IPO Shares and repay application monies to applicants, subject to compliance with the Bermuda Companies Act, our Company will purchase the Public Issue Shares at the Issue Price and our Offerors will purchase the Offer Shares at the Offer Price.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), Bursa Securities has prescribed our Shares as prescribed securities. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in the IPO Shares (as defined herein) will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue any share certificates to successful applicants. Please note that Bursa Depository or its nominee will be entered in the register of members of our Company as the registered holder of the entire issued share capital of our Company as joint-holder with the Depositors (as define herein).

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible. This Prospectus can also be viewed or downloaded from the Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You may also obtain a copy of the Electronic Prospectus from the website of CIMB Investment Bank Berhad at www.eipocimb.com, the website of CIMB Bank Berhad at www.cimbclicks.com.my, the website of Malayan Banking Berhad at www.maybank2u.com.my, the website of RHB Bank Berhad at www.rhbbank.com.my and the website of Affin Bank Berhad at www.affinOnline.com via hyperlink to the website of Bursa Securities.

You are advised that the Internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to risks in data transmission, computer security

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threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institution (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Adviser or Issuing House (as defined herein), a paper printed copy of this Prospectus. In the event of any discrepancy arising between the contents of the Electronic Prospectus and the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus, which is identical to the copy of the Prospectus registered with the SC, shall prevail. The Electronic Prospectus submitted to the SC and Bursa Securities is the same as the registered paper printed copy.

In relation to any reference in this Prospectus to third party Internet sites (referred to as “**Third Party Internet Sites**”), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites. Accordingly, we and our Adviser are not responsible for any availability of, or the content or any data, files or other material provided on the Third Party Internet Sites. You bear all risk associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, files or materials provided by such parties; and
- (iii) any data, files or other materials downloaded from the Third Party Internet Sites is done at your discretion and risk. We and our Adviser are not responsible, liable or under obligations for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other materials.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent that the content of the Electronic Prospectus situated on the web server or the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus, which has been obtained from the web server of the Internet Participating Financial Institutions, and subsequently communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the Internet is not a fully secured medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence or of in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault with web browser or other relevant software, any fault on yours or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet

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Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia save that a copy of this Prospectus has been or will, as soon as practicable be filed with the Registrar of Companies in Bermuda.

We will not, prior to acting on any acceptance in respect of the IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether the IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for the IPO would be in compliance with the terms of the IPO and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted the IPO in Malaysia and will at all applicable time be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

The distribution of this Prospectus and the offer, sale and/or issue of the IPO Shares are subject to Malaysian law, and neither we nor M&A Securities take any responsibility for the distribution of this Prospectus and/or offer, sale and/or issue of the IPO Shares outside Malaysia, which may be restricted by law in other jurisdictions. We will not take any action to ensure that this Prospectus complies with the laws of any countries or jurisdiction other than the laws of Malaysia. This Prospectus does not constitute and may not be used for purpose of an offer to sell and/or issue, or an invitation of an offer to buy and/or subscribe for, any IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful, or to any person to whom it is unlawful to make such offer or invitation. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. It is your sole responsibility to consult your legal and/or other professional advisers on the applicable laws that you are or might be subjected to. Neither we nor our Adviser will accept any responsibility or liability if your application becomes illegal, unenforceable, voidable or void in any country or jurisdiction.

You must have a CDS account prior to submitting applications for IPO Shares either by way of Application Form or by way of Electronic Share Application. If you do not presently have a CDS account, you must open a CDS account at an Authorised Depository Agent before making an application for our Shares. In the case of an application by way of Application Form, you should state your CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application and you shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS account number if the instructions on the ATM (as defined herein) screen at which you submit your Electronic Share Application requires you to do so. In the case of an application by way of Internet Share Application, only an applicant who has a CDS account opened with the Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, your CDS account number will automatically appear in the electronic IPO online application form. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

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We have not authorised any person to give any information or to make any representation that is not contained in this Prospectus in connection with the IPO. If any such information or representation is given or made, you must not rely on them as having been authorised by us and/or M&A Securities. Neither the delivery of this Prospectus nor any public issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Company since the date of this Prospectus. Nonetheless, should we become aware of any significant change affecting a matter disclosed in this Prospectus up to the date of the Listing (as defined herein), we shall further issue a supplemental or replacement prospectus (as the case may be), in accordance with the provisions of Section 238 of the CMSA.

If there are any discrepancies or inconsistencies between the English and Bahasa Malaysia versions of this Prospectus, the English version shall prevail.

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IMPORTANT DATES

The indicative timing of events leading up to the listing of and quotation for our Company's entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities is set out below: -

Event	Tentative Date
Issuance of Prospectus / Opening of the applications	31 January 2012
Closing of the applications	10 February 2012
Balloting Date	14 February 2012
Allotment of Shares to successful applicants	23 February 2012
Listing Date	24 February 2012

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.

THE APPLICATION PERIOD WILL BE ACCEPTED FROM 10:00 A.M. ON 31 JANUARY 2012 AND WILL REMAIN OPEN UNTIL 5:00 P.M. ON 10 FEBRUARY 2012 OR SUCH LATER DATE OUR DIRECTORS, OFFERORS AND PROMOTERS TOGETHER WITH M&A SECURITIES IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE.

SHOULD THE DATE OF CLOSING OF APPLICATION FOR THE PUBLIC ISSUE SHARES (AS HEREIN DEFINED) BE EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT OF SHARES TO SUCCESSFUL APPLICANTS AND LISTING OF THE ENTIRE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL ON THE MAIN MARKET OF BURSA SECURITIES WILL BE EXTENDED ACCORDINGLY. IN THE EVENT THE DATE OF THE CLOSING OF APPLICATION FOR THE PUBLIC ISSUE SHARES IS EXTENDED, THE PUBLIC WILL BE NOTIFIED OF SUCH EXTENSION BY WAY OF ADVERTISEMENTS PLACED IN A WIDELY CIRCULATED ENGLISH AND BAHASA MALAYSIA NEWSPAPER WITHIN MALAYSIA.

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following abbreviations shall apply throughout:-

“SGD0.002 Shares”	: Ordinary share(s) of SGD0.002 each in China Stationery prior to the Share Split
“ADA”	: Authorised Depository Agent
“Admission”	: Admission of our Shares to the Official List of the Main Market of Bursa Securities
“Amendment Deed”	: Amendment Deed dated 9 September 2010 (as amended by the Further Amendment Deed dated 8 December 2010) to amend certain provisions of the Consent Deed being, inter-alia, the extension of the SC approval deadline for the Listing to 8 December 2010 and the maturity date of the Convertible Bonds to 8 March 2011
“Application Forms”	: The printed application forms for the application of the IPO Shares
“ASP”	: Average selling price per unit
“ATM”	: Automated teller machines of a Participating Financial Institution
“Audit Committee”	: Our audit committee as at the date of this Prospectus
“Authorised Depository Agent”	: A person appointed by Bursa Depository under the Rules of Bursa Depository
“Bermuda Companies Act”	: The Companies Act 1981 of Bermuda as amended, supplemented or otherwise modified from time to time
“Board” or “Board of Directors”	: Our board of directors as at the date of this Prospectus
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (Malaysian Company Registration No.: 165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Malaysian Company Registration No.: 635998-W)
“Bursa Securities LR”	: Listing Requirements of Bursa Securities for the Main Market
“BVI”	: British Virgin Islands
“Bye-laws”	: The bye-laws of our Company, for the time being adopted
“CAGR”	: Compounded annual growth rate
“Campus”	: Campus Developments Limited (BVI Company Registration No.: 523128), a company incorporated in BVI and a direct wholly-owned subsidiary of our Company and the investment holding company of Sakura Stationery and Sakura Plastic
“CDS”	: Central Depository System
“CEO”	: Chief Executive Officer

DEFINITIONS (Cont'd)

- "China Stationery" or the "Company" : China Stationery Limited (Bermuda Company Registration No.: 40535 and Malaysian Branch Registration No: 995224-W), a company incorporated in Bermuda as an exempted company with limited liabilities and registered as a foreign company in Malaysia
- "China Stationery Share(s)" or "Share(s)" : Ordinary share(s) of SGD0.001 each in China Stationery
- "China Subsidiaries" : Sakura Stationery, Sakura Plastic and Ruiyuan
- "CMSA" : The Capital Markets and Services Act, 2007 of Malaysia, as amended, supplemented or modified from time to time
- "Controlling Shareholders" : Collectively, Chan Fung @ Kwan Wing Yin, Jiang Danping and Angus Kwan Chun Jut via Lead Champion
- "Convertible Bonds" : The USD20 million convertible bonds issued by our Company to WWD Ruby on 8 December 2008. The convertible bonds were issued to WWD Ruby pursuant to the Subscription Agreement dated 4 December 2008. The convertible bonds are convertible into fully paid Shares. On 9 July 2010, our Company redeemed USD10 million convertible bonds from WWD Ruby pursuant to the Consent Deed. On 22 August 2011, we entered into the Deed of Termination to fully redeem the remaining USD10 million convertible bonds and to terminate the Consent Deed
- "Consent Deed" : Consent Deed dated 9 June 2010 as amended by the Amendment Deed dated 9 September 2010 and the Further Amendment Deed dated 8 December 2010
- Pursuant to the Consent Deed, WWD Ruby consented to LTH investing into our Company via the Investment Agreement and parties agreed to the Partial Redemption
- The Partial Redemption was completed on 9 July 2010 and upon the completion of the Partial Redemption. Subsequently, WWD Ruby had on 30 June 2011 issued a notice of redemption for the remaining USD10 million in Convertible Bonds which had expired on the same date.
- On 22 August 2011, we entered into the Deed of Termination to fully redeem the remaining USD10 million in Convertible Bonds and to terminate the Consent Deed
- "DBT" : Direct business transaction
- "Deed of Termination" : Deed of termination dated 22 August 2011 entered into between our Company, the Promoters, Sunwealth, Campus and WWD Ruby to fully redeem the outstanding Convertible Bonds of USD10 million at a redemption sum of USD15.81 million and to terminate the Consent Deed
- "Depositors" : Holder(s) of a Securities Account
- "Directors" : The directors of our Company as at the date of this Prospectus
- "EBITDA" : Earnings before interests, taxation, depreciation and amortisation

DEFINITIONS (Cont'd)

"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to compact disk read-only memory (CD-ROMs) or floppy disks
"Electronic Share Applications"	:	Applications for the Public Issue Shares made through an ATM of a Participating Financial Institution in accordance with the terms and conditions of this Prospectus
"EPS"	:	Earnings per Share
"Equiniti"	:	Equiniti Services Sdn Bhd (formerly known as MIDF Consultancy and Corporate Services Sendirian Berhad (Malaysian Company Registration No.: 11324-H))
"Executive Directors"	:	Our executive directors as at the date of this Prospectus, being Chan Fung @ Kwan Wing Yin, Jiang Danping and Angus Kwan Chun Jut
"Executive Officer"	:	Our executive officers as at the date of this Prospectus
"First Plant"	:	Our plant at Zhenfu Road, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇镇府路) with a GFA of 4,034.8 sq m Both First Plant and Second Plant are situated on the same piece of land area of 5,390.0 sq m
"FPE"	:	Financial period ended or ending 31 July
"Further Amendment Deed"	:	Further Amendment Deed dated 8 December 2010 to further amend certain provisions of the Consent Deed and Amendment Deed being, inter-alia, setting the listing deadline at 30 June 2011 and the extension of the maturity date of the Convertible Bonds to 30 June 2011
"FYE"	:	Financial year ended or ending 31 December
"GFA"	:	Gross Floor Area
"Group" or "Group Companies"	:	Our Company and its subsidiaries, namely Campus, Sunwealth and our China Subsidiaries
"IFRS"	:	International Financial Reporting Standards
"Independent Directors"	:	Our independent directors as at the date of this Prospectus, being Tan Sri Dato' Nik Hashim bin Nik Ab Rahman and Dr. Richard Izaac Risambessy
"Independent Market Researcher"	:	Frost & Sullivan Malaysia Sdn Bhd (Malaysia Company Registration No.: 522293-W)
"Independent Market Research Report"	:	The independent market report prepared by the Independent Market Researcher
"Internet Participating Financial Institution"	:	The participating institution for Internet Share Application
"Internet Share Application"	:	Application for the Public Issue Shares through an Internet Participating Financial Institution

DEFINITIONS (*Cont'd*)

"Investment Agreement"	:	The investment agreement dated 14 June 2010 (as amended by the LTH Supplemental Deed, the LTH Supplemental Agreement, the LTH Second Supplemental Agreement and Third Supplemental Agreement) entered into between our Company, our Promoters and LTH for the subscription of 26,332,230 SGD0.002 Shares by LTH at an investment consideration of RM36.34 million satisfied entirely in cash subjected to the terms of the Investment Agreement, details of which is set out in Section 14.8, "Material Contracts" of this Prospectus
"IPO"	:	Initial public offering of our Company in Malaysia comprising the Public Issue and Offer For Sale
"IPO Price"	:	The Issue Price and Offer Price collectively
"IPO Shares"	:	Public Issue Shares and Offer Shares collectively
"Issue Price"	:	RM0.95 for each Public Issue Share
"Issuing House"	:	Equiniti
"Issuance of Shares to LTH"	:	Issuance of 26,332,230 SGD0.002 Shares to LTH pursuant to the terms and conditions of the Investment Agreement and such issuance of SGD0.002 Shares was completed on 6 July 2010
"Issuance of Shares to LHY"	:	Issuance of 49,926,316 new SGD0.002 Shares by our Company to LHY pursuant to the terms and conditions of the New Convertible Loan Agreement completed on 14 November 2011
"JDL"	:	JDL Holdings Limited (BVI Company Registration No.: 1502438), a company incorporated in the BVI
"Kawan Kita"	:	Kawan Kita (Hong Kong) Co., Ltd (Hong Kong Company Registration No.: 87712), a company incorporated in Hong Kong
"Lead Champion"	:	Lead Champion Group Limited (BVI Company Registration No.: 1497756), a company incorporated in the BVI and is our Substantial Shareholder and Promoter of China Stationery
"LHY"	:	Liu Han Yun
"Listing"	:	Admission to the Official List of Bursa Securities and the initial listing of and quotation for all of our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities
"Listing Date"	:	The date on which trading in the Shares commences on the Bursa Securities
"LPD"	:	10 January 2012, being the latest practicable date prior to the registration of this Prospectus
"LTH"	:	Lembaga Tabung Haji, a statutory body under the Prime Minister's Department. Established in November 1962 as the Pilgrims Fund Corporation (Perbadanan Wang Simpanan Bakal-bakal Haji)
"LTH Supplemental Deed"	:	The Supplemental Deed dated 2 November 2010 entered into between our Company, our Promoters and LTH to amend the Investment Agreement which includes inter alia, setting the listing deadline at 30 June 2011 and

DEFINITIONS (Cont'd)

- the put option price at RM37.6 million
- "LTH Supplemental Agreement" : A supplemental agreement dated 9 August 2011 to vary certain terms of the Investment Agreement which include:
- (i) extension of the deadline for the listing of China Stationery as provided in the Investment Agreement from 30 June 2011 to 30 November 2011; and
 - (ii) in consideration for the above extension, China Stationery and the Promoters are required to undertake that 13.0 million Shares or 2% of the enlarged issued and paid-up share capital (whichever is higher) owned by LTH shall be offered for sale as part of the Listing
- "LTH Second Supplemental Agreement" : Supplemental agreement dated 2 December 2011 entered into between our Company, our Promoters and LTH to vary certain terms of the Investment Agreement which include:
- (i) extension of the deadline for the listing of China Stationery as provided in the Investment Agreement from 30 November 2011 to 31 January 2012; and
 - (ii) the put option price (as set out in the Investment Agreement) shall be varied and adjusted to RM38,458,221.92
- "LTH Third Supplemental Agreement" : Supplemental agreement dated 11 January 2012 entered into between our Company, our Promoters and LTH to vary the Investment Agreement to extend of the deadline for the listing of China Stationery as provided in the Investment Agreement from 31 January 2012 to 15 March 2012 and to vary to put option price to RM38,685,337.40
- "M&A Securities" : M&A Securities Sdn Bhd (Malaysian Company Registration No.: 15678-H)
- "Malaysian Companies Act" : The Companies Act, 1965 of Malaysia as amended from time to time, and any re-enactment thereof
- "Malaysian Government" : The Federal Government of Malaysia
- "Malaysian Public" : Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
- "Market Day" : A day on which the Bursa Securities is open for trading in securities
- "Memorandum of Association" : The Memorandum of Association of our Company, as amended, supplemented or modified from time to time
- "MOC" : Ministry of Commerce of the PRC (中华人民共和国商务部)
- "NAV" : Net asset value
- "New Income Tax Law" : The PRC Corporate Income Tax Law (中华人民共和国企业所得税法) issued on 16 March 2007
- "New Convertible Loan Agreement" : A loan agreement dated 17 August 2011 entered into between our Company and LHY for an amount of USD15.81 million for the purpose of fully redeeming the outstanding Convertible Bonds pursuant to the Deed of Termination.

DEFINITIONS (Cont'd)

- The loan is convertible into 49,926,316 fully paid SGD0.002 Shares, subject to the terms and conditions set out in the New Convertible Loan Agreement.
- On 14 November 2011, pursuant to the New Convertible Loan Agreement, our Company had completed the Issuance of Shares to LHY.
- “New Plant” : Our new plant at Wuxin & Donglou Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星,东楼村 and within Putian City High-Tech Industrial Development Zone (莆田市高新技术产业开发区内) comprising of four (4) completed buildings with the GFA of 29,373.9 square metres situated on a piece of land measuring 73,728.5 square metres in land area, used by our China Subsidiaries as manufacturing facilities, for warehousing of finished goods, as a dormitory and as cafeteria for our employees
- “Nomination Committee” : Our nomination committee as at the date of this Prospectus
- “Non-executive Directors” : Our non-executive Directors (including Independent Directors) as at the date of this Prospectus
- “NTA” : Net tangible assets
- “Offer For Sale” : The offer for sale by the Offerors of 133,000,000 Offer Shares at the Offer Price to selected investors via private placement in conjunction with the Listing, subject to the terms and conditions of this Prospectus
- “Offer Price” : The offer price of RM0.95 for each Share pursuant to the Offer For Sale
- “Offer Share(s)” : 133,000,000 Shares to be offered to selected investors pursuant to the Offer For Sale
- “Offerors” : Lead Champion offering 107,000,000 Shares and LTH offering 26,000,000 Shares
- “Official List” : A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
- “Partial Redemption” : The partial redemption of USD10 million of the Convertible Bonds by our Company pursuant to the Consent Deed which was completed on 9 July 2010
- “Participating Financial Institution” : Participating financial institution(s) for Electronic Share Application
- “PAT” : Profit after taxation
- “PBT” : Profit before taxation
- “PER” : Price-earnings ratio
- “PRC” or “China” : The People’s Republic of China, excluding Macau, Hong Kong and Taiwan for the purposes of this Prospectus and for geographical reference only

DEFINITIONS (Cont'd)

“Promoters”	: Lead Champion and the shareholders of Lead Champion, being Chan Fung @ Kwan Wing Yin, Jiang Danping and Angus Kwan Chun Jut, collectively
“Prospectus”	: This prospectus dated 31 January 2012 which sets out our details and the terms and conditions of the IPO
“Public Issue”	: Public issue of 90,000,000 new Shares at the Issue Price to the Malaysian Public and selected investors by way of balloting and private placement in conjunction with the Listing, subject to the terms and conditions of this Prospectus
“Public Issue Shares”	: The 90,000,000 Shares to be issued to the Malaysian Public via balloting and selected investors by way of private placement pursuant to the Public Issue
“Putian Jiangkou Hualian”	: Putian Jiangkou Hualian Commerce Company (莆田县江口华联商务公司), a collective enterprise incorporated in China
“R&D”	: Research and development
“Record of Depositors”	: A record provided by Bursa Depository under Chapter 24.0 of the Rules of Bursa Depository
“Remuneration Committee”	: Our remuneration committee as at the date of this Prospectus
“Review Periods”	: FYE2007, FYE2008, FYE2009, FYE2010 and FPE2011 and “Review Period” means any of them
“RM”, “ringgit” or “sen”	: The lawful currency of Malaysia
“RMB”, “renminbi” or “renminbi cents”	: The lawful currency of the PRC
“ROC”	: Registrar of Companies, Malaysia
“RTO”	: Reverse take-over of Thai Village Holdings Limited, a company listed on the Main Board of SGX-ST, by our Company which was subsequently terminated on 2 September 2009
“Ruiyuan”	: Ruiyuan (Fujian) Enterprise Co., Ltd (瑞源(福建)实业有限公司), a WFOE established in China and an indirect wholly-owned subsidiary of the Company via Sunwealth
“SAFE”	: State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局)
“Sakura Plastic”	: Sakura (Fujian) Plastic Enterprise Co., Ltd (樱花(福建)塑胶实业有限公司), a WFOE established in China and an indirect wholly-owned subsidiary of our Company via Campus
“Sakura Stationery”	: Sakura (Fujian) Packaging & Stationery Co., Ltd (樱花(福建)包装文具有限公司), a WFOE established in China and an indirect wholly-owned subsidiary of our Company via Campus
“SC”	: Securities Commission Malaysia

DEFINITIONS (*Cont'd*)

"SC Guidelines"	:	SC's Equity Guidelines issued on 8 May 2009 (effective and updated on 3 August 2009)
"Second Plant"	:	Our plant at Zhenfu Road, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇镇府路) with a GFA of 4,165.5 sq m. Both First Plant and Second Plant are situated on the same piece of land area of 5,390.0 sq m.
"Securities Account"	:	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing such securities by the Depositor
"SGD" and "Singapore cents"	:	The lawful currency of the Republic of Singapore
"SGX-ST"	:	The Singapore Exchange Securities Trading Limited
"Shareholder" or "Member"	:	Registered holders of China Stationery Shares
"Share Split"	:	Each of the issued and unissued shares of par value SGD0.002 each in the share capital of the Company be subdivided into 2 shares of par value SGD0.001 each in the share capital of the Company and effective on 2 November 2011
"SME"	:	Small and Medium Enterprise
"SoHo"	:	Small office / Home Office
"SPA"	:	The conditional Sale and Purchase Agreement dated 8 December 2010 entered into between our Promoters and WWD Ruby which provides, inter alia, for Lead Champion to acquire and WWD Ruby to sell 23,165,500 China Stationery Shares to Lead Champion by way of DBT on the Listing Date, on the terms and conditions stated therein, which was subsequently terminated on 22 August 2011 pursuant to the Deed of Termination.
"sq m"	:	Square metres
"Subscription Agreement"	:	Subscription Agreement dated 4 December 2008 entered into between our Company, Sunwealth, Campus, JDL, our Promoters and WWD Ruby for the subscription of the Convertible Bonds.
"Substantial Shareholders"	:	Persons having an aggregate of not less than 5% interest, whether direct or indirect of the total voting shares of our Company. For the purposes of this definition, the term "interest" shall have the same meaning ascribed to it in Section 6A of the Malaysian Companies Act
"Sunwealth"	:	Sunwealth Group Limited (BVI Company Registration No: 643229), a company incorporated in BVI and an investment holding company which is a direct wholly-owned subsidiary of our Company and the holding company of Ruiyuan
"Transfer of Shares to LTH"	:	Transfer of 26,332,230 SGD0.002 Shares in our Company from the treasury shares of the Company to LTH pursuant to the terms and conditions of the Investment Agreement and such transfer of Shares was completed on 6 July 2010

DEFINITIONS (Cont'd)

- “Treasury Shares” : The treasury shares of China Stationery. Pursuant to a convertible loan agreement dated 28 September 2007, a group of fifteen (15) investors advanced a convertible loan amounting to SGD18.80 million to our Company as part of the previous proposed and subsequently aborted listing exercise in Singapore under a pre-listing scheme.
- The convertible loan was converted into 78,991,597 China Stationery Shares on 4 April 2008 and between November 2008 and December 2008, our Company purchased these shares from the fifteen (15) investors for an aggregate amount of approximately SGD20.30 million and kept the shares as treasury shares of our Company.
- On 27 January 2010, 51,291,597 treasury shares were cancelled. On 6 July 2010, 26,332,230 treasury shares were allotted to LTH pursuant to the Investment Agreement.
- On 6 January 2012, the remaining 2,735,540 treasury shares (after the Share Split) were cancelled.
- “Underwriting Agreement” : The underwriting agreement between our Company and M&A Securities dated 3 January 2012
- “USA” or “America” : The United States of America
- “USD” and “US cents” : The lawful currency of the USA
- “Warrants” : Warrants issued by our Company to WWD Ruby on 8 December 2008 to subscribe in aggregate up to USD25.65 million for Shares in the capital of our Company. Pursuant to the Consent Deed, the Warrants were cancelled upon redemption of USD10 million Convertible Bonds on 9 July 2010
- “Warrantholders” : Holders of the Warrant
- “WFOE” : Wholly foreign-owned enterprise (外商独资企业)
- “Wingday” : Wingday International Limited (BVI Company Registration No: 1405574), a company incorporated in BVI and wholly-owned by Jiang Danping
- “WWD Ruby” : WWD Ruby Limited (Mauritius Company Registration No: 078105), a company incorporated in Mauritius and an indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc
- “Yuan Teng” : Yuan Teng Group Limited (BVI Company Registration No: 1420506), a company incorporated in BVI. The shareholders of Yuan Teng are Chan Fung @ Kwan Wing Yin (77.78%) and Angus Kwan Chun Jut (22.22%)

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GLOSSARY OF TECHNICAL TERMS

To facilitate better understanding of our business, we set out an explanation and description of certain terms used in this Prospectus in the following glossary. The terms and their assigned meaning may not correspond to standard industry or common meanings, as the case may be, or usage of the terms.

- "A4" : A4 paper is the standard in Europe and other parts of the world. The dimensions of A4 paper are 8.27 X 11.69 inches.
- "ABS" : Acrylonitrile butadiene styrene. ABS is a common thermoplastic used to make light, rigid, moulded products such as piping, musical instruments (like recorders), automotive body parts, wheel covers, protective head gear, and toys. ABS is also used in the manufacture of the handles of our plastic tape printers.
- "CIF" : Cost, Insurance and Freight. A trade term requiring the seller to pay the costs and freight to bring the goods to the port of destination. The seller must in addition procure and pay for insurance for the buyer. The risk is transferred to the buyer once the goods have crossed the ship's rail.
- "FOB" : A trade term requiring the seller to deliver goods on board a vessel designated by the buyer. The seller fulfills its obligations to deliver when the goods have passed over the ship's rail.
- When used in trade terms, the word "free" means the seller has an obligation to deliver goods to a named place for transfer to a carrier.
- "Foolscap" : The dimensions of foolscap paper are 8.27 × 13 inches
- "hot stamping" : Hot stamping is an image producing method that involves a film carrying a thin leaf of colour which is transferred to a material using heat and pressure. It is commonly used with gold or metallic leaf, but many colours, patterns, and finishes of leaf are available. It is also known as foil stamping, dry stamping, foil imprinting or leaf imprinting.
- "OEM" : Original equipment manufacturer.
- "offset printing" : Offset printing is a widely used printing technique where an inked image is transferred (or "offset") from a plate to the printing surface through a rubber blanket. The quality of images printed via offset printing is better than that done by silk-screen printing.
- "PE" : Polyethylene. Polyethylene contains the chemical elements carbon and hydrogen. Its primary use is for packaging (notably the plastic shopping bag).
- "POM" : Polyoxymethylene (also known as polyacetal or polyformaldehyde) is an engineering thermoplastic used in precision parts that require high stiffness, low friction and excellent dimensional stability.
- "PP" : Polypropylene or polypropene. PP is a thermoplastic polymer of carbon and hydrogen and used in a wide variety of applications, including food packaging, textiles, reusable containers, laboratory equipment and automotive components. PP is rugged, often stiffer than some other plastics, and can be made translucent when uncoloured but not completely transparent as certain other plastics can be made. It can also be made opaque and/or have many kinds of colours.
- PP is manufactured without any dangerous emissions and can be recycled, incinerated, or land-filled without any harm to the environment. When incinerated, PP will only give off water vapour and carbon dioxide. PP is environmental friendly in that it is recyclable and reusable plastic.

GLOSSARY OF TECHNICAL TERMS (Cont'd)

- "PP materials" : PP sheets, PP granules and PP resins additives, colour pigments used in the production of PP sheets.
- "shop-in-shop" : Dedicated shelves or retail spaces at a retailer's premises such as department stores, chain stores etc. from which our Company's products are sold.
- "silk-screen printing" : It is also known as screen-printing or serigraphy. Silk-screen printing is a printmaking technique that creates a sharp-edged image using a stencil. It is currently popular both in fine arts and in commercial printing, where it is commonly used to print images on T-shirts, hats, compact discs, DVDs, ceramics, glass, polyethylene, PP, paper, metals, and wood. A series of screens can be used to add successive layers of colour to the design.
- "thermoplastic" : It is a material that is plastic or deformable and melts into a liquid when heated and freezes to a brittle, glassy state when cooled sufficiently.
- "Utility Model" : Utility model patents are commonly applied for and issued in China by the State Intellectual Property Office of the PRC (中华人民共和国国家知识产权局). In general, unlike a regular patent, a utility model patent does not go through a substantive examination process by the intellectual property office. Like a regular patent, a utility model patent may be subject to challenges as to its validity. However, its validity may be more uncertain as it does not go through a substantive examination process. Further, the period of protection under a utility model is usually shorter than that for a regular patent. In China, a utility model is protected for a maximum of 10 years, compared to 20 years for a regular patent. Generally the rights of a registered proprietor of a patent whether, in respect of a utility model or a regular patent, are the same, including the right to exclude others from using his utility model and regular patent.

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PRESENTATION OF INFORMATION

All references to “our Company” and “China Stationery” in this Prospectus are to China Stationery Limited, references to “our Group” are to our Company and our consolidated subsidiaries and references to “we”, “us”, “our” and “ourselves” are to our Company, and save where the context otherwise requires, and our consolidated subsidiaries.

Unless the context otherwise requires, references to “Management” are to our Executive Directors and Executive Officers as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Executive Directors and Executive Officers.

Certain acronyms, technical terms and other abbreviations used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa, and words referring to the masculine gender shall, where applicable, include the feminine and neutral genders and vice versa. References to persons shall include companies or corporations.

China Stationery is a foreign incorporated company and not incorporated under the Malaysian Companies Act. However, for your ease of reference and understanding, all substantial shareholders and their indirect shareholdings in our Company have been identified based on Section 69D and Section 6A of the Malaysian Companies Act.

Any reference in this Prospectus, the Application Form(s), Electronic Share Applications or Internet Share Applications to any legislation, statute or statutory provision is a reference to that legislation, statute or statutory provision which it re-enacts (with or without modification). Any word defined in the Malaysian Companies Act, Bermuda Companies Act, CMSA, Bursa Securities LR or any statutory modification thereof and used in this Prospectus and the Application Form(s) shall, where applicable, have the meaning ascribed to it under the Malaysian Companies Act, Bermuda Companies Act, CMSA, Bursa Securities LR or any statutory modification thereof (as the case may be).

Any reference to a time of day in this Prospectus, the Application Form(s), Electronic Share Applications or Internet Share Applications shall be a reference to Malaysia time unless otherwise stated.

Certain names, phrases, statements, terminology and other references originally in Chinese text in source documents / materials have been translated into English in this Prospectus solely for the convenience of investors. The Chinese text may be subject to differing interpretations and translations and accordingly no representation is made that any such translations into English accurately reflect the Chinese text or meaning of the relevant original source documents / materials. Such translations may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters. In the case of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

The information on our websites, or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from internal data. In such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher for inclusion in this Prospectus. We had appointed the Independent Market Researcher to provide a business and independent market and industry review relating to an overview of the economy and industry in which we operate. In compiling their data for the review, the Independent Market Researcher relied on industry sources, published materials, its own private databanks and direct contacts within the industry. We believe that the information on the industry as contained in this Prospectus and the other statistical data and projections cited in this Prospectus are useful in helping prospective investor

PRESENTATION OF INFORMATION (Cont'd)

understand the major trends in the industry in which we operate. However, neither we nor our advisers have verified these data.

Our advisers and we do not make any representation as to the correctness, accuracy or completeness of such data. You should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved. You should not place undue reliance on the third-party projections cited in this Prospectus.

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FORWARD LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our management for future operations, are forward-looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitations, statements relating to:-

- (i) demand for our products and services;
- (ii) our business strategies;
- (iii) our plans and objectives for future operations;
- (iv) our financial position; and
- (v) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:-

- (i) the economic, political and investment environment in Malaysia, PRC and globally; and
- (ii) government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 4, "Risk Factors" and Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regards thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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EXCHANGE RATES

The average exchange rate for each financial period is the average of the closing exchange rates on the last day of each month during the financial period. These exchange rates have been presented solely for information only and should not be construed as a representation that those RMB amounts could have been, or could be, or was converted into RM, at any particular rates, the rates stated below, or at all.

	RMB : RM rate	
	Average	Closing
FYE 2007	0.4517	0.4528
FYE 2008	0.4819	0.5073
FYE 2009	0.5153	0.4985
FYE 2010	0.4755	0.4637
FPE 2010	0.4826	0.4705
FPE 2011	0.4637	0.4610

The high and low exchange rates between RMB and RM for each of the past six (6) months prior and up to the LPD were as follows:-

	RMB : RM rate	
	High	Low
July 2011	0.4689	0.4577
August 2011	0.4711	0.4569
September 2011	0.5003	0.4645
October 2011	0.4990	0.4831
November 2011	0.5021	0.4912
December 2011	0.5033	0.4908
1 January 2012 up to the LPD	0.5028	0.4963

Unless otherwise stated, the following foreign exchange rates as at LPD are utilised throughout this Prospectus:-

- RMB1.00: RM0.4963
- SGD1.00: RM2.4337
- USD1.00: RMB6.3136
- USD1.00: RM3.1333

The above exchange rates have been calculated with reference to exchange rates quoted from publicly available data and should not be construed as representations that the RMB amounts actually represent such amounts or could be or was converted into the RM at the rate indicated, or at any other rate, or at all. Fluctuations in the exchange rates between the RMB and the RM will affect the RMB equivalent of the RM price of our Shares on Bursa Securities and the RM equivalent of any cash dividend paid by us in RMB.

We believe that we have extracted the relevant information in its proper form and context in this Prospectus, and have not verified the above exchange rates.

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1 CORPORATE DIRECTORY

DIRECTORS

Name	Address	Profession	Nationality
Chan Fung @ Kwan Wing Yin (陈峰 @ 关永贤) (Executive Chairman)	Room 1102, Tungwai Commercial Building, 109-111 Gloucester Road, Hong Kong	Company Director	Chinese (Hong Kong SAR)
Jiang Danping (蒋丹平) (Chief Executive Officer)	Room 1004, Dianshang Dongli, Xiamen City, Fujian Province, China	Company Director	Chinese
Angus Kwan Chun Jut (关振质) (Executive Director)	Room 1102, Tungwai Commercial Building, 109-111 Gloucester Road, Hong Kong	Company Director	Chinese (Hong Kong SAR)
Tan Choon Hwa (陈春华) (Non-Independent Non-Executive Director)	No. 1771, Taman Kenangan, Jalan Hospital, 15200 Kota Bahru, Kelantan, Malaysia	Company Director	Malaysian
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman] (Independent Non-Executive Director)	No. 1, Jalan SS1/43, Kampung Tunku, 47300 Petaling Jaya, Selangor, Malaysia	Company Director	Malaysian
Dr. Richard Izaac Risambessy (Independent Non-Executive Director)	Medayu Selatan I/17, Surabaya 60295 Indonesia	Company Director	Indonesian

AUDIT COMMITTEE

Name	Designation	Directorship
Dr. Richard Izaac Risambessy	Chairman of the Committee	Independent Non-Executive Director
Tan Sri Dato' Bentara Istana Nik Hashim Bin Nik Ab Rahman	Member of the Committee	Independent Non-Executive Director
Tan Choon Hwa (陈春华)	Member of the Committee	Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Bentara Istana Nik Hashim Bin Nik Ab Rahman	Chairman of the Committee	Independent Non-Executive Director
Tan Choon Hwa (陈春华)	Member of the Committee	Non-Independent Non-Executive Director
Dr. Richard Izaac Risambessy	Member of the Committee	Independent Non-Executive Director

1 CORPORATE DIRECTORY (Cont'd)

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Bentara Istana Nik Hashim Bin Nik Ab Rahman	Chairman of the Committee	Independent Non-Executive Director
Tan Choon Hwa (陈春华)	Member of the Committee	Non-Independent Non-Executive Director
Dr. Richard Izaac Risambessy	Member of the Committee	Independent Non-Executive Director
Chan Fung @ Kwan Wing Yin (陈峰@关永贤)	Member of the Committee	Executive Chairman

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

COMPANY SECRETARY IN BERMUDA : Louisa Barbosa
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda
Tel no.: 1 441 295 2244

ASSISTANT COMPANY SECRETARY IN BERMUDA : Appleby Services (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda
Tel no.: 1 441 295 2244

REGISTERED OFFICE IN BERMUDA : Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda
Tel no.: 1 441 295 2244

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

PRINCIPAL PLACE OF BUSINESS / MANAGEMENT OFFICE : Donglou Village, Wuli Ting, Jiangkou Town,
Hanjiang District, Putian City, Fujian Province China
(中国福建省莆田市涵江区江口镇五里亭东楼村)
Tel no.: (86594) 4369 7883

1 CORPORATE DIRECTORY (Cont'd)

- ADVISER, UNDERWRITER
AND PLACEMENT AGENT** : M&A Securities Sdn Bhd
No. 45-3, The Boulevard
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Malaysia
Tel no.: (603) 2284 2911
Tel no.: (603) 2284 2718
- SUB PLACEMENT AGENT** : Sanston Financial Group Limited
Unit 2812, 28/F, The Center
99 Queen's Road Central
Hong Kong, Special Administrative Region
Tel no.: (852) 2986 0000
- AUDITORS** : Foo Kon Tan Grant Thornton LLP
Certified Public Accountants
47 Hill Street, #05-01
Chinese Chamber of Commerce & Industry Building
Singapore 179365
Tel no.: (65) 6336 3355
- REPORTING
ACCOUNTANTS** : SJ Grant Thornton (AF 0737)
Level 11 Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel no.: (603) 2692 4022
- JOINT LEGAL ADVISERS FOR
THE LISTING** : Teh & Lee
A-3-3 & A-3-4, Northpoint Offices
Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur
Malaysia
Tel no.: (603) 2283 2800
- Raja, Darryl & Loh
18th Floor, Wisma Sime Darby
Jalan Raja Laut, 50350 Kuala Lumpur
Malaysia
Tel no.: (603) 2694 9999
- LEGAL ADVISER TO OUR
COMPANY ON BERMUDA
LAW AND BRITISH VIRGIN
ISLANDS LAW** : Appleby
2206-19 Jardine House
1 Connaught Place, Central
Hong Kong Special Administrative Region
Tel no.: (852) 2523 8123
- LEGAL ADVISER TO OUR
COMPANY ON PRC LAW** : GFE Law Office
18th Floor, Guangdong Holdings Tower
No. 555, Dongfeng East Road
Guangzhou
The People's Republic of China
Tel no.: (8620) 8315 1955

1 CORPORATE DIRECTORY (Cont'd)

- BERMUDA SHARE REGISTRAR** : Appleby Management (Bermuda) Ltd.
Argyle House
41a Cedar Avenue
P.O. Box HM 1179
Hamilton HM 11
Bermuda
Tel no.: 1 441 296 3695
- MALAYSIAN SHARE REGISTRAR** : Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel no.: (603) 2264 3883
- ISSUING HOUSE** : Equiniti Services Sdn Bhd (formerly known as MIDF
Consulting and Corporate Services Sdn Bhd)
Level 8 Menara MIDF
82 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Tel no.:(603) 2173 8888
- PRINCIPAL BANKER** : Agricultural Bank of China
Hanjiang Branch, 313 Xinhan Street, Hanjiang District
Putian, Fujian Province
The People's Republic of China
Tel no.: (86594) 4336 2535
- INDEPENDENT MARKET RESEARCHER** : Frost & Sullivan Malaysia Sdn Bhd
Suite E-08-15, Block E
Plaza Mont' Kiara
2, Jalan Mont' Kiara
50480 Kuala Lumpur
Malaysia
Tel no.: (603) 6204 5800
- LISTING SOUGHT** : Main Market of the Bursa Securities
- WEBSITE** : <http://sakura-china.com/>

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2 SUMMARY INFORMATION

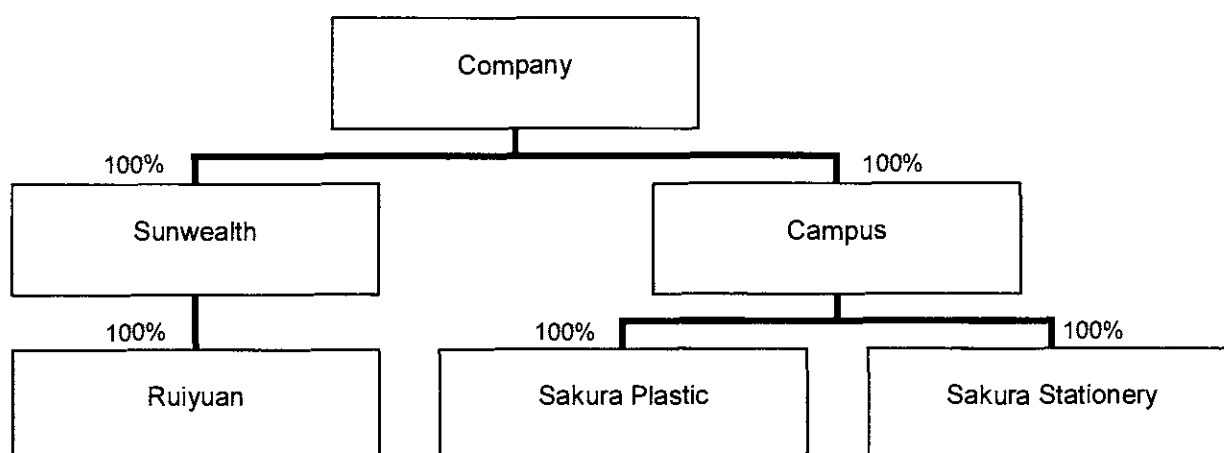
THIS INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP. YOU SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN OUR SHARES. THE SUMMARY INFORMATION SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

2.1 HISTORY AND NATURE OF BUSINESS

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

Our Company was incorporated as a holding company to hold our direct subsidiaries, Sunwealth and Campus.

Our current Group structure is as follows:



The details of our subsidiaries are as follow:-

Name of company	Date and place of incorporation	Date of commencement of business	Principal Business	Equity / effective equity held by our Company/Group
Sunwealth (Registration Number: 643229)	BVI 22 February 2005	N/A ⁽¹⁾	Investment holding	100%
Campus (Registration Number: 523128)	BVI 3 December 2002	N/A ⁽¹⁾	Investment holding	100%
Ruiyuan (Fujian) Enterprise Co., Ltd (Business Licence Number: 350300400000945) (subsidiary of Sunwealth)	PRC 16 February 2006	16 February 2006	Production and sale of plastic tape printer and ink	100%

2 SUMMARY INFORMATION (Cont'd)

Name of company	Date and place of incorporation	Date of commencement of business	Principal Business	Equity / effective equity held by our Company/Group
Sakura (Fujian) Plastic Enterprise Co., Ltd (Business Licence Number: 35030040000988) (subsidiary of Campus)	PRC 5 November 1993	5 November 1993	R&D, production of PP sheets	100%
Sakura (Fujian) Packaging & Stationery Co., Ltd (Business Licence Number: 35030040000777) (subsidiary of Campus)	PRC 15 July 1991	15 July 1991	Production and sale of plastic stationery	100%

Note:

(1) Not applicable for investment holding companies which do not undertake own operations.

Our Group is an integrated plastic stationery company with our own brands of plastic stationery products, proprietary products and technical know-how. Our products are sold under our own brands, namely, "SAKURA", "NACHI" and "FOLDERSYS". We design, manufacture and sell a broad assortment of more than 450 plastic filing and storage products such as expandable files, pocket files, pocket files with sheet protectors, compact disc holder files, business card holders and albums as well as our own patented products. Currently, our plastic tape printer is our main proprietary and patented product.

Sales from our own brands namely "SAKURA", "NACHI" and "FOLDERSYS" (which includes both patented and non-patented products) contribute on the average, 88.7% of our revenue over the Review Periods. Aside from selling products under our own branding, we also undertake OEM manufacturing for our customers. Sales from our OEM service contribute on the average, 11.3% of our revenue over the Review Periods. Please refer to Section 6.2.2, "Revenue" for further details.

Over the Review Periods, our products are sold globally to over 45 countries to more than 400 customers (including distributors, retailers and corporations) located in China and Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China), Europe, America and other regions. On average, more than 99% of our sales for the Review Periods are from distributors who then onward sell our products to retailers and end users. Targeting distributors is one of our major marketing strategies to achieve quicker market penetration.

Further details on our history and business are set out in Section 5.1, "History and Business Overview" of this Prospectus.

2.1.1 Restructuring exercise

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 was equivalent to the registered capital of Sakura Plastic and Sakura Stationery and was satisfied in cash.

2 SUMMARY INFORMATION (Cont'd)

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

Our Company was incorporated on 14 August 2007 in Bermuda as an exempted company with limited liabilities under the Bermuda Companies Act. Our Company was incorporated as a holding company to acquire the entire equity interests in Sunwealth and Campus which in turn holds our operating companies in the PRC.

In September 2007, our Company then acquired Campus and Sunwealth from Chan Fung @ Kwan Wing Yin and his spouse Kwan Chun Chu at their respective NTA values of SGD19.47 million and SGD12.93 million as at 30 June 2007 via the issuance of an aggregate of 999,999 ordinary shares of SGD1.00 each in China Stationery. Chan Fung @ Kwan Wing Yin and Kwan Chun Chu nominated Yuan Teng and 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 China Stationery to Yuan Teng, making the aggregate number of shares held by Yuan Teng and Wingday in China Stationery to be 1,000,000 ordinary shares of SGD1.00 each. On 17 September 2007, every existing ordinary share of par value SGD1.00 each in the capital of our Company was divided into 500 ordinary shares of par value of SGD0.002. 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 held by Yuan Teng and Wingday were transferred to Lead Champion on 27 September 2008.

The reorganisation was completed on 17 September 2007 and our Group adopted the current structure.

For the purposes of this Prospectus, GFE Law Office, the Legal Adviser to our Company on the PRC law, has confirmed that all approvals under the PRC laws in connection with the reorganisation have been obtained and that the reorganisation does not violate any PRC law. In particular, they have confirmed that our Company has not infringed the Provisions on Acquisitions of Domestic Enterprises by Foreign Investors (关于外国投资者并购境内企业的规定) (the "New M&A Regulations") as the New M&A Regulations do not apply to the reorganisation and the listing of our Shares on the Main Market of Bursa Securities does not require any approval by or registration with any PRC authority under the New M&A Regulations.

Please refer to Section 5.1.2, "History and Commencement of Business Operations" for more information on our restructuring exercise.

2.2 COMPETITIVE STRENGTHS AND ADVANTAGES

Our success and future prospects are bolstered by a combination of strengths and advantages, as follows:

- (a) Award winning brand which is associated with high quality products;
- (b) innovative patented products and technical know-how;
- (c) Extensive distribution network globally and in the PRC and we are not dependent on any single market; and
- (d) Experienced management team.

Further details on our competitive strengths and advantages are set out in Section 5.12, "Our Competitive Strengths and Advantages" of this Prospectus.

2 SUMMARY INFORMATION (Cont'd)

2.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

Our Promoters, Substantial Shareholders, Directors and key management are as listed below:-

Name	Designation
<u>Promoters</u>	
Lead Champion	-
Chan Fung @ Kwan Wing Yin	Executive Chairman
Jiang Danping	CEO
Angus Kwan Chun Jut	Executive Director
<u>Substantial Shareholders</u>	
Lead Champion	-
Chan Fung @ Kwan Wing Yin	Executive Chairman
Jiang Danping	CEO
Angus Kwan Chun Jut	Executive Director
<u>Directors</u>	
Chan Fung @ Kwan Wing Yin	Executive Chairman
Jiang Danping	CEO
Angus Kwan Chun Jut	Executive Director
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman	Independent Non-Executive Director
Dr. Richard Izaac Risambessy	Independent Non-Executive Director
Tan Choon Hwa, JP., JMK, P.B	Non-Independent Non-Executive Director
<u>Key Management</u>	
Tan Poay Lin	Chief Financial Officer
Ang Chung	Financial Controller
Lam Chun Wah	Vice-President of Sales & Marketing
Kwan Wing Sang	Vice-President of Procurement, Production & R&D
Zhong Yaochun	Vice-President of Human Resource, Administration and Finance

Further details on our Promoters, Substantial Shareholders, Directors and key management are set out in Section 10, "Promoters, Substantial Shareholders, Directors and Key Management" of this Prospectus.

2 SUMMARY INFORMATION (Cont'd)

2.4 FINANCIAL INFORMATION

2.4.1 Proforma Consolidated Statement of financial position of Our Group as at 31 July 2011

The proforma consolidated statement of financial position below has been prepared for illustrative purposes only, based on audited combined statement of financial position of our Group as at 31 July 2011 to show the effects of the Share Split and cancellation of treasury shares, repayment to WWD Ruby, Issuance of Shares to LHY and our IPO on the assumption that certain events had been effected on that date. Our proforma consolidated statement of financial position below has been prepared in accordance with IFRS. The bases and accounting policies used for the purpose of preparing our proforma consolidated statement of financial position are consistent with those adopted in the preparation of the audited combined financial statements of our Group under the Review Periods.

You are advised to read the proforma consolidated statement of financial position together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 8 of this Prospectus.

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2 SUMMARY INFORMATION (Cont'd)

	← Proforma I →		← Proforma II →		← Proforma III →		← Proforma IV →	
	After Share Split and cancellation of treasury shares*		After the repayment to WWD Ruby and LHY*		After the IPO		After utilisation of proceeds from Public Issue	
Audited as at 31 July 2011	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital	5,262	2,389	4,977	2,249	5,244	2,372	5,725	2,594
Share premium	77,061	37,246	75,701	35,996	177,250	82,810	168,088	164,512
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	94,930	44,171	94,930	44,171	94,930	44,171	94,930	44,171
Treasury shares	(1,645)	(1,390)	-	-	-	-	-	-
Capital reserve	64	29	64	29	64	29	64	29
Translation reserve	-	(28,277)	-	(28,277)	-	(28,277)	-	(28,277)
Retained earnings	1,383,277	664,468	1,383,277	664,468	1,383,277	664,468	1,368,691	657,744
Total shareholders' equity	1,554,799	716,761	1,554,799	716,761	1,656,615	763,698	1,842,081	838,898
Represented by:								
NON-CURRENT ASSETS								
Property, plant and equipment	283,016	130,470	283,016	130,470	283,016	130,470	401,070	184,893
Land use rights	15,338	7,071	15,338	7,071	15,338	7,071	15,338	7,071
Non-current receivables	48,534	22,374	48,534	22,374	48,534	22,374	48,534	22,374
Investment property	172	79	172	79	172	79	172	79
Total non-current assets	347,060	159,994	347,060	159,994	347,060	159,994	465,114	214,417
CURRENT ASSETS								
Inventories	43,535	20,070	43,535	20,070	43,535	20,070	43,535	20,070
Trade and other receivables	403,199	185,875	403,199	185,875	403,199	185,875	403,199	185,875
Cash and bank balances	1,109,475	511,468	1,109,475	511,468	1,294,941	596,968	1,154,544	532,245
Total current assets	1,556,209	717,413	1,556,209	717,413	1,741,675	802,913	1,601,278	738,190

2 SUMMARY INFORMATION (Cont'd)

2.4.2 Proforma Consolidated Statement of Comprehensive Income

The proforma consolidated statement of comprehensive income has been prepared for illustrative purposes only, based on the audited combined financial statements of our Group for the financial years/period under the Review Periods. Our proforma consolidated statement of comprehensive income has been prepared in accordance with IFRS. The bases and accounting policies used for the purpose of preparing our proforma consolidated statement of comprehensive income are consistent with those adopted in the preparation of the audited combined financial statements of our Group for the Review Periods.

We advise you to read our audited combined statement of comprehensive income together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as disclosed in Section 8 of this Prospectus. The following table sets out a summary of the proforma consolidated results of our Group for the Review Periods, which has been prepared based on the assumption that our current Group structure has been in existence throughout the Review Periods. This proforma consolidated income statements are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions which are set out in Section 6.1, "Historical Proforma Consolidated Financial Information" of this Prospectus.

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2 SUMMARY INFORMATION (Cont'd)

	← FYE2007		FYE2008		Audited		FYE2009		FYE2010		Unaudited		Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	516,225	233,179	857,812	413,380	1,079,573	556,304	1,408,786	669,878	770,348	371,770	972,718	451,049		
Gross profit	255,142	115,248	425,214	204,911	521,389	268,672	644,648	306,530	350,598	169,199	440,649	204,329		
Other income	2,266	1,024	6,134	2,956	1,918	988	2,848	1,354	1,321	638	2,206	1,023		
Selling and distribution expenses	(9,646)	(4,357)	(52,451)	(25,276)	(68,328)	(35,209)	(52,478)	(24,953)	(21,141)	(10,203)	(57,765)	(26,786)		
Administrative expenses	(12,524)	(5,657)	(33,538)	(16,162)	(27,390)	(14,114)	(41,887)	(19,917)	(19,200)	(9,266)	(19,756)	(9,161)		
EBITDA	243,071	109,795	351,128	169,210	441,450	227,480	572,158	272,062	321,070	154,946	379,495	175,971		
Depreciation	(7,796)	(3,521)	(7,744)	(3,732)	(13,813)	(7,118)	(19,190)	(9,125)	(9,586)	(4,626)	(14,022)	(6,502)		
Amortisation	(37)	(17)	(47)	(23)	(48)	(25)	(50)	(24)	(29)	(14)	(139)	(64)		
Finance costs	(3,516)	(1,588)	(10,437)	(5,030)	(16,299)	(8,399)	(34,202)	(16,263)	(29,859)	(14,410)	(37,908)	(17,578)		
PBT	231,722	104,669	332,900	160,425	411,290	211,938	518,716	246,650	281,596	135,896	327,426	151,827		
Taxation	(16,446)	(7,429)	(70,815)	(34,126)	(84,261)	(43,420)	(121,090)	(57,578)	(69,815)	(33,693)	(99,036)	(45,923)		
PAT	215,276	97,240	262,085	126,299	327,029	168,518	397,626	189,072	211,781	102,203	228,390	105,904		
No of ordinary shares of SGD0.001 each assumed to be issued ('000) *	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590
Gross profit margin (%)	49.4	49.4	49.6	49.6	48.3	48.3	45.8	45.8	45.5	45.5	45.3	45.3		
PBT margin (%)	44.9	44.9	38.8	38.8	38.1	38.1	36.8	36.8	36.6	36.6	33.7	33.7		
Net profit margin (%)	41.7	41.7	30.6	30.6	30.3	30.3	28.2	28.2	27.5	27.5	23.5	23.5		
Gross EPS (RMB/RM)	0.2	0.1	0.3	0.2	0.4	0.2	0.5	0.2	0.4 [^]	0.2 [^]	0.5 [^]	0.2 [^]		
Net EPS – Basic (RMB/RM)	0.2	0.1	0.2	0.1	0.3	0.2	0.4	0.2	0.3 [^]	0.2 [^]	0.4 [^]	0.2 [^]		
Net EPS – Diluted (RMB/RM)	0.2	0.1	0.2	0.1	0.3	0.2	0.4	0.2	0.3 [^]	0.2 [^]	0.4 [^]	0.2 [^]		

2 SUMMARY INFORMATION (Cont'd)

Notes:-

* Based on the issued and paid-up share capital of 1,102,590,776 Shares after the Completion of Share Split and cancellation of treasury shares, repayment to WWD Ruby and Issuance of Shares to LHY

^ Annualised to 12 months for comparison purpose

There were no exceptional or extraordinary items in the Review Periods.

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2 SUMMARY INFORMATION (Cont'd)

2.4.3 Proforma Consolidated Statement of Cash Flows

The proforma consolidated statement of cash flows below has been prepared for illustrative purposes only, based on the audited combined financial statements of our Group for FPE2011. Our proforma consolidated statement of cash flows has been prepared in accordance with IFRS. The bases and accounting policies used for the purpose of preparing our proforma consolidated statement of cash flows are consistent with those adopted in the preparation of the audited combined financial statements of our Group for the financial years/period under the Review Periods. The proforma consolidated statement of cash flows for FPE2011 has been prepared based on the assumption that the IPO has been completed.

We advise you to read the proforma consolidated statement of cash flows together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 8 of this Prospectus.

	FPE 2011	
	RMB'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	327,426	151,827
Adjustments for:-		
Interest income	(2,184)	(1,013)
Depreciation of property, plant and equipment	14,022	6,502
Amortisation of land use rights	139	64
Exchange loss	8	4
Interest expenses on bank borrowings	37,908	17,578
Operating profit before working capital changes	377,319	174,962
Changes in working capital:-		
Increase in inventories	(7,613)	(3,530)
Increase in trade and other receivables	(42,435)	(19,677)
Increase in trade and other payables	9,196	4,264
Cash generated from operations	336,467	156,019
Interest received	2,184	1,013
Interest paid	(4,601)	(2,133)
Tax paid	(115,674)	(53,638)
Net cash generated from operating activities	218,376	101,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of land use rights	(10,094)	(4,681)
Acquisition of property, plant and equipment		
- by working capital	(3,962)	(1,837)
- by listing proceeds	(118,054)	(54,423)
Net cash used in investing activities	(132,110)	(60,941)

2 SUMMARY INFORMATION (Cont'd)

	FPE 2011	
	RMB'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Listing proceeds through Public Issue	185,466	85,500
Payment of listing expenses	(22,343)	(10,300)
Bank loan obtained	35,100	16,276
Repayment of bank loan	(32,600)	(15,117)
Net cash generated from financing activities	165,623	76,359
Effects of foreign exchange translation	-	(559)
Net increase in cash and cash equivalents	251,889	116,120
Cash and cash equivalents at beginning of the financial period		
Effect on exchange rate on cash and bank balances on opening balance	(8)	(4)
As previously reported	902,663	418,565
Effect on exchange rate changes	-	(2,436)
As restated	902,663	419,129
Cash and cash equivalents at end of the financial period	1,154,544	532,245

2.5 PRINCIPAL STATISTICS RELATING TO THE IPO

	SGD
<i>Authorised:-</i>	
10,000,000,000 Shares	<u>10,000,000</u>
<i>Issued and paid-up:-</i>	
1,102,590,776 Shares credited as fully paid-up	1,102,590
<i>To be issued pursuant to the Public Issue:-</i>	
90,000,000 new Shares credited as fully paid-up	90,000
<i>Enlarged issued and paid-up share capital after the IPO</i>	
1,192,590,776 Shares	<u>1,192,590</u>
	RM
IPO Price per Share	0.95
Total market capitalisation based on our enlarged issued and paid-up share capital upon listing	<u>1,132,961,237</u>

Further details on the IPO are set out in Section 3, "Details of Our IPO" of this Prospectus.

2 SUMMARY INFORMATION (Cont'd)

2.6 PROCEEDS FROM THE IPO AND PROPOSED UTILISATION

The gross proceeds from the Public Issue amounting to RM85,500,000 will accrue entirely to our Company and will be utilised in the following manner:-

Proposed Utilisation		RM'000	%	Expected time frame for utilisation
(a)	Advertising, branding and promotional activities	10,777	12.6	24 months from the date of Listing
(b)	Purchase of machineries	29,418	34.5	24 months from the date of Listing
(c)	Purchase of machineries for R&D department	25,005	29.2	24 months from the date of Listing
(d)	Working capital	10,000	11.7	12 months from the date of Listing
(e)	Estimated listing expenses	10,300	12.0	6 months from the date of Listing
Total		85,500	100.0	

Further details on the utilisation of proceeds are set out in Section 3.10, "Proceeds of the Public Issue and Proposed Utilisation" of this Prospectus.

2.7 RISK FACTORS

Risks relating to our business and operations

- (i) Increase in price or shortage of PP materials will lead to increased costs and may erode our profitability
- (ii) We are reliant on our key suppliers and disruption in supply of raw materials may affect our operations and ability to meet deadlines
- (iii) We are subject to credit risks of our customers and default in payments may adversely affect our financial performance
- (iv) We may not be able to implement our plans to expand production capacity and improve production efficiency successfully
- (v) We may not be able to sustain the high gross profit margin we are currently enjoying for our patented products
- (vi) We are subject to operating risks associated with our production which may cause production downtime and delay delivery schedule to our customers
- (vii) We may not have sufficient insurance coverage
- (viii) We may be exposed to accidents from our production process resulting in fatality, injury or property damage which may expose us to claims and liability
- (ix) We may not be able to compete successfully in our industry as the stationery industry is extremely fragmented and competitive
- (x) We are reliant on our brands and the image and quality associated with our brands and there is no assurance that our marketing and promotional activities will remain effective
- (xi) Our expenditure on R&D may not lead to successful sales of new or improved products or may fail to be commercialised for a variety of reasons, including changes in consumer trends and new or unforeseen technological advances made by our competitors
- (xii) We may inadvertently infringe third-party trademarks for our products manufactured outside the scope of our trademark registrations and any claim of infringement against us may adversely affect our profitability and financial performance
- (xiii) We may be subject to claims for infringement of third parties' intellectual property rights arising from our OEM contracts

2 SUMMARY INFORMATION (Cont'd)

- (xiv) We may not be able to adequately protect our intellectual property rights and third parties may inadvertently infringe our intellectual property rights causing us to face difficulties and costly litigation in enforcing or defending our rights to use the intellectual property
- (xv) We are dependent on our Executive Directors and the loss of their services will have an adverse impact on our business operations
- (xvi) We may not be able to attract and retain suitable employees for our Group and the loss of whom could affect our operations
- (xvii) Reduction in export tax rebates may affect our profitability and financial performance
- (xviii) We are exposed to fluctuations in the economic condition of the PRC and our other overseas market

Risks relating to the PRC

- (i) Our businesses are subject to environmental laws and regulations in the PRC and if more stringent regulations are adopted in the future, the cost of compliance with such new regulations could be substantial
- (ii) Uncertainty in the legal system of the PRC may make it difficult for us to predict the outcome of any disputes that we may be involved in
- (iii) Our business and financial performance are highly susceptible to changes in the economic, political and social conditions of the PRC
- (iv) Increase in income tax or changes in income tax incentives of the PRC will affect our profitability and financial performance
- (v) PRC foreign exchange control may affect our ability to receive dividends and other payments from our China Subsidiaries
- (vi) Changes of laws and regulations relating to currency conversion in the PRC and fluctuation of foreign exchange rates may affect our ability to compete, our financial position, the amount of dividends/distributions our Shareholder may receive and the amount we may receive from fund raising activities outside the PRC
- (vii) We may be liable for the payment of additional social insurance contributions for our PRC employees
- (viii) Our operations and significant assets are located in the PRC. It could be difficult to enforce a Malaysia judgement against us, our Executive Directors and our Executive Officers
- (ix) We are exposed to the risk of non-renewal and revocation of permits and business licences
- (x) Negative publicity on PRC products may adversely affect our business and profits
- (xi) New Labour laws in the PRC may adversely affect our results of operations

Risks relating to our company being incorporated in Bermuda

- (i) We are a Bermuda-incorporated company and the rights and protection accorded to our Shareholders may not be the same as those applicable to shareholders of a Malaysia-incorporated company
- (ii) Changes to Bermuda company law

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2 SUMMARY INFORMATION (Cont'd)

Risks relating to investment in our Shares

- (i) Our Share price may be volatile and this may affect your investment in our Shares
- (ii) We are an investment holding company and rely on dividend payments from our subsidiaries for funding and for paying dividends on our Shares
- (iii) No prior market for our Shares
- (iv) Control by our major Shareholders may limit your ability to influence the outcome of decisions requiring the approval of our shareholders
- (v) Future fund raisings may dilute our shareholders' equity / restrict our operations

Further details on risk factors are set out in Section 4, "Risk Factors" of this Prospectus.

2.8 DIVIDEND POLICY

It is our policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Our Directors will consider the following factors when recommending dividends for approval by our shareholders or when declaring any interim dividends:-

- (i) The level of our cash and level of indebtedness;
- (ii) Required and expected interest expense, cash flows, our profits and return on equity and retained earnings;
- (iii) Our expected results of operations and future level of operations; and
- (iv) Our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Directors and will depend on factors stated above. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Bermuda Companies Act, our Company in general meeting may from time to time approve a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by our Directors.

Subject to the factors outlined above, our Directors intend to recommend and distribute dividends of a minimum of 20% based on our net profit distributable to our shareholders with respect to FYE2012 onwards. Our Company will declare dividends, if any, in RM and make payment of the dividends in RM.

Information relating to taxes payable on our dividends is set out in Annexure B of this Prospectus. Please refer to Section 4.2(v) and (vi) of this Prospectus for risks relating to the payment of dividends.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

There is 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 to any country by our Company.

3 DETAILS OF OUR IPO

3.1 OPENING AND CLOSING OF APPLICATION

The application for the Public Issue will open at 10:00 a.m. on 31 January 2012 and will remain open until 5:00 p.m. on 10 February 2012 or for such period or periods as our Board and M&A Securities at their absolute discretion may jointly decide. Late applications will not be accepted.

Our Directors and M&A Securities may in their absolute discretion mutually decide to extend the closing date and time for application of our IPO to any later date or dates. In the event the closing date for application is extended, we will advertise the notice of the extension in a widely-circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original closing date of the application. Following this, the dates for the balloting of the application for our IPO Shares, allotment of our IPO Shares and Listing would be extended accordingly.

3.2 IMPORTANT DATES

The indicative timing of events leading up to the listing of and quotation for our Company's entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities is set out below:-

Event	Tentative Date
Issuance of Prospectus / Opening of the applications	31 January 2012
Closing of the applications	10 February 2012
Balloting Date	14 February 2012
Allotment of Shares to successful applicants	23 February 2012
Listing Date	24 February 2012

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.

THE APPLICATION PERIOD WILL BE ACCEPTED FROM 10:00 A.M. ON 31 JANUARY 2012 AND WILL REMAIN OPEN UNTIL 5:00 P.M. ON 10 FEBRUARY 2012 OR SUCH LATER DATE OUR DIRECTORS, OFFERORS AND PROMOTERS TOGETHER WITH M&A SECURITIES IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE.

SHOULD THE DATE OF CLOSING OF APPLICATION FOR THE PUBLIC ISSUE SHARES BE EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT OF SHARES TO SUCCESSFUL APPLICANTS AND LISTING OF THE ENTIRE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL ON THE MAIN MARKET AND THE LISTING OF THE COMPANY WILL BE EXTENDED ACCORDINGLY. IN THE EVENT THE DATE OF THE CLOSING OF APPLICATION FOR THE PUBLIC ISSUE SHARES IS EXTENDED, THE PUBLIC WILL BE NOTIFIED OF SUCH EXTENSION BY WAY OF ADVERTISEMENTS PLACED IN A WIDELY CIRCULATED ENGLISH AND BAHASA MALAYSIA NEWSPAPER WITHIN MALAYSIA.

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3 DETAILS OF OUR IPO (Cont'd)

3.3 SHARE CAPITAL

	SGD
<i>Authorised:-</i>	
10,000,000,000 Shares	<u>10,000,000</u>
<i>Issued and paid-up:-</i>	
1,102,590,776 Shares credited as fully paid-up	1,102,590
<i>To be issued pursuant to the Public Issue:-</i>	
90,000,000 new Shares credited as fully paid-up	90,000
<i>Enlarged issued and paid-up share capital after the IPO</i>	
1,192,590,776 Shares	<u>1,192,590</u>
	RM
IPO Price per Share	0.95
Total market capitalisation based on our enlarged issued and paid-up share capital upon listing	<u>1,132,961,237</u>

Our market capitalisation upon Listing based on the IPO Price per Share and our enlarged issued and paid-up share capital of 1,192,590,776 Shares amounts to RM1,132,961,237.

There is only one (1) class of shares in our Company, namely ordinary shares of SGD0.001 each. The IPO Shares will upon allotment rank *pari passu* in all respects with one another and all other existing issued and fully paid-up Shares including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the IPO Shares and they shall not be entitled to any distributions declared or such entitlements for which the record date is prior to the allotment of the IPO Shares.

Under the Bermuda Companies Act, only those persons who agree to become members of a Bermuda company and whose names are entered on the register of members of such a company are considered members, with rights to attend and vote at general meetings. Depositors (holding Shares through Bursa Depository or its nominee) are recognised as members of our Company by virtue of their names being contained in the Record of Depositors entered in the register of members of our Company at our registered office in Bermuda and in the branch register of members of our Company at the office of our Malaysian Share Registrar, and hence are accorded the full rights of membership such as voting rights, the right to appoint proxies, the right to receive shareholders' circulars, proxy forms, annual reports, prospectuses and/or takeover documents.

Our Depositors (holding our Shares through Bursa Depository or its nominee) will be recognised as Members as long as the Record of Depositors is entered in the register of members and branch register of our Company.

In the event a Depositor is not named in the Record of Depositors entered in our register of members or branch register, *prima facie*, such Depositor will not be recognised as a Member of our Company.

Our Shares will be deposited with Bursa Depository as deposited securities and the share certificate in respect of any deposited security held jointly by a Depositor and Bursa Depository or its nominee shall be issued in the name of, and delivered to Bursa Depository or its nominee and no share certificate will be issued to the Depositor. A Depositor shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

3 DETAILS OF OUR IPO (Cont'd)

3.4 LISTING SCHEME AND DETAILS OF OUR IPO

3.4.1 Listing Scheme

Redemption of WWD Ruby Convertible Bonds and Issuance of Shares to LHY

Pursuant to the Subscription Agreement, our Company agreed to issue and WWD Ruby agreed to subscribe for up to USD30 million in aggregate principal amounts of convertible bonds. The convertible bonds are convertible into (i) fully paid common shares with a par value of SGD0.002 each of China Stationery and (ii) fully paid ordinary shares of Thai Village Holdings Limited ("**Thai Village**"). However, since our Company and Thai Village had, in September 2009, decided to terminate the RTO, the Convertible Bonds were only convertible into ordinary shares of SGD0.002 in our Company.

Pursuant to the Subscription Agreement, the Convertible Bonds would be issued in two (2) tranches. The first tranche was for USD20 million in aggregate principal amounts of the Convertible Bonds. The second tranche was for USD10 million in aggregate principal amounts of the Convertible Bonds. On 8 December 2008, our Company issued and WWD Ruby subscribed for the first tranche Convertible Bonds. Our Company did not issue and WWD Ruby did not subscribe to the second tranche Convertible Bonds.

On 9 June 2010, our Company executed the Consent Deed. Pursuant to the Consent Deed, WWD Ruby consented to LTH investing into our Company via the Investment Agreement. Further, pursuant to the Consent Deed, our Company was to redeem USD10 million of the Convertible Bonds from WWD Ruby ("**Partial Redemption**"). Upon completion of the Partial Redemption, WWD Ruby will continue to hold the remaining USD10 million 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 our 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 the Warrants were cancelled on 9 July 2010.

Please see Section 14.8 for further details of the abovesaid agreements with WWD Ruby.

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, our Company had entered into an agreement with an investor, namely LHY for the grant of a convertible loan to the Company for purpose of the said redemption by issuing a USD15.81 million new convertible loan.

The Remaining Bonds have been fully redeemed by the Company on 22 August 2011 at a redemption price of USD15.81 million.

As part of the listing scheme and upon our Company meeting the conditions precedent set out in the New Convertible Loan has been converted into 49,926,316 new Shares. The pre-IPO cost per share for LHY is set out in Section 3.6 of this Prospectus. The effects of the Issuance of Shares to LHY on our issued and paid-up share capital are detailed in Section 2.4 above.

3 DETAILS OF OUR IPO (Cont'd)

3.4.2 Details of our IPO

The details of our IPO, which consists of the Public Issue and the Offer for Sale, are as follows:

3.4.2.1 Public Issue

The Public Issue of 90,000,000 new Shares, representing approximately 7.5% of our enlarged issued and paid-up share capital, at an Issue Price of RM0.95 per Public Issue Share payable in full upon application, is subject to the terms and conditions of this Prospectus and will be allotted in the following manner:-

(i) **Malaysian Public**

60,000,000 Public Issue Shares, representing approximately 5.0% of our enlarged issued and paid-up share capital will be made available for application by the Malaysian Public to be allocated via ballot.

(ii) **Selected investors by way of private placement**

30,000,000 Public Issue Shares, representing approximately 2.5% of our enlarged issued and paid-up share capital will be made available for application by way of private placement to selected investors, either local or foreign.

3.4.2.2 Offer For Sale

Lead Champion and LTH will offer 107,000,000 Offer Shares and 26,000,000 Offer Shares representing between 9.7% and 2.4% respectively of our enlarged issued and paid-up share capital, at the IPO Price by way of private placement to selected investors. The Offer Shares shall be subject to the terms and conditions of this Prospectus.

Details of the Offerors and the Offer Shares are as follows:-

Name of Offerors	Registered Address	Relationship with the Group within the past three (3) years	Shares held immediately before the IPO		Shares offered pursuant to the Offer for Sale		Shares after the IPO and Offer for Sale	
			No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Lead Champion	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Promoter and substantial shareholder since 27 September 2008	1,000,000,000	90.7	107,000,000	9.7	893,000,000	74.9
LTH	Bangunan Tabung Haji 201, Jalan Tun Razak 50400 Kuala Lumpur	Substantial shareholder from 6 July 2010 to 14 November 2011	52,664,460	4.8	26,000,000	2.4	26,664,460	2.2

Notes:

(1) Based on the issued and paid-up share capital of 1,102,590,776 Shares before the Public Issue.

(2) Based on the enlarged issued and paid-up share capital of 1,192,590,776 Shares immediately after the Public Issue.

3 DETAILS OF OUR IPO (Cont'd)

3.5 BASIS OF ALLOCATION

The basis of allocation for the IPO Shares takes into account the desirability of distributing the IPO Shares to a reasonable number of applicants with a view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market for our Shares.

All the Public Issue Shares under Section 3.4.2.1(i) have been fully underwritten by the Underwriter.

The Public Issue Shares and Offer Shares under Sections 3.4.2.1(ii) and 3.4.2.2 are not underwritten as investors will be identified to subscribe for / acquire such Public Issue Shares/ Offer Shares, as the case may be.

Any of the Public Issue Shares not subscribed for under Section 3.4.2.1(i) may be made available to selected investors via private placement. Thereafter, any remaining re-offered Public Issue Shares that are not subscribed for will then be subscribed for by the Underwriter based on the terms of the Underwriting Agreement dated 3 January 2011. However, in the event that all the Public Issue Shares under Section 3.4.2.1(i) are oversubscribed, shares not subscribed for under Section 3.4.2.1(ii) and 3.4.2.2, if any, will be made available for application for subscription by the Malaysian Public.

There is no over-allotment or 'green-shoe' option that will result in an increase in the amount of IPO Shares.

3.6 PRE-IPO COST PER SHARE

The following table shows the comparison between the IPO Price and the effective cash cost to Directors or key management, substantial shareholders or persons connected, of the Shares acquired by them in transactions during the past three (3) years, or which they have the right to acquire, save for the Public Issue Shares which are all issued / offered at the IPO Price:-

	Number of Shares	Aggregate Cash Consideration (RM)	Average Effective cost per Share (RM)
Substantial Shareholders			
Lead Champion	1,000,000,000	2,543,514 (SGD 1,055,400)	0.002
LTH	52,664,460	36,338,477.40	0.69
LHY	49,926,316	47,430,000 ** (USD15,810,000)	0.95
Public investors	90,000,000	85,500,000	0.95

Note:-

** Pursuant to the Issuance of Shares to LHY using the exchange rate of USD1.00: RM3.

3 DETAILS OF OUR IPO (Cont'd)

3.7 DILUTION

Our audited NTA per Share as at FPE2011 before adjusting for the Share Split and cancellation of treasury shares, repayment to WWD Ruby and Issuance of Shares to LHY and the net proceeds from the Public Issue and based on the issued and paid up share capital as at 31 July 2011 of 527,700,000 ordinary shares of SGD0.002 each in China Stationery is RM1.36.

Our NTA per Share as at FPE2011 after adjusting for the Share Split and cancellation of treasury shares, repayment to WWD Ruby and Issuance of Shares to LHY and based on the issued and paid up capital of 1,102,590,776 Shares (after taking into consideration the cancellation of 2,735,540 treasury shares effected on 6 January 2012) prior to the Public Issue of 90,000,000 Shares is RM0.69. For further details please refer to Section 6.1.1, "Proforma Consolidated Statement of Financial Position of Our Group as at 31 July 2011".

Pursuant to the Public Issue in respect of 90,000,000 Public Issue Shares at the IPO Price, our NTA per Share after adjusting for the estimated net proceeds from the IPO and based on the enlarged issued and paid up share capital after listing of 1,192,590,776 Shares, would have been RM0.70. This represents an immediate increase in NTA per Share of RM0.01 or 1.4% to our existing shareholders (comprising Lead Champion, LTH and LHY) and an immediate dilution in NTA per Share of RM0.25 or 26.3% to our new investors.

The following table illustrates such dilution on a per Share basis:-

	RM
Issue Price / Offer Price	0.95
NTA per Share as at 31 July 2011	1.36
Proforma NTA per Share (after Share Split and cancellation of treasury shares)	0.68
Proforma NTA per Share (after adjusting for Issuance of Shares to LHY but before the Public Issue)	0.69
NTA per Share after IPO and utilisation of listing proceeds	0.70
Dilution in NTA per Share to new investors	0.25
Dilution in NTA per Share to new investors as a percentage to the IPO Price	26.3%

3.8 PURPOSE OF THE IPO

The purposes of the IPO are as follows:-

- (a) to promote greater market recognition and further enhance our corporate reputation, which will in turn assist in enhancing our proprietary brands and awareness of our products, in order to expand our market position;
- (b) to provide an opportunity for Malaysian investors and institutions to participate in our continuing growth by way of equity participation;
- (c) to enable us to have access to the capital markets for further development and growth through future capital raisings; and
- (d) to raise proceeds for purpose of utilisation as set out in Section 3.10.

3 DETAILS OF OUR IPO (Cont'd)

3.9 BASIS OF ARRIVING AT THE IPO PRICE

Upon application, the applicants will pay the IPO Price of RM0.95 per Share which was determined and agreed upon by our Directors and M&A Securities, after taking into account, *inter-alia*, the following:-

- (a) Our Group's operating and financial history as set out in Section 5.1, "History and Business Overview" and Section 6.1, "Historical Proforma Consolidated Financial Information" of this Prospectus.
- (b) We have achieved an audited consolidated PAT of RMB397.63 million (approximately RM189.07 million based on the average exchange rate RMB1: RM0.4755) and RMB228.39 million (approximately RM105.90 million based on the average exchange rate RMB1: RM0.4637) for the FYE2010 and FPE2011 respectively. Based on our enlarged issued and paid-up share capital of our Company after the IPO, our net EPS based on annualised PAT for FPE 2011 is RMB0.35 (approximately RM0.16). The PER of our Group is therefore 5.94 times based on the Issue Price of RM0.95 per Share and the EPS for FPE 2011.
- (c) Competitive strengths and strategies of our Group as described in Section 5.12, "Our Competitive Strengths and Advantages" of this Prospectus.
- (d) The industry overview and prospects of the stationery industry as described in Section 9, "Executive Summary of the Independent Market Research Report" of this Prospectus.

You should note that the market price of our Shares upon listing on the Main Market of Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares being traded. You should bear in mind the risk factors as set out in Section 4 of this Prospectus and form your own view on the valuation of the IPO Shares before deciding to invest in the IPO Shares.

3.10 PROCEEDS OF THE PUBLIC ISSUE AND PROPOSED UTILISATION

The gross proceeds from the Public Issue amounting to RM85.5 million will accrue entirely to our Company and will be utilised in the following manner:-

	Proposed Utilisation	RM'000	%	Expected time frame for utilisation
(a)	Advertising, branding and promotional activities	10,777	12.6	24 months from the date of Listing
(b)	Purchase of machineries	29,418	34.5	24 months from the date of Listing
(c)	Purchase of machineries for R&D department	25,005	29.2	24 months from the date of Listing
(d)	Working capital	10,000	11.7	12 months from the date of Listing
(e)	Estimated listing expenses	10,300	12.0	6 months from the date of Listing
	Total	85,500	100.0	

3 DETAILS OF OUR IPO (Cont'd)

Brief details on the proposed utilisation of the gross proceeds from the Public Issue are as follows:-

(a) Advertising, branding and promotion activities

During the Review Periods, our Group had incurred advertising, branding and promotion activities amounting to RMB30.9 million, RMB34.5 million, RMB14.1 million and RMB36.4 million in FYE 2008, FYE 2009, FYE 2010 and FPE 2011, respectively. Our Group proposes to utilise approximately RM10.8 million of the gross proceeds from the Public Issue to fund our efforts to strengthen our existing proprietary brands, namely, "SAKURA", "NACHI" and "FOLDERSYS". We will utilise this amount for our advertising, branding and promotion activities in China, by way of:-

- (i) advertising on local newspapers;
- (ii) billboard advertisement in commercial districts, giant poster displays on exteriors of airports;
- (iii) participating in various local and international trade fairs and exhibitions in China to promote awareness of our products; and
- (iv) advancing our retail presence into other provinces and cities by increasing the number of shop-in-shop. We have established the shop-in-shop concept since 2008 as part of our Group's strategies to expand our distribution channels in China and to create brand awareness with relatively low cost as opposed to having our own retail outlets with higher overhead costs. In this regard, we will be utilising the proceeds to expand shop-in-shop distribution of our products in China which we have target to set up more shop-in-shop to expand from our existing 52 shop-in-shop we have presently. We have thus far identified the provinces of Hunan, Hubei, and Henan as the potential locations for the set-up of the new shop-in-shop. The increase in the number of shop-in-shop will result in positive contributions to our revenue and profits.

(b) Purchase of machineries

Our Group proposes to utilise approximately RM29.4 million of the gross proceeds from the Public Issue for the purchase and upgrading of machineries over the next 24 months to increase our production capacity. This amount approximates the capital commitment entered by the group with respect of machineries as at 31 July 2011. Upon acquiring the new machineries, our production capacity in terms of production of PP sheets is expected to increase from approximately 27,600 tonnes per annum as at LPD to approximately 44,400 tonnes per annum.

The expected amounts to be incurred for the machineries are as follows:-

Type and quantity of machines	RM'000
Thirteen (13) PP sheet manufacturing machines	5,205
Eight (8) injection moulding machines	3,975
Five (5) printing machines	10,272
Twenty six (26) accessories assembling machines	9,966
Total	29,418

We plan to increase the production capacity of PP sheets to cater for anticipated increase in demand for our existing products as well as for the production of our new product being the plastic envelope with anti-tampering seal to be launched in 2012, which also requires PP sheets.

3 DETAILS OF OUR IPO (Cont'd)

We intend to purchase, amongst others, PP sheet manufacturing machines, printers, sewing and assembling machines to cater to future demand of our products. As stated in Section 5.7, "Production Capacity and Utility Rates" of this Prospectus, our capacity utilisation rate for PP sheets manufacturing currently exceeds an average of 82% over the Review Periods.

(c) Purchase of machineries for R&D department

Our Group proposes to utilise approximately RM25 million of the gross proceeds from the Public Issue for enhancement of our R&D activities.

We have our in-house R&D department comprising of eleven (11) personnel. Our R&D personnel currently focus on improving the quality of our existing products and to accelerate the development of new products. Our PP sheet formulation is developed internally. As and when required, we seek informal assistance from academic at research centres or universities for enhancement of our existing PP sheet formulation.

Our R&D over the past few years have been focused on the development of PP sheets which involves the chemical mixture, design and recycling of PP sheets, product development and product designing. We also perform in-house testing of the colour, texture, oxidation, thickness, durability of our in-house produced PP sheets.

For testing of our plastic stationery products, we currently have testing machineries such as chromatography, thickness meter, tensile testing machine, burst strength testing machine, corrosion testing machine and anti-oxidation device, which are very basic and manual in nature. It is a laborious task to utilise these machineries to test multiple types of files and PP sheets. Part of the IPO proceeds will be utilised to expand and upgrade our Group's existing R&D capabilities by investing in machineries and equipment dedicated to quality control testing.

The R&D machineries to be purchased comprise colour testing machines, texture testing machines, oxidation testing machines and durability testing machines. These new machines are more advanced, precise and more time efficient as compared to the current machineries.

We intend to utilise approximately RM25 million from our proceeds to purchase about 13 testing machines which are more advanced and sophisticated than the ones we are currently using. The expected amounts to be incurred for the machines are as follows:-

Type and quantity of machines	RM'000
Three (3) colour machine testing machines	5,625
One (1) texture testing machine	1,992
Four (4) oxidation testing machines	7,544
Five (5) durability testing machines	9,844
Total	25,005

The aforementioned machines together with our technical know-how will allow us to expand our R&D initiatives in developing innovative and high margins new products. We believe quality of our products and constant innovation is vital to our continuing growth and success.

(d) Working capital

Our requirement for working capital will increase in tandem with our expected business growth. Therefore, we expect to utilise approximately RM10 million of the gross proceeds for general working capital requirements and day-to-day operations

3 DETAILS OF OUR IPO (Cont'd)

such as staff salaries, marketing expenses and travelling expenses as well as operational expenses such as purchases of raw materials and payment to suppliers, and will be utilised within twelve (12) months from the date of Listing.

(e) Estimated listing expenses

Our Company will bear an estimate of up to RM10.3 million in respect of expenses and fees incidental to the Public Issue. The expenses of our Public Issue will comprise the following:-

Listing Expenses	RM'000
Professional fees	6,068
Placement fee, underwriting commission and brokerage fee	2,993
Issuing house fees and expenses	150
Printing of prospectus, application forms and envelopes	300
Authorities' fees (including fees of SC, Bursa Securities and ROC)	216
Advertisement and publicity	200
Miscellaneous and contingencies	373
Total	10,300

In the event that there are excess proceeds subsequent to the settlement of the listing expenses, such excess will be utilised for our working capital. If the actual listing expenses are higher than estimated, the deficit will be funded out of the portion allocated for working capital.

Pending full utilisation, we intend to place the proceeds raised from our IPO (including accrued interest, if any) or the balance thereof in interest-bearing fixed deposit accounts with licensed financial institution(s) or in short-term money market instruments.

Our Offerors shall bear all expenses such as stamp duty, placement fees, registration and share transfer fee relating to the Offer Shares (which are not included in the amount of RM10.3 million above).

3.11 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

The financial impact and benefits from the proceeds of the Public Issue include, *inter alia*, the following:-

3.11.1 Enhancement of the reputation of our proprietary brands

The proceeds raised will enable us to increase our branding and marketing initiatives through an increase in advertising and promotional activities, such as an increase in the number of advertisements placed in print media, an increase in the amount of exposure of our brands on the media and by participating in a greater number of international and local trade fairs and exhibitions. We expect these initiatives will generate greater recognition for our brands and provide us with a stronger footing and a larger market presence in China.

In advancing our retail presence into other provinces, we will be utilising the proceeds to promote ourselves by expanding the shop-in-shop distribution of our products in China. We expect the increase in the number of shop-in-shop to result in positive contributions to our revenue and profits through wider market outreach and brand awareness in the PRC.

3 DETAILS OF OUR IPO (Cont'd)

3.11.2 Increase production capacity and improved production efficiency

Part of our proceeds is intended to be allocated towards the expansion of our production capacity, including upgrading our existing production facilities and purchase of new machineries. Once our expansion is completed, we expect our increased production capacity to contribute positively towards our revenue and profits.

3.11.3 Improve products research, design and development capabilities

Part of our proceeds is intended to be allocated towards the enhancement of our R&D capabilities through investment in product design and development by purchasing additional testing machineries. Our R&D efforts involve enhancing our existing products and developing new patented products. We expect the enhancement of our products and development of new patented products to result in positive contributions to our revenue and profits.

3.12 BROKERAGE, UNDERWRITING AND PLACEMENT COMMISSION

(a) Brokerage Fee

Brokerage fee relating to the Public Issue Shares is payable by us at the rate of zero point twenty-five percent (0.25%) of the IPO Price in respect of successful applications, which bear the stamps of M&A Securities, or the Issuing House, a participating organisations of Bursa Securities, members of the Association of Banks in Malaysia or members of the Malaysian Investment Banking Association.

(b) Underwriting commission

M&A Securities, as the Underwriter, has agreed to underwrite 60,000,000 of the Public Issue Shares, which will be made available for application to the Malaysian Public. Underwriting commission is payable by us to the Underwriter at the rate of three point five percent (3.5%) of the value of the Public Issue Shares underwritten (being the number of Public Issue Shares underwritten multiplied by the Issue Price).

(c) Placement fees

M&A Securities has arranged for the placement of 30,000,000 Public Issue Shares and 26,000,000 Offer Shares at a rate of up to three percent (3.0%) of the value of the IPO Shares that have been successfully placed by M&A Securities based on the IPO Price.

Sanston Financial Group Limited, as the sub-placement agent has arranged for the placement of 107,000,000 Offer Shares at a rate of up to three percent (3.0%) of the value of the IPO Shares that have been successfully placed by Sanston Financial Group Limited based on the IPO Price.

The placement fee to be incurred for the sale of the Offer Shares will be fully borne by our Offerors.

3 DETAILS OF OUR IPO (Cont'd)

3.13 SALIENT PROVISIONS OF THE UNDERWRITING AGREEMENT

The following are extract of some of the salient clauses contained in the Underwriting Agreement dated 3 January 2012 entered into between us and the Underwriter, including escape clauses, which may allow the Underwriter to withdraw from obligations under the Underwriting Agreement after the opening of the offer:-

- (i) Pursuant to Clause 4.1 of the Underwriting Agreement, the obligations of the Underwriter to underwrite the Underwritten Shares is conditional upon, inter alia, the following: -
- (a) Variation Application: the approval from the SC for the Variation Application being obtained;
 - (b) SC & CCM: the acceptance for registration with the SC and the lodgement with the Companies Commission of Malaysia respectively of the Prospectus together with copies of all documents required under Section 42 of the Malaysian Companies Act 1965 ("the Act") prior to the issuance of the Prospectus to the public;
 - (c) Issuance of Prospectus: the issuance of the Prospectus (including advertisement of the Prospectus and all other procedures, requirements, letters and documents) required under Section 42 of the Act to the public within three (3) months from the date hereof or such extension as consented by the Underwriter;
 - (d) Certificate by the Company: the Underwriter receiving a certificate in the form or substantially in the form contained in Second Schedule (Certificate by Company) of the Underwriting Agreement, one dated the date of registration of the Prospectus and the other dated the closing date, both of which are to be signed by the Director of the Company (on behalf of the Board) stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 3 (Representations, Warranties and Undertakings) of the Underwriting Agreement and being provided with the reports or confirmation and being satisfied at the date of registration of the Prospectus and Closing Date respectively that:
 - (i) there has not occurred any material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole subsequent to the Agreement Date; or
 - (ii) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings in Clause 3 (Representations, Warranties and Undertakings) materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by the Company;
 - (e) No Prohibition: the issue, offering and subscription of the Public Issue Shares in accordance with the provisions hereof and the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Malaysia);
 - (f) Approvals: all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been

3 DETAILS OF OUR IPO (Cont'd)

obtained and are in full force and effect and that all conditions to the approvals (except for which can only be complied with after the Public Issue has been completed) have been complied with;

- (g) Listing & Quotation: the Underwriter being satisfied that the Company will, following completion of the Public Issue be admitted to the Official List and its issued and paid-up share capital listed and quoted on the Main Market without undue delay;
 - (h) Payment of Expenses: the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 13; and
 - (i) Resolutions: the delivery to the Underwriter prior to the date of registration of the Prospectus of (i) a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors of the Company and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; (ii) a certificate dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 4.1(d).
- (ii) Pursuant to Clause 4.2, in the event any of the conditions set forth in Clause 4.1 are not satisfied by the Closing Date, the Underwriter shall thereupon be entitled but not bound to terminate the Underwriting Agreement by notice given to the Company not later than three (3) market days after the Closing Date and upon such termination the Company and the Underwriter shall be released and discharged from their obligations save for the Company's obligations pursuant to Clause 3.3 and 13 and none of the parties shall have a claim against the other save for antecedent breaches by the Company and claims arising therefrom. Each party shall in such event return any and all moneys paid to the other under the Underwriting Agreement within seventy-two (72) hours of the receipt of such notice (except for monies paid by the Company for the payment of the expenses as provided in Clause 13). The Underwriter reserves the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriter's rights under the Underwriting Agreement.
- (iii) Pursuant to Clause 14.1, notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time on or before the allotment and issuance of the Public Issue Shares, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if: -
- (a) there is any breach by the Company of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, or by the Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriter, which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution of the Public Issue Shares; or
 - (b) there is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can

3 DETAILS OF OUR IPO (Cont'd)

- reasonably be expected to have, a material adverse effect on the business or operations of the Group and the success of the Public Issue, or the distribution of the Public Issue Shares; or*
- (c) *there shall have occurred, happened or come into effect in the opinion of the Underwriter any material and/or adverse change to the business or financial condition of the Company or any of its subsidiaries; or*
- (d) *there shall have occurred, happened or come into effect any of the following circumstances: -*
- (i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*
- (ii) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Company and/or the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); which, (in the reasonable opinion of the Underwriter), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or any of its subsidiaries and the success of the Public Issue, or the distribution of the Public Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or*
- (iii) *if in the reasonable opinion of the Underwriter that the success of the Public Issue is seriously and/or materially jeopardised by the FTSE Bursa Securities Kuala Lumpur Composite Index falling below 1,100 points and remaining below 1,100 points for three (3) consecutive Market Days at any time between the date of the Underwriting Agreement and up to and including the Closing Date; or*
- (iv) *in the event of national disorder, outbreak of war or the declaration of a state of national emergency; or*
- (e) *there is failure on the part of the Company to perform any of its obligations herein contained; or*
- (f) *any matter which arose immediately before the date of the Prospectus would have constituted a material and adverse omission in the context of the Public Issue; or*
- (g) *any event, act or omission which gives or is likely to give rise to any liability which will have a material and adverse effect on the Company pursuant to the indemnities contained under the Underwriting Agreement.*
- (iv) *Pursuant to Clause 14.2, Upon such notice(s) being given under Clause 14.1, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of the Underwriting*

3 DETAILS OF OUR IPO (Cont'd)

Agreement, except that the Company shall remain liable in respect of its obligations and liabilities for the payment of the Underwriting Commission pursuant to Clause 11.2 thereof, costs and expenses already incurred prior to or in connection with such termination, for the payment of any taxes, duties or levies or such outstanding fees pursuant to Clause 11.3 thereof, and for any antecedent breach, and its undertaking to indemnify the Underwriter pursuant to the provisions of Clause 3.3.

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4 RISK FACTORS

BEFORE INVESTING IN OUR SHARES, YOU SHOULD PAY PARTICULAR ATTENTION TO THE FACT THAT WE, AND TO A LARGE EXTENT OUR ACTIVITIES ARE SUBJECT TO LEGAL, REGULATORY AND BUSINESS ENVIRONMENT IN THE PRC. OUR BUSINESS IS SUBJECT TO A NUMBER OF FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. BEFORE MAKING AN INVESTMENT DECISION, YOU SHOULD CAREFULLY CONSIDER, ALONG WITH THE OTHER MATTERS IN THIS PROSPECTUS, THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW. THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ARE NOT AN EXHAUSTIVE NOR EXCLUSIVE LIST OF THE CHALLENGES THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY IN THE FUTURE HAVE A MATERIAL ADVERSE EFFECT ON US OR OUR SHARES.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser.

4.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

(i) Increase in price or shortage of PP materials will lead to increased costs and may erode our profitability

PP materials are major components of our cost of sales. In FYE2007, FYE2008, FYE2009, FYE2010 and FPE2011, PP materials constituted approximately 47.2%, 43.7%, 42.7%, 46.2% and 46.9% of our cost of sales, respectively. As PP materials are by-products of crude oil, the prices of PP materials are also affected to a certain extent by the movement of crude oil prices. Please refer to Section 9, "Executive Summary of the Independent Market Research Report (Industry Overview)" for the correlation between PP prices and crude oil prices.

As a result, should there be any significant increase in the price of PP materials due to demand and supply conditions or increases in crude oil prices, and if we are unable to pass on such increase in costs to our customers, our profitability and thus our financial performance would be adversely affected.

Should there be a shortage of PP materials and our suppliers are unable to fulfill our requirements as contracted, our production, sales and financial performance would be adversely affected.

However, to date, we have not faced any difficulties in obtaining our raw materials nor has there been any material increase in raw material price which led to any material adverse effect on our operations or financial position. Further, we have warehouse capacity to stockpile approximately 1,000 tonnes of PP granules and other PP materials. We generally have stockpile of approximately 12 days supply of PP granules and other PP materials in our warehouses. Based on Section 6.11, "Key Financial Ratios", our inventory turnover period throughout the Review Periods ranges between 12 days and 16 days.

We have signed three (3) purchase agreements for PP granules with certain key suppliers to allow our Group to secure PP supply from long standing suppliers with proven track record of quality and reliability and details of such agreements are set out in the ensuing risk factor and also in Section 5.18, "Major Suppliers" and Section 5.8, "Salient Terms of Contracts on Which Our Group is Highly Dependent On" of this Prospectus. Further details on PP materials are set out in Section 6.2.3 – Direct Materials.

4 RISK FACTORS (Cont'd)

(ii) We are reliant on our key suppliers and disruption in supply of raw materials may affect our operations and ability to meet deadlines

As stated in the preceding risk factor, PP materials are the major raw materials of our Group. We purchase PP raw materials such as PP granules, POM, ABS, additives and chemicals which are used to produce our PP sheets and the handles of our plastic tape printer. Our Group purchase PP materials from various suppliers and our major suppliers for PP materials are Quanzhou Quangang Hongxin Chemical Trading Co., Ltd. and Horneman Chemplas (Far East) Ltd. Aside from PP materials, we also purchase other materials. The major suppliers for other materials are Xiamen Jiyu New Material Co., Ltd. and Shenzhen Jianzhong Jiakai Polyurethane Co., Ltd.

In the event that we are unable to procure the raw materials from our key suppliers in the quantities required by us, our operations and our ability to meet our production deadlines may be adversely affected. Consequently, our reputation, profitability and financial performance will be adversely affected if we are unable to meet the orders of our customers.

We have signed three (3) purchase agreements for PP granules with Horneman Chemplas (Far East) Ltd, Y&M International Corp. and Daelim Corporation. The agreements are valid for a period of one year and may be automatically renewed. These agreements are still valid and have not been terminated as at the LPD. Under the terms of the purchase agreement with Horneman Chemplas (Far East) Ltd, our Company is required to purchase a minimum quantity of PP granules per month from Horneman Chemplas (Far East) Ltd, which we have so far been able to comply with. The Group maintained a cordial relationship with its PP materials suppliers and to-date, has not experienced any disruptions to supply.

The plastic tape printer is our main patented product. The raw materials for the plastic tape printer include ABS (for the handle of the plastic tape printer), POM and various components inside our plastic tape printer such as sponge for the roller and other miscellaneous accessories.

Our plastic tape printer also requires a special type of ink to print the logo or design onto the sticky side of the adhesive tape as detailed in Section 5.3, "Our Products". The special ink was developed by our supplier at our Group's request and based on specifications given by us. The formulation of this ink does not reside with our Group. We choose not to produce our own ink as manufacturing of ink is not our Group's core business. Our Group has entered into a purchase agreement with the ink supplier which provides, inter-alia, that the supplier is not to sell the ink to any other party other than our subsidiary, Ruiyuan. The tenure of the purchase agreement is from 1 March 2009 to 28 February 2011 and there is a provision for an automatic extension for another two (2) years period upon its first expiry, i.e. up to 28 February 2013. As such, the said agreement has been extended to 28 February 2013. There is no provision on the termination notice period for the agreement. The supplier is also prohibited from divulging any information concerning the purchase agreement. In the event the ink supplier breaches this obligation, the ink supplier shall be liable for losses suffered by the Group arising from such breach.

Our Group has maintained a cordial relationship with the ink supplier and as at the LPD, has not experienced any disruptions to the supply of the special ink from the ink supplier. Moving forward, our Group does not expect any changes to this arrangement or relationship.

To the best of our Executive Directors' knowledge, there is a ready market for PP materials and apart from the suppliers listed above, there are a number of other suppliers of PP materials in the market which our Group can source for PP materials should the need arise.

4 RISK FACTORS (Cont'd)

As for other raw materials required in our production process (aside from ink), our Executive Directors believe that there is a ready market for the raw materials and our Company could source for the raw materials from other suppliers other than those listed above.

(iii) We are subject to credit risks of our customers and default in payments may adversely affect our financial performance

We generally grant our customer credit terms of 30 to 180 days on an open account basis. The only exception is for shop-in-shop where the credit term for the initial inventory of RMB200,000 per shop is payable in four (4) monthly installments effective from the seventh (7th) month. This is part of our efforts to expand our shop-in-shop network.

We conduct regular internal reviews of our credit exposure to our customers. No bad debts or provision for doubtful debts have occurred during the Review Periods. However, we are subject to credit risks of our customers which may arise from events and circumstances beyond our control or events which are difficult to anticipate or detect, such as economic downturn or deterioration in the financial position of our customers. Our trade receivables turnover period for the FPE2011 is 81 days which is within the credit periods granted by our Group.

In the event of default in payments by our customers, we will have to make provisions for doubtful debts or incur bad debt write-offs, which may adversely affect our financial performance.

(iv) We may not be able to implement our plans to expand production capacity and improve production efficiency successfully

As demand for our products is presently on an increasing trend as demonstrated by our continuous revenue growth, we have been increasing our production output and our production capacity. Increasing our production capacity will enable us to achieve better economies of scale for our production costs.

We intend to upgrade our existing production facilities to increase our production capacity and production efficiency through the purchase of new machineries and equipments. Please refer to Section 5.7, "Production Capacity and Utility Rates" for more information on the increase in production capacity of our Group over the Review Periods and future plans of our Group in terms of plant and capacity expansion.

There can be no assurance that our current or future plans to expand and improve our production facilities will be successful or meet our expectations. If we are unsuccessful in our plans or if we face prolonged operational problem, we may not be able to meet the demand for our products and/or become less competitive than our competitors.

Our business and operations may be materially and adversely affected which will lead to decreased or stagnant profitability. In addition, any delay or increase in cost for any of our expansion and/or improvement plans may have an adverse and material effect on our business and operations as well as our profitability. Production of plastic stationery products has commenced from part of the New Plant since March 2010. Further, if there are problems with the facilities in the New Plant or for any reasons the New Plant does not function as efficiently as intended, or our utilisation of the New Plant is not optimal, our business, financial condition, results of operation and prospects could be materially and adversely affected.

4 RISK FACTORS (Cont'd)

Our expansion plans involve a number of risks, including but not limited to capital expenditures incurred in respect of the costs of setting up new production facilities, costs of working capital tied up in inventories, marketing and promotional expenses and other working capital requirements. Whilst we may utilize significant resources in our business expansion plans, there is no assurance that we will be successful in increasing our market share or revenue correspondingly. Any failure to do so may lead to over expansion of capacity and correspondingly there may be material adverse effect on our financial performance.

(v) We may not be able to sustain the high gross profit margin we are currently enjoying for our patented products

Generally, our patented products are unique and consist of innovative solutions for our customers which can command higher gross profit margin than our non-patented products. Over the Review Periods, we have enjoyed high gross profit margin of 63.1%, 61.1%, 60.9%, 59.5% and 58.3% for our patented products for FYE2007, FYE2008, FYE2009, FYE2010 and FPE2011 respectively. The gross profit margin for our patented products has been, however, on a decreasing trend throughout the Review Periods mainly due to our strategy to reduce the selling price of our plastic tape printer to make it more affordable to customers and hence, obtaining greater market penetration. Details (including expiry date) of our patents are set out in Section 5.11 (b).

Upon expiry of these patents, there is no assurance that we will continue to be able to register such high gross profit margin for our patented products in the future, or that our gross profit margin will be consistent and not decrease further. Our Group's gross profit margin may be adversely affected by many factors, including market acceptance and demand for our products, competition and loss of technological superiority over our competitors. However, we are not able to quantify the potential erosion of gross profit margins resulting from this risk at this point in time.

In mitigating this risk, our Directors will endeavour to maintain the gross profit margin of our patented products through prudent management, cost control and continuous focus in developing new patented products through R&D to compete with our competitors and to meet the ever-changing market demand.

(vi) We are subject to operating risks associated with our production which may cause production downtime and delay delivery schedule to our customers

Our revenue is dependent on the continued operations of our production facilities. Our production facilities are subject to risks including fire, theft, power shortage, unexpected breakdown and capital expenditure, or failure or sub-standard performance of our production equipment, business interruption and natural disaster. If any of these events occurs at our production facilities, our plants and equipments may be damaged or destroyed, and consequently our operations and financial performance may be adversely affected. Such disruptions may cause production downtime and delay delivery schedule to our customers.

In the event of a power failure, we currently have two (2) power generators on standby which are sufficient to sustain our current entire production operations.

In mitigating the risk of unexpected breakdown of our production facilities, all machineries which we purchase from the manufacturers came with warranty of at least 1 year. In addition, we also conduct regular servicing of our machineries and equipments to minimize the risk of equipments or machineries breakdown.

4 RISK FACTORS (Cont'd)

(vii) We may not have sufficient insurance coverage

As stated above, we are susceptible to operations risk which may cause significant damages to our inventories, production facilities and other fixed assets thus disrupting and affecting our operations.

As we are aware of the adverse consequences arising from inadequate insurance coverage, we have taken up property insurance coverage for our First Plant, Second Plant and New Plant, plant and machineries, motor vehicles and inventories. However, there is no assurance that this coverage is sufficient to cover all potential losses and indemnify us against all possible liabilities arising from our operations.

We are currently constructing more buildings in Wuxin & Donglou Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星, 东楼村) and within Putian City High-Tech Industrial Development Zone (莆田市高新技术产业开发区内) where our New Plant is located and we had procured insurance for all the completed buildings in the New Plant.

To limit our risks, we ensure that we meet all safety requirements required for our operations. We also conduct briefing to our production staff on the proper use of machineries. By complying with the safety requirements issued by the relevant authorities and making sure our production staff are adequately trained, we minimize the risk of industrial accidents in our facilities.

Despite the above, there is no assurance that our insurance coverage is sufficient to offset the potential financial losses arising from public liability, fire, theft and personal accidents.

In addition, the Protection of the Rights and Interests of Consumers Law of the PRC (中华人民共和国消费者权益保护法) protects the rights of consumers in respect of safety of person and property in the purchase and use of goods and services and the Administrative Authorities for Industry and Commerce are authorised to impose penalties on these manufacturers and sellers. We currently do not maintain any insurance policies against other contingencies, notably product liability claims. Under the Product Quality Law of the PRC (中华人民共和国产品质量法), if a product causes property damage or personal injury, manufacturers and sellers of the product are liable for property damage or personal injuries caused by the product.

We may be subject to claims from consumers or victims alleging injuries or other negative side effects arising from possible defects in our products.

In the event we are faced with any significant product liability claims or any other form of adverse event where we have insufficient or no insurance coverage, our business and financial performance may be materially and adversely affected. Should our Group not be able to successfully defend such claims, there can be no assurance that customers will not lose confidence in our Group's products, thereby adversely affecting the business and reputation of our Group. A product liability claim, even without merit, could result in our Group incurring significant expenses and substantial time and efforts of our management in defending and proving such claim to be without merit. As at the LPD, we are not aware of any product liability claim made against us nor has there been any product liability claims made against us since the commencement of our business. We are of the opinion that such claim is remote due to the nature of our products which usage is non-invasive in nature. However there can be no assurance that we will not face any claims from consumers alleging negative side effects from the use of our products in the future and that such claim will not have a material and adverse impact on our Group's business, branding or financial condition.

4 RISK FACTORS (Cont'd)

(viii) We may be exposed to accidents from our production process resulting in fatality, injury or property damage which may expose us to claims and liability

According to certificates dated 12 December 2011 issued by Putian City Hanjiang District Safety Production Supervision Bureau (莆田市涵江区安全生产监督管理局), (i) our China Subsidiaries have, since their respective establishment, been operating in compliance with the relevant PRC laws and regulations in relation to production safety and (ii) our China Subsidiaries have not been found violating any PRC laws and regulations relating to production safety and no administrative penalty has been imposed on our China Subsidiaries. We have improved and enhanced our health and safety system to inform new employees of our work and safety policies. New employees are briefed on how to operate machines safely and undergo training. Instructions on the use of machines are also pasted on the relevant machines. Our employees holding supervisory positions are required to monitor and ensure that all employees comply with these policies and monitor employees.

In addition, we have installed an ultrasound device onto some of our cutting and welding machines where necessary. This device works by disabling the cutting or welding functions of the machines when it detects obstructions in the cutting or welding areas.

There is however no assurance that accidents will not occur or that our safety guidelines and procedures will provide adequate protection or will be followed. Any significant accidents resulting in fatality, injury or property damage, even though we may not be responsible or found to be at fault, may expose us to claims and liability which may result in significant legal costs and damages.

In mitigating this risk, we will continue to educate our employees on work place safety and where relevant we will install the relevant safety device to prevent injury to our production employees.

(ix) We may not be able to compete successfully in our industry as the stationery industry is extremely fragmented and competitive

We operate in the stationery industry which is an extremely fragmented and competitive industry, and we cannot assure you that we will be able to compete successfully in the future against many companies of varying sizes in the similar industry. Our success will depend on our ability to compete effectively against these competitors in terms of product quality, customer service, price and timely delivery. Our competitors may have longer operating histories or access to more advanced technologies or greater access to capital for R&D and marketing activities than we do. They may also offer more competitive cost structures due to their geographical location or nature of products and services provided. As a result, these companies may be able to compete more successfully over a longer period of time than we can. In addition, we may face competition from new entrants who may deliberately price their products lower than ours in order to gain access to this industry. In such circumstances our business and financial results may be adversely and materially affected. In mitigating this risk, our management intends to continue its focus in strengthening our brands. We will also continue to enhance our product quality and develop new patented products through R&D to compete with our competitors. Further, we have managed to diversify our clientele to overseas market. For FYE 2010 and FPE2011, our sales to overseas distributors accounted for approximately 72.5% and 71.8% of our Group's revenue.

As at the LPD, our products are sold globally in over 45 countries to more than 400 customers (including distributors, retailers and corporations) located mainly in China, Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China), Europe, America and other regions, showing wide acceptance for our products. As shown

4 RISK FACTORS (Cont'd)

in Section 5.17, "Major Customers", the Group has no major customers which accounted for more than 10.0% of sales over any FYEs/FPE in the Review Periods.

(x) We are reliant on our brands and the image and quality associated with our brands and there is no assurance that our marketing and promotional activities will remain effective

We sell our products under our own brands, namely, "SAKURA", "NACHI" and "FOLDERSYS". We believe that our brands are critical to our success. Future sales of our products will depend in part on increasing brand recognition for our products and our ability to protect our brands from third party usage or counterfeit which may affect our reputation and goodwill associated with our brands. We are also reliant on our distributors and shop-in-shop to maintain the goodwill of our brands. Our past business awards as highlighted in Section 5.14, "Key Milestones, Achievements and Awards" also help us to promote our brand quality and image in the market.

The strength of our business and market position largely depend on our ability to successfully promote our name and/or brands, and our ability to continue to develop and sell new products under our brands. We cannot give assurance that our marketing and promotional activities will remain effective. If we fail to successfully market or promote our name and/or brands, our name and/or brand recognition may be adversely affected and the demand for our products may decline or fail to increase as we expected. If our name and/or brands are tarnished in any manner, including any negative publicity or perception, whether in the PRC or internationally, whether true or untrue, caused by us or any third party, we may lose our competitive advantage and/or incur cost in mitigating the negative publicity/perception or rebuilding our name and/or brands. As a result of that, our business, financial condition and results of operations may be materially and adversely affected. However, to date, there has not been any negative publicity on our brands.

(xi) Our expenditure on R&D may not lead to successful sales of new or improved products or may fail to be commercialised for a variety of reasons, including changes in consumer trends and new or unforeseen technological advances made by our competitors

Our investment in R&D may not result in successful and saleable new or improved products. New or improved products that may appear to be promising in the early stages of R&D may fail to be commercialised for a variety of reasons, including changes in consumer trends and new or unforeseen technological advances made by our competitors. We intend to utilise approximately RM25.0 million of our proceeds from the IPO towards the enhancement of our R&D facilities, which include the purchase of testing machineries, which will lead to improvement in the quality of our products. The aforementioned machineries will allow us to expand our R&D initiatives in developing innovative and high margins new products. We believe quality of our products and constant innovation is vital to our continuing growth and success.

We are currently developing two new products, i.e. the plastic envelope with our proprietary anti-tampering seal and the second generation plastic tape printer. We intend to launch the anti-tampering plastic envelope by mid 2012 and second generation plastic tape printer commercially in the first quarter of FYE2012. We cannot assure you that the anti-tampering plastic envelopes and the new type plastic tape printer will be successfully launched or that our investment in R&D projects will be successful or will be completed within the anticipated time frame. Unsuccessful R&D or delay in R&D may have an adverse impact on our profitability and financial performance. Further, expenses incurred on the R&D may have to be written off if the R&D proves to be unsuccessful or if sales of the new or improved products are insufficient to cover such R&D expenses. Such write-offs would have an adverse impact on our profitability and financial performance. Please refer to Section 5.9, "R&D" for more information on current R&D efforts and Section 5.21, "Future Products, Future Plans, Business Strategies and Prospects" for more information of our two (2) new future products.

4 RISK FACTORS (Cont'd)

(xii) We may inadvertently infringe third-party trademarks for our products manufactured outside the scope of our trademark registrations and any claim of infringement against us may adversely affect our profitability and financial performance

We sell our products under our own brands, namely, "SAKURA", "NACHI" and "FOLDERSYS", all of which are trademarks registered in China, and registered for specific classes and specified products. Please refer to Section 5.11, "Intellectual Property" for more information on our intellectual properties.

To the best of our Executive Directors' knowledge, we are not aware of any infringement of third parties' trademarks by our Group. The word "Sakura" and its Chinese or Japanese (Kanji) translation are marks (in different variations and calligraphic styles) for all types of goods and services, and are used in our "SAKURA" mark and Yinghua mark, respectively. Stylised 5-petal flowers are also commonly used, in different variations, as marks and a stylised Sakura, a 5-petal flower, is the concept of our Flower Device. Marks using the word "Sakura" or its Chinese or Japanese (Kanji) translation or a stylised 5-petal flower have been registered by various parties, some of these registrations are for stationery. Should there be any claim of infringement against us, this could adversely affect our profitability and financial performance.

Prior to 1 January 2008, we manufactured pencil boxes and place mats under the "SAKURA" mark. We have registered our "SAKURA" mark under Class 16 Trademark in the PRC which includes files (文件夹), data books (资料册), business card holders (名片簿), note books (笔记簿), account books covers (帐簿皮), photo albums (相片簿) and stamp albums (集邮册) but does not include pencil boxes and placemats. We have stopped production of pencil boxes and place mats under the "SAKURA" mark since 1 January 2008 as our registered "SAKURA" mark under Class 16 Trademark in the PRC does not include pencil boxes and placemats. Under the PRC laws, the limitation period to commence an action for infringement of registered trademarks is two years. The limitation period commences from the time when the registered owner of the trademark has knowledge or ought to have known about the infringement of the trademark.

Although we have stopped production of pencil boxes and placemats under our "SAKURA" mark, we still produce pencil boxes and placemats for our OEM customers.

(xiii) We may be subject to claims for infringement of third parties' intellectual property rights arising from our OEM contracts

As at the LPD, we are not aware of any violation or infringement of intellectual property rights of third parties by our Group. Apart from manufacturing stationery under our own brands, we also manufacture stationery on behalf of OEM customers or exporters who have been appointed as authorized distributors of the OEM brands by the brand owners. During the Review Periods, an average of 88.7% of our products are sold under our own brands, whilst the remaining 11.3% of our products are sold to our OEM customers. We run the risk that the OEM products which we manufacture for the OEM customers may infringe third party intellectual property rights. The OEM products include files, magazine boxes, display books, notebooks, business address books and clear bags.

4 RISK FACTORS (Cont'd)

In mitigating this risk, our management requires OEM customers to provide documentary confirmation satisfactory to our management that the OEM customers is the legal owner of the intellectual property rights or have been authorized by the intellectual property rights holder to produce the OEM products. Failing which, our Company will decline to produce the OEM products. Whilst it is not the intention of our Group to violate or infringe on any third party intellectual property rights, we cannot give any assurance that our OEM customers are indeed authorised to produce the OEM products and that the OEM products which we produce for our OEM customers do not and will not infringe other registered trademarks or intellectual property rights belonging to third parties in the future. In the event the intellectual property rights owner commences legal proceedings against our Group, the documentary confirmation we have obtained from our customers may not protect us from such proceedings. As such, we may be subject to legal proceedings and claims relating to such alleged infringement.

In the event of any claims or litigation involving alleged infringement of the intellectual property rights of third parties, whether with or without merit, it could result in a diversion of our management time and resources and our business operations may be materially and adversely affected. In the event of a successful claim against us arising from such proceedings, we may be subject to liability which may materially affect our reputation and the continued production of the OEM products and consequently, our business and financial performance.

- (xiv) **We may not be able to adequately protect our intellectual property rights and third parties may inadvertently infringe our intellectual property rights causing us to face difficulties and costly litigation in enforcing or defending our rights to use the intellectual property**

Currently, our intellectual property rights comprise patents, trademarks, trade secrets, and know-how which are protected by means of registrations of patents and trademarks and confidentiality and non-competition agreements which we have entered into with our R&D staffs and Executive Directors. Please refer to Section 5.11, "Intellectual Property" for more details on the registrations of our intellectual property rights. As at the LPD, our trademarks and patents are only registered in the PRC and hence do not enjoy protection in other jurisdictions. If third parties infringe or challenge our intellectual property rights, we may face difficulties and costly litigation in enforcing or defending our rights to use the intellectual property. If we are unable to effectively enforce our intellectual property rights, our brands, reputation, profitability and thus our financial performance may be adversely affected. As and when the need arises, our Group will consider to register our trademarks and patents internationally. Up to the LPD, our Group does not have knowledge of any third parties infringing or challenging our intellectual property rights.

- (xv) **We are dependent on our Executive Directors and the loss of their services will have an adverse impact on our business operations**

Our continued success is dependent, to a large extent, on our ability to retain the services of our Executive Directors who collectively have more than 30 years of experience in the plastic stationery industry and are responsible for charting and implementing the overall business strategy of our Group and our corporate growth.

In particular, Chan Fung @ Kwan Wing Yin, our Executive Chairman, is one of the founders of our Group and is responsible for the business strategy and development of our Group in markets outside the PRC. Our Executive Director, Angus Kwan Chun Jut assists Chan Fung @ Kwan Wing Yin in the overall day-to-day operations whilst Jiang Danping is in charge of domestic business development, customer relationship management, investor relations and governmental related matters of our Group.

4 RISK FACTORS (Cont'd)

We have on 21 July 2010 entered into service agreements with each of our Executive Chairman and Executive Directors for a term of three (3) years. Please refer to Section 10.9, "Service Agreements" for more details on these agreements. Notwithstanding the above the loss of the services of our Executive Chairman and Executive Directors without suitable and timely replacements may lead to the loss or deterioration of important business relationships which would have an adverse impact on our business operations and the prospects of our Group. The Executive Chairman and Executive Directors are required to give our Company twelve (12) months notice should they wish to terminate their appointment or in lieu of the said twelve (12) months notice, an amount equivalent to twelve (12) months salary based on their last drawn monthly salary.

Our Executive Chairman, Chan Fung @ Kwan Wing Yin and our Executive Director, Angus Kwan Chun Jut are Hong Kong permanent residents. According to the PRC laws, where a domestic employer that intends to employ employee of or accept dispatched employee of Taiwan, Hong Kong and Macao, shall apply for the Employment Permit for Taiwan, Hong Kong and Macao for such personnel, and complete registration and filing procedures for employment of Taiwan, Hong Kong and Macao Personnel with the relevant labour administration authorities. According to the Employment Permit (No.200922) dated 4 November 2009 issued by Putian City Labour and Social Security Bureau (莆田市劳动和社会保障局), Chan Fung @ Kwan Wing Yin has obtained the permit which will expire on 26 August 2012. Similarly, Angus Kwan Chun Jut has also obtained the Employment Permit (No.200952) dated 15 January 2010 issued by Putian City Labour and Social Security Bureau which will expire on 14 January 2013.

We cannot assure you that our Executive Chairman, being Chan Fung @ Kwan Wing Yin and our Executive Director, Angus Kwan Chun Jut will be able to renew their work permits and any changes in the PRC labour laws may have an impact on the issuance or validity of such permits.

(xvi) We may not be able to attract and retain suitable employees for our Group and the loss of whom could affect our operations

We are in a labour-intensive industry and our factories are sited in Putian, the coastal area of the PRC. With the rapid industrialisation of the PRC, there is a strong demand for labour of varying degrees of skill and from various sectors and industries. As such, the growing competition for labour in the coastal areas of the PRC may result in a tight labour market.

We are reliant on the employees engaged in R&D. The employees are responsible for the continuous improvement of the PP sheet, to develop innovative products and improve on existing products. Therefore, we have entered into employment contracts with these key employees for 3 years each, and these contracts contain protection of intellectual property, confidentiality and non-competition obligations.

In addition, labour costs in the PRC have been experiencing an upward trend in the past few years and there is no assurance that the costs of labour in the PRC will not continue to increase in the future.

Furthermore, labour costs may be affected by mandatory minimum wage guidelines prescribed by the local government in Putian, where our production facilities are located. There is no assurance that the relevant authorities will not increase the minimum wage requirements in the future. Consequently, if we are not able to pass on these increased costs to our customers, this may result in our financial performance being adversely affected.

4 RISK FACTORS (Cont'd)

While efforts have been made to attract new employees and offering competitive remuneration to existing employees, there can be no assurance that these efforts are effective in attracting new employees or retaining our existing employees. The loss of the services of these employees without suitable and timely replacements will have an adverse impact on our business operations and the prospects of our Group. The continued growth of our business in the future depends upon our ability to attract, train and retain suitable employees. The competition for employees is intense and our failure to attract, train and retain suitable employees could adversely affect our profitability and thus our financial performance. As part of our plan to utilise our IPO proceeds, we intend to upgrade our machineries to achieve greater automation in our production process to be less labour intensive.

(xvii) Reduction in export tax rebates may affect our profitability and financial performance

We enjoy export tax rebates on our sales to overseas customers. The export tax rebates will be set-off against the value added tax ("VAT") for corresponding purchases. We set out below the export tax rebate policy and export tax rebates we enjoyed over the Review Periods.

Export tax rebate policy

Export tax rebates	FYE2007	FYE2008	FYE2009	FYE2010	FPE2011
Sakura Stationery (for plastic folders)	1 January 2007 to 30 June 2007: 11.0% 1 July 2007 to 31 December 2007: 5.0%	1 January 2008 to 31 October 2008: 5.0% 1 November 2008 to 31 December 2008: 9.0%	1 January 2009 to 31 March 2009: 9.0% 1 April 2009 to 31 May 2009: 11.0% 1 June 2009 to 31 December 2009: 13.0%	1 January 2010 to 31 December 2010: 13.0%	1 January 2011 to 31 July 2011: 13.0%
Ruiyuan (for plastic tape printer)	1 January 2007 to 30 June 2007: 13.0% 1 July 2007 to 31 December 2007: 11.0%	1 January 2008 to 30 November 2008: 11.0% 1 December 2008 to 31 December 2008: 13.0%	1 January 2009 to 31 December 2009: 13.0%	1 January 2010 to 31 December 2010: 13.0%	1 January 2011 to 31 July 2011: 13.0%

In the event of reduction in the export tax rebates, we will seek to pass on such additional costs to our customers. However, there is no assurance that we will be successful in doing so.

4 RISK FACTORS (Cont'd)

Under the Review Periods, the export tax rebates enjoyed by our Group are set out below:-

Export tax rebates enjoyed by our Group

RMB'000	FYE2007	FYE2008	FYE2009	FYE2010	FPE2011
Export tax rebates	27,324	31,216	59,725	82,604	55,996

As at the LPD, we are not aware of any proposed change(s) to the current export tax rebate policy in relation to our business. If the export tax rebates are reduced (in whole or in part) and we are unable to pass on such additional costs to our customers, our profitability and financial performance would be adversely affected and the extent of the financial effects would depend on our future export sales.

(xviii) We are exposed to fluctuations in the economic condition of the PRC and our other overseas market

Our manufacturing operations are located in the PRC and we derive our revenue from both PRC domestic sales and from sales to overseas markets through our exporters to over 45 countries covering more than 400 customers (including distributors, retailers and corporations) located in China, Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China), Europe, America and other regions. Accordingly, the success of our business depends to a large extent on the conditions and the continued growth in both consumer markets in the PRC and overseas, respectively. The growth in such markets depends on the conditions and the continued growth in their respective economies and individual income levels. We believe that consumer spending habits are adversely affected during periods of economic downturn, recession in the economy or uncertainties regarding future economic prospects which may have an adverse effect on certain enterprises operating within the consumer and retail sectors, including our Group. Any future slowdown or decline in the economy of the PRC and/or our overseas markets and general consumer spending habits would adversely affect our business, operating results and financial condition.

4.2 RISKS RELATING TO THE PRC

(i) Our businesses are subject to environmental laws and regulations in the PRC and if more stringent regulations are adopted in the future, the cost of compliance with such new regulations could be substantial

Our China Subsidiaries are required to comply with the environmental laws and regulations in the PRC. Although our China Subsidiaries currently comply with these laws and regulations, if more stringent regulations are adopted in the future, the cost of compliance with such new regulations could be substantial. Our profits may be adversely affected if we are unable to pass on such additional costs to our customers. If we fail to comply with future environmental regulations, we may be subject to substantial fines, suspension of production or even the cessation of our operations.

4 RISK FACTORS (Cont'd)

Environmental laws in the PRC have historically been subject to frequent change. We are unable to predict the future costs or other future effects of environmental laws on our operations. In addition, any changes in environmental or other laws affecting our business may further increase our costs, which could have a material adverse effect on our business, financial condition, results of operation and prospects.

Breach or non-compliance with these PRC laws and regulations may result in the suspension, withdrawal or termination of our China Subsidiaries' business licences or permits, or the imposition of penalties, by the relevant authorities. Our China Subsidiaries' business licences are also granted for a finite period and any extension thereof is subject to the approval of the relevant authorities. Please refer to Section 5.10, "Approvals, Major Licences and Permits" for further details on our licences and permits. Any suspension, withdrawal, termination or refusal to extend our Group's business licences or permits would cause us to cease production of certain or all of our products, and this would adversely affect our business, financial condition, results of operation and prospects. Please refer to Annexure B for further details on the PRC laws and regulations.

(ii) Uncertainty in the legal system of the PRC may make it difficult for us to predict the outcome of any disputes that we may be involved in

The legal system in the PRC is based on the Constitution of China and is made up of written laws, regulations, circulars and directives. The Chinese government is still in the process of developing their legal system, so as to meet the needs of investors and to encourage foreign investment. As the Chinese economy is undergoing development generally at a faster pace than their legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Precedents on the interpretation, implementation and enforcement of PRC laws and regulations are currently limited and the decisions of the PRC courts do not bind the same in subsequent cases. As a result, it may be difficult for us to predict the outcome of any disputes that we may be involved in the PRC. Even in cases where judgments are granted in our favour, we may be unable to enforce them if the other party does not have the means to satisfy the judgment. In the event that we fail to obtain judgment or are unable to enforce judgments, we may not be able to recover the judgment debt, which we would have otherwise been entitled to. Accordingly, our business and financial performance may be affected.

(iii) Our business and financial performance are highly susceptible to changes in the economic, political and social conditions of the PRC

Since 1978, the Chinese government has undergone various reforms of their economic systems. Such reforms have resulted in economic growth for the PRC in the last three (3) decades. However, many of the reforms are unprecedented or experimental and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further adjustments of the reforms measures. This refinement and adjustment process may consequently have a material impact on our operations in the PRC or a material adverse impact on our financial performance. Although the economy in the PRC has enjoyed relatively good growth in the past and is expected to continue to grow in the near future, there is no guarantee that such growth will continue.

4 RISK FACTORS (Cont'd)

Our business and financial performance may be adversely affected by changes in the political, economic and social conditions of the PRC and by changes in policies of the Chinese government or changes in laws, regulations or the interpretation or implementation thereof.

(iv) Increase in income tax or changes in income tax incentives of the PRC will affect our profitability and financial performance

In accordance with Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法), together with its implementation rules which came into effect on 1 July 1994 (collectively, the "Income Tax Laws"), Ruiyuan, which was established as a WFOE in the PRC on 16 February 2006, is exempted from the state corporate income tax for its first two profitable calendar years of operations and is entitled to a 50.0% relief from the state corporate income tax for the following three (3) years (the "Tax Holiday"). In addition, the 3.0% local income tax may be fully exempted during the above specified five (5) years according to local regulations.

The New Income Tax Law was promulgated according to which corporate income tax rate applicable to all PRC enterprises (including foreign invested enterprises) will be fixed at 25.0%, effective as of 1 January 2008. However, under the New Income Tax Law, foreign investment enterprises which were incorporated prior to 16 March 2007 and were entitled to enjoy the Tax Holiday under the Income Tax Laws, would be entitled to continue to enjoy the income tax preferential policy until the expiry date stipulated by the Income Tax Laws and relevant regulations. Whereas, those have not enjoyed the above preferential treatment due to lack of profitability, such preferential period shall commence from FYE2008.

The first profit-making year of Ruiyuan commenced in FYE2006. Accordingly, Ruiyuan was exempted from the corporate income tax in FYE2006 and FYE2007. For FYE2008 to FYE2010, the income tax rate applicable to Ruiyuan would be at a 50.0% reduction from the uniform income tax rate of 25.0%. Subsequent to FYE2010, Ruiyuan would be subjected to the uniform income tax rate of 25.0%.

In accordance with the Income Tax Laws and the New Income Tax Law, our China Subsidiaries were/are subject to the income tax rates as below:-

Subsidiary	FYE2007	FYE2008	FYE2009	FYE2010	FYE2011
Sakura Plastic	12.0%	25.0%	25.0%	25.0%	25.0%
Sakura Stationery	12.0%	25.0%	25.0%	25.0%	25.0%
Ruiyuan	Exempted	12.5%	12.5%	12.5%	25.0%

If there is an increase in tax rates or changes in the income tax incentives we currently enjoy, we will incur higher income tax charges and this will have a negative impact on our profitability and financial performance.

Please refer to Annexure B for further details on the Income Tax Laws and the New Income Tax Law.

4 RISK FACTORS (Cont'd)

(v) **PRC foreign exchange control may affect our ability to receive dividends and other payments from our China Subsidiaries**

SAFE regulates foreign exchange matters in the PRC, including the conversion of RMB into foreign currencies, and vice versa. RMB conversions are regulated by Regulations for Foreign Exchange Controls of PRC (中华人民共和国外汇管理条例) and other relevant foreign exchange regulations ("Forex Laws").

According to the Forex Laws, China-established foreign invested enterprises ("FIE"s) are required to obtain Foreign Exchange Registration Certificates for FIE (外商投资企业外汇登记证) (the "FIE Certificates") from SAFE or its local counterpart, so that they can open and operate foreign currency (that is, non-RMB currency) bank accounts for the payment of:

- (a) recurring items from the current account, including the distribution of dividends and profits to foreign investors of FIEs subject to the presentation of board resolutions authorising the distribution; and
- (b) capital items from the capital account, such as repatriation of capital, repayment of loans and for securities investment.

Conversions in the current account can be effected freely whilst conversions in the capital account require approval from SAFE or its local counterpart.

All of our China Subsidiaries are FIEs and have obtained, and continue to maintain, their FIE Certificates. With the FIE Certificates, they are able to convert their RMB revenue into foreign currency and repatriate dividends and profits to our subsidiaries established in BVI, namely, Campus and Sunwealth, and ultimately to our Company and its shareholders.

In addition, 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 (国家外汇管理局关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知) ("**Notice 75**") which came into effect on 1 November 2005.

Under Notice 75, PRC residents, including PRC companies and PRC resident individuals, have to register their foreign investments with the local branch of 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 an SPV, or engages in capital financing abroad after contributing assets or stock rights into SPV, it has to register such change. For the purposes of Notice 75, "SPV" means a vehicle established to raise funds outside China (including raising funds by way of convertible debts) utilising assets of or rights to a domestic enterprise held by PRC residents.

Jiang Danping, as a direct or an indirect shareholder of SPVs, has complied with Notice 75 in connection with the Restructuring Exercise. Notice 75 is not applicable to Chan Fung @ Kwan Wing Yin and Angus Kwan Chun Jut as both of them are Hong Kong permanent residents and not individual domestic residents.

4 RISK FACTORS (Cont'd)

Notice 75 also requires PRC residents to update their records with the local branch of SAFE 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 this regard, upon completion of the IPO, Jiang Danping will have to attend to the necessary procedure to update his records with the local branch of SAFE. Where the modification for foreign exchange registration is not properly adhered to, our China Subsidiaries will not be able to repatriate or remit dividends or distributions to our Company. GFE Law Office, the Legal Advisers to our Company on PRC law, is of the opinion that there shall be no material legal obstacles regarding such updates as it is an administrative requirement and procedural in nature. In addition, the relevant PRC residents are required to repatriate, within 180 days, dividends or profits that they receive from an SPV and/or income deriving from divestment of their shareholdings in an SPV. We cannot assure you that Jiang Danping would comply with Notice 75 in a timely manner or at all. If Jiang Danping fails to comply with Notice 75 in a timely manner or at all, our China Subsidiaries may not be able to repatriate dividends to Campus and Sunwealth, as the case may be, and then Campus and Sunwealth to our Company and our Company would not be able to declare or pay dividends to our Shareholders.

Further, the funds raised could be repatriated and used in the PRC in accordance with the plan for the use of proceeds stipulated in this Prospectus. The use of such funds for re-investment into the PRC, or as shareholders' (or other) loans have to be in accordance with the relevant PRC laws and regulations. "Re-investment into China" means investment activities in the PRC by a PRC resident through an SPV.

The Chinese government may impose further restrictions or requirements on the conversion of RMB by our China Subsidiaries for repatriation as dividends to our Company outside the PRC; or our Company re-investing into the PRC. As our China Subsidiaries generate all our revenue and these revenues are denominated mainly in RMB, any future restrictions on currency exchanges may affect our ability to repatriate such revenues for the distribution of dividends to our Shareholders or for funding our other business activities outside the PRC. Further, any changes could affect our ability to utilise funds raised outside the PRC for use by our China Subsidiaries.

- (vi) **Changes of laws and regulations relating to currency conversion in the PRC and fluctuation of foreign exchange rates may affect our ability to compete, our financial position, the amount of dividends/distributions our Shareholder may receive and the amount we may receive from fund raising activities outside the PRC**

The value of the RMB against foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments.

The People's Bank of China ("PBOC") announced on 19 June 2010 that it would gradually relax the peg between the RMB and a basket of currencies (primarily the USD). This is the resumption of a policy the PBOC had initiated in mid 2005 and suspended in mid 2008.

An appreciation of the RMB may adversely affect our revenue as most of our revenue is derived from export to overseas markets and most of our overseas customers make payment in USD. However, our Executive Directors are of the opinion that a gradual appreciation of the RMB will have minimal impact on our Group's export revenue and profit margins as our Group is not operating on a price war strategy but differentiate our products by quality and innovativeness. Our Executive Directors are of the view that our Group will be able to increase our product prices should the RMB appreciate in value as we are constantly developing new products to address our customer's requirements.

4 RISK FACTORS (Cont'd)

Devaluation or depreciation of the RMB may affect our costs of sale as we make payment to our suppliers of PP materials in USD. Devaluation or depreciation of the RMB will also affect the amount of dividends or other distributions received by our Shareholders as well as any foreign currency obligations we may have. A revaluation or an appreciation of the RMB on the other hand may affect the amount of funds that we receive in RMB from fund raising activities outside the PRC as well as increased competition from imported/international stationery producers.

There can be no assurance that there will not be any material and/or volatile fluctuation in the RMB, the occurrence of which may affect our ability to compete, our financial position, the amount of dividends/distributions our Shareholder may receive, and the amount we may receive from fund raising activities outside the PRC.

There is also no assurance that the RMB will not be subject to administrative or legislative intervention by the PRC government or adverse market movements.

(vii) We may be liable for the payment of additional social insurance contributions for our PRC employees

Under the relevant PRC laws and regulations, our China Subsidiaries are required to make contributions towards certain social insurance plans for the benefit of our PRC employees and the relevant PRC laws and regulations also require such contributions shall be made for all employees. Our China Subsidiaries have not made full contributions for all of our employees prior to June 2010. The non-payment of the outstanding employees' social insurance contributions by our China Subsidiaries prior to June 2010 was mainly due to the request of our employees, where we will only make contribution for those employees who are willing to pay for their own employees' portion. The outstanding contributions amounted to approximately RMB0.42 million, RMB0.55 million, RMB0.55 million, RMB0.22 million and RMB0.00 million for FYE 2007, FYE 2008, FYE 2009, FYE 2010 and FPE2011 respectively. As such, we did not fully comply with the requirements under the relevant regulations.

According to the applicable PRC laws and regulations prior to June 2010, where a company has not made full contributions to social insurance for all its employees, the administrative department of labour security or the tax authority of the PRC may order our China Subsidiaries to pay up outstanding contributions within a prescribed time limit and if our China Subsidiaries still fail to pay up the outstanding contributions within the prescribed time limit, a surcharge for overdue payment equal to 0.2% per day will be imposed on the overdue contributions from the date of the expiration of the prescribed time limit in addition to the unpaid social insurance contributions. According to certification dated 12 December 2011 issued by Social Labor Insurance Centre of Hanjiang District, Putian City (莆田市涵江区社会劳动保障中心)(the "Center"), the Center confirmed that it had known that our China Subsidiaries had not paid social insurance premiums for some employees before June of 2010, but the Center would no longer require our China Subsidiaries to pay these social insurance premiums and will not impose any penalty on our China Subsidiaries for the above-mentioned matters. Notwithstanding this, there can be no assurance that the relevant authorities will not take enforcement actions against us to make full contributions for all previous outstanding social insurance payments and/or penalise us in the future. In such event, our financial position may be materially adversely affected.

However, we have obtained an undertaking and indemnity from our Executive Chairman to indemnify us in full for all previous outstanding social insurance payments and/or surcharge which may be imposed on us.

4 RISK FACTORS (Cont'd)

(viii) Our operations and significant assets are located in the PRC. It could be difficult to enforce a Malaysia judgement against us, our Executive Directors and our Executive Officers

Our subsidiaries, Sakura Plastic, Sakura Stationery and Ruiyuan are incorporated in the PRC, and our main operations and assets are located in the PRC. In addition, all of our Executive Chairman, Executive Directors and our Executive Officers are non-residents of Malaysia, and substantially all the assets of these persons are located outside Malaysia. As a result, it could be difficult for investors to effect service of process if they wish to make a claim against our Company or our Executive Chairman or Executive Directors or Executive Officers, or to enforce a judgement obtained in Malaysia against our Company, Executive Chairman, Executive Directors or Executive Officers.

(ix) We are exposed to the risk of non-renewal and revocation of permits and business licences

As a pre-requisite for carrying on our business in the PRC, we are required to obtain certain permits and business licences from various government authorities. Details of our permits, approvals and business licences are set out in Section 5.10, "Approvals, Major Licences and Permits". As at the date of this Prospectus, we have obtained all material permits, approvals and business licences for our business operations. However, some of these permits, approvals and business licences for our business operations are subject to periodic inspection as well as fulfilment of conditions imposed by the relevant government authorities, and the standards of compliance required in relation thereto may from time to time be subject to changes.

Revocation of our permits, licences and certificates will have a material adverse effect on our operations, as we will not be able to carry on our business without such permits, licences and certificates being granted or renewed. In such an event, our business and financial performance may be adversely affected. In addition, it may be costly for us to comply with any subsequent modifications of, additions or new restrictions to, these compliance standards.

Should there be any subsequent modifications of, or additions or new restrictions to, the current compliance standards, we may incur additional costs to comply with the new or modified standards which may adversely affect our business and financial performance.

(x) Negative publicity on PRC products may adversely affect our business and profits

Negative publicity on the quality and/or safety of products made in the PRC, such as the melamine contamination of the PRC dairy products may generally affect the demand for the goods originating from the PRC. Any negative publicity on the PRC products, whether with or without merit, relating to our industry or otherwise, may affect consumers' confidence in general. We face the risk that consumers may decide to purchase products made in other countries as opposed to the PRC products as a general precaution from any negative publicity on the PRC products. This in turn, may adversely affect our business and profits.

(xi) Labour laws in the PRC may adversely affect our results of operations

On 29 June 2007, the PRC government promulgated a labour law namely, the Labour Contract Law of the PRC (中华人民共和国劳动合同法) (the "New Labour Law") which became effective on 1 January 2008. The New Labour Law imposes greater liability on employers and significantly impacts the costs of an employer's decision to reduce its workforce. If we decide to significantly change or decrease our workforce in the PRC, the New Labour Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our circumstances or in a timely and cost effective manner, thus our results or operations could be adversely affected.

4 RISK FACTORS (Cont'd)

4.3 RISKS RELATING TO OUR COMPANY BEING INCORPORATED IN BERMUDA

(i) We are a Bermuda-incorporated company and the rights and protection accorded to our Shareholders may not be the same as those applicable to shareholders of a Malaysia-incorporated company

We are incorporated in Bermuda as an exempted company with limited liabilities and are subject to the Bermuda Companies Act. The Malaysian Companies Act may provide shareholders of Malaysia incorporated companies with certain rights and protection of which there may be no corresponding or similar provisions under the Bermuda Companies Act. As such, if you invest in our Shares, you may or may not be accorded the same rights and protection that a shareholder of a Malaysia-incorporated company would be accorded under the Malaysian Companies Act. We have set out in Section 14.2, a summary of the Memorandum of Association and extract of selected Bye-Laws of our Company, in Annexure B, a summary of certain provisions under Bermuda company law and in Annexure A, a summary of the comparison between the companies law and regulations in Bermuda and Malaysia. Each of the summaries is not intended to be and does not constitute legal advice. If you wish to have advice on the differences between the Bermuda Companies Act and the Malaysian Companies Act and/or the laws of any jurisdiction, you are recommended to seek independent legal advice. Copies of our Memorandum of Association and Bye-Laws and the Bermuda Companies Act are available for inspection at such place and time as set out in Section 14.12, "Documents Available for Inspection".

(ii) Changes to Bermuda company law

Our Company was incorporated in Bermuda and is subject to Bermuda company law. Any changes in the Bermuda company law, breach or non-compliance with Bermuda company law may have a negative impact on our Company. Please refer to Annexure B, "Summary of Laws".

(iii) Depositors registered as our Shareholders

Under the Bermuda Companies Act, only those persons who agree to become members of a company incorporated in Bermuda and whose names are entered on the register of members of such a company are considered members, with rights to attend and vote at general meetings. Depositors (holding shares jointly with Bursa Depository or its nominee) are recognised as members of our Company by virtue of their names being contained in the Record of Depositors entered in the register of members of our Company at our registered office in Bermuda and in the branch register of members of our Company at our branch office in Malaysia, and hence are accorded full rights of membership such as voting rights, the right to appoint proxies, the right to receive shareholders' circular, proxy forms, annual reports, prospectuses and takeover documents.

Depositors will be recognised as members of our Company for so long as the Record of Depositors is entered in the register of members and branch register of our Company. For so long as the shares of our Company are listed on Bursa Securities, our Company is required to procure that a copy of the Record of Depositors is obtained from the Bursa Depository as at the close of each market day and entered in the register of members and branch register of our Company upon receipt of the same.

In the event a Depositor is not named in the Record of Depositors entered in our register of members or branch register, *prima facie*, such Depositor will not be recognised as a member of our Company.

4 RISK FACTORS (Cont'd)

4.4 RISKS RELATING TO INVESTMENT IN OUR SHARES

(i) Our Share price may be volatile and this may affect your investment in our Shares

The market price of our Shares may fluctuate significantly and rapidly as a result of, among other things, the following factors, some of which are beyond our control:

- variations of our operating results;
- changes in securities analysts' estimates of our financial performance;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- additions or departures of Executive Directors and key personnel;
- fluctuations in stock market prices and volume;
- our involvement in litigation; and
- general economic and stock market conditions.

In addition, many of the risks described in this Section and this Prospectus could materially and adversely affect the market price of our shares.

These factors also affect our ability to sell / issue additional equity securities. Except as otherwise described in Section 11.5 on the moratorium of our Promoters' Shares, there will be no restriction on the ability of our Promoters to sell their Shares either on Bursa Securities or otherwise.

(ii) We are an investment holding company and rely on dividend payments from our subsidiaries for funding and for paying dividends on our Shares

We are an investment holding company incorporated in Bermuda and operate our business through our China Subsidiaries. Therefore, the availability of funds to us to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from these subsidiaries. If our subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distribution to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted.

Our ability to declare dividends in relation to our Shares will also depend on our future financial performance, which, in turn, will depend on our successfully implementing our strategy and on financial, competitive, regulatory and other factors, general economic conditions, demand and prices for our products, costs of raw materials and other factors specific to our industry or specific projects, many of which are beyond our control. The receipt of dividends from our subsidiaries may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of, existing laws and regulations and other events outside our control. The PRC laws require that dividends be paid only out of the net profit calculated according to accounting principles in the PRC, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including International Financial Accounting Standards. The PRC laws also require foreign-invested enterprises, such as our China Subsidiaries, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

In addition, restrictive covenants in bank credit facilities, convertible bonds instrument or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

4 RISK FACTORS (Cont'd)

(iii) No prior market for our Shares

There is currently no prior trading market for our shares within or outside Malaysia. There can be no assurance as to the liquidity that may develop for our shares, the ability of Shareholders to sell their shares or the prices at which Shareholders would be able to sell their shares. Neither we nor the Underwriter have any obligation to create a market for our Shares.

Our Shares could also trade at prices lower than the IPO Price depending on many factors, including prevailing economic, political and financial conditions in Malaysia, our operating results and the market for similar securities. Further, there can be no assurance that we will be able to maintain our Listing.

(iv) Control by our major Shareholders may limit your ability to influence the outcome of decisions requiring the approval of our Shareholders

Upon completion of the IPO, our Promoters will collectively hold 74.7% of our enlarged issued and paid-up share capital and hence will be the controlling shareholders of our Company. Please refer to Section 10.1, "Information on Promoters and Substantial Shareholders" for the detailed shareholding information of our Promoters.

As a result, it is likely that our Promoters will be able to effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the vote of our Shareholder, unless they are required by law and/or the relevant authorities to abstain from voting.

Nonetheless, we have on 28 December 2011 formed an Audit Committee comprising two (2) independent non-executive Directors as a step towards good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on arms-length basis or normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not to the detriment of our minority Shareholders.

(v) Future fund raisings may dilute our shareholders' equity / restrict our operations

We may require additional funding for our future growth. This may result in dilution of our Shareholders' equity, or restrictions imposed by additional debt fundings.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our production facilities. Thus, we may need additional capital expenditure for mergers and acquisitions or investments. An issue of Shares or other securities to raise funds will dilute shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders.

Further, an issue of Shares below the then prevailing share price will also affect the value of Shares then held by investors. Dilution in shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. In addition, any additional debt funding would increase our gearing ratio and may restrict our freedom to operate our business as it may have conditions that:-

- (a) limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- (b) increase our vulnerabilities to general adverse economic and industry conditions;

4 RISK FACTORS (Cont'd)

- (c) require us to dedicate a portion of our cash flow from operations to repayments of our debt, thereby reducing the availability of our cash flow for capital expenditures, working capital and other general corporate purposes; and
- (d) limit our flexibility in planning for, or reacting to, changes in our businesses and our industry.

If we fail in obtaining more funds to meet requirements for our business, mergers and acquisition plans or investments, we may be unable to implement future plans that are essential to our continued growth.

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5 INFORMATION ON OUR GROUP

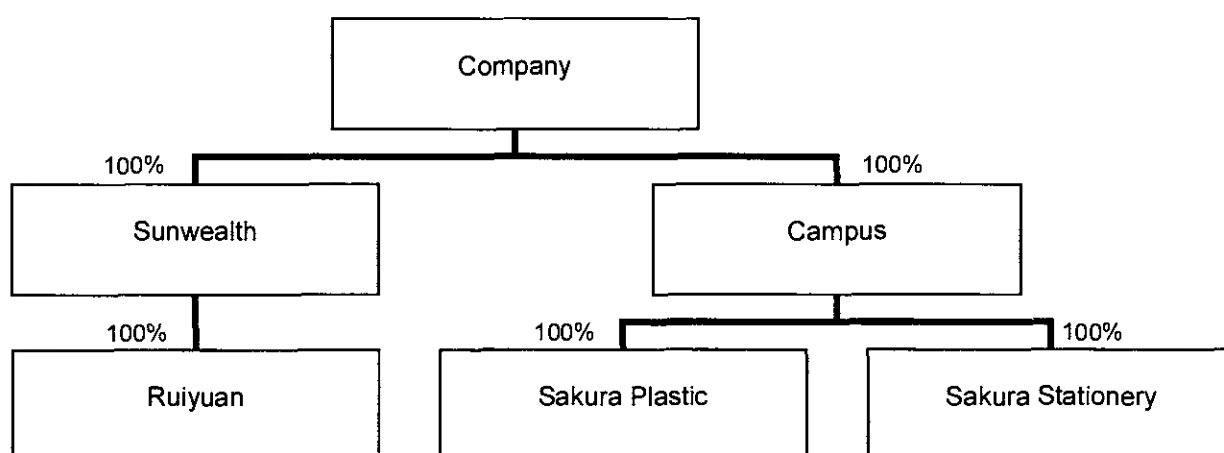
5.1 HISTORY AND BUSINESS OVERVIEW

5.1.1 Business Overview

Our Company was incorporated as an exempted company with limited liabilities in Bermuda on 14 August 2007 under the Bermuda Companies Act with the name of China Stationery Limited. Our Company's authorised share capital is SGD10,000,000 comprising 10,000,000,000 ordinary shares of SGD0.001 each. On 26 October 2009, our Company was registered in Malaysia under the Malaysian Companies Act as a foreign company.

Our Company was incorporated as a holding company to hold our direct subsidiaries, Sunwealth and Campus.

Our current Group structure is as follows:



The details of our subsidiaries are as follow:-

Name of company	Date and place of incorporation	Date of commencement of business	Principal Business	Equity / effective equity held by our Company/Group
Sunwealth (Registration Number: 643229)	BVI 22 February 2005	N/A ⁽¹⁾	Investment holding	100%
Campus (Registration Number: 523128)	BVI 3 December 2002	N/A ⁽¹⁾	Investment holding	100%
Ruiyuan (Fujian) Enterprise Co., Ltd ⁽²⁾ (Business Licence Number: 350300400000945) (subsidiary of Sunwealth)	PRC 16 February 2006	16 February 2006	Production and sale of plastic tape printer and ink	100%

5 INFORMATION ON OUR GROUP (Cont'd)

Name of company	Date and place of incorporation	Date of commencement of business	Principal Business	Equity / effective equity held by our Company/Group
Sakura (Fujian) Plastic Enterprise Co., Ltd ⁽³⁾ (Business Licence Number: 350300400000988) (subsidiary of Campus)	PRC 5 November 1993	5 November 1993	R&D, production of PP sheets	100%
Sakura (Fujian) Packaging & Stationery Co., Ltd ⁽⁴⁾ (Business Licence Number: 350300400000777) (subsidiary of Campus)	PRC 15 July 1991	15 July 1991	Production and sale of plastic stationery	100%

Notes:

- (1) Not applicable for investment holding companies which do not undertake own operations
- (2) Pursuant to its Business Licence (No: 350300400000945), Ruiyuan is allowed to operate for 50 years from 16 February 2006 to 15 February 2056.
- (3) Pursuant to its Business Licence (No: 350300400000988), Sakura Plastic is allowed to operate for 50 years from 5 November 1993 to 4 November 2043.
- (4) Pursuant to its Business Licence (No: 350300400000777), Sakura Stationery is allowed to operate for 50 years from 15 July 1991 to 14 July 2041.

Our Group is an integrated plastic stationery company with our own brands of plastic stationery products, proprietary products and technical know-how. Our products are sold under our own brands, namely, "SAKURA", "NACHI" and "FOLDERSYS". We design, manufacture and sell a broad assortment of more than 450 plastic filing and storage products such as expandable files, pocket files, pocket files with sheet protectors, compact disc holder files, business card holders and albums as well as our own patented products. Currently, our plastic tape printer is our main proprietary and patented product.

Sales from our own brands namely "SAKURA", "NACHI" and "FOLDERSYS" (which includes both patented and non-patented products) contribute on the average, 88.7% of our revenue over the Review Periods. Aside from selling products under our own branding, we also undertake OEM manufacturing for our customers. Sales from our OEM service contribute on the average, 11.3% of our revenue over the Review Periods. Please refer to Section 6.2.2, "Revenue" for further details.

Over the Review Periods, our products are sold globally to over 45 countries to more than 400 customers (including distributors, retailers and corporations) located in China and Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China), Europe and America and other regions. On average, more than 99% of our sales for the Review Periods are from distributors who then onward sell our products to retailers and end users. Targeting distributors is one of our major marketing strategies to achieve quicker market penetration.

5 INFORMATION ON OUR GROUP (Cont'd)

5.1.2 History and Commencement of Business Operations

Our Group started almost two (2) decades ago in 1991 with the establishment of Sakura Stationery. We set out below a description of our history.

Our operations commenced almost two (2) decades ago in 1991

In July 1991, Chan Fung @ Kwan Wing Yin, the founder and Executive Chairman of our Company, through Kawan Kita, together with Putian Jiangkou Hualian, established 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 95.0% and 5.0%, respectively. Between July 1991 and 1993, the operations of Sakura Stationery were housed in leased premises and all its products were sold to customers within China. Since 1992, our Group has been using our own brand, "SAKURA".

We commissioned our first production plant and expanded upstream to PP sheets production

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 WFOE. In September 1992, Sakura Stationery's products were conferred the "Outstanding Products Award" by the Organising Committee for the National Foreign-invested Enterprises Daily Necessities Expo (全国三资企业生活用品博览会组委会). In 1993, to accommodate our increased production, we moved from the leased premises to our First Plant at Zhenfu Road, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇镇府路) with a GFA of 4,034.8 sq m.

In November 1993, Sakura Plastic, a WFOE, was founded by Kawan Kita, to manufacture PP sheets. All the PP sheets manufactured by Sakura Plastic were used by Sakura Stationery in its production of plastic stationery products for the export market. With this upstream capability within our Group, we were able to ensure the delivery of and consistency in the quality of the PP sheets, and thus the quality of our plastic stationery. We started off in November 1993 with one production line in our First Plant. As demand for our products increased over the years, we have increased our production lines to provide for greater production capacity. As at the LPD, our production capacity, in terms of production of PP sheets, was 27,600 tonnes per annum.

We were China-focused and have been successful in our sales expansion to have a global reach

From 1991 to 1995, our Group focused its sales in the China market. Based on our assessment then, we decided to expand overseas by appointing overseas distributors for our products. The international market for stationery offers our Group the opportunity to diversify our clientele base and reduce dependency on one particular market. As such, we decided to focus on the overseas market and actively sourced to sell our products through overseas distributors. We were successful in this strategy and for the FYE2010 and FPE2011, overseas sales contributed approximately 72.5% and 71.8% respectively of our Group's total revenue.

Over the Review Periods, our products are sold globally in over 45 countries to more than 400 customers (including distributors, retailers and corporations) located mainly in China, Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China), Europe, America and other regions. Our plastic filing and storage products are proven to have gained worldwide acceptance. Please refer to Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operation" for more details and breakdown of our geographical revenue.

5 INFORMATION ON OUR GROUP (Cont'd)

We have focused on building our award winning "SAKURA" brand

Since the incorporation of Sakura Stationery, we have been building on our earliest brand, "SAKURA". To protect our brand and intellectual property, we obtained trademark registrations for our "櫻花" mark and our "SAKURA" mark in China in May 1994 and May 1995, respectively.

Since then, we have focused on building our "SAKURA" brand for plastic stationery products. In 2004, our "SAKURA" brand was accorded a Fujian Province Famous Trademark (福建省著名商标) by the Fujian Province Famous Trademark Determination Committee (福建省著名商标认定委员会). This award gives recognition to the strength of our "SAKURA" brand which we have been steadily building over the years. The quality of our "SAKURA" brand was further affirmed when the Fujian Provincial People's Government (福建省人民政府) awarded Sakura Stationery the Fujian Province Branded Products (福建省著名产品) in 2006. In 2007, our "SAKURA" brand was awarded Fujian Province Famous Trademark (福建省著名商标) by the Fujian Province Administration for Industry & Commerce (福建省工商行政管理局). Please refer to the Section 5.14, "Key Milestones, Achievements and Awards" for further details of awards and accolades received by our Group.

Aside from "SAKURA", we have other in-house brands such as "NACHI" and "FOLDERSYS". In 2004 and 2006, we obtained trademark registration for our "NACHI" and "FOLDERSYS" marks, respectively. In 2008, as part of our continuous effort to promote our brands, we increased our advertisement expenditure and entered into an agreement for 78 billboard advertisements throughout China. In 2009, we entered into agreements for advertisement of our brands in major airports in China such as Hangzhou, Chongqing and Kunming for two (2) months from July 2009 to August 2009.

We have also been actively participating in international trade shows, both in China and globally. We also plan to spend a significant portion of our IPO proceeds towards promotional and brand building activities in our domestic market, being China.

We have undertaken R&D activities to develop innovative patented products

We have our own R&D department to develop innovative patented products and improve on existing products as we envisage that patented products will allow us to enjoy higher gross profit margins. In February 2006, Ruiyuan, a WFOE, was incorporated to undertake the production of our main proprietary and patented product, the plastic tape printer. Our R&D department commenced the development of the plastic tape printer in 2004 and it was successfully launched in February 2006. The plastic tape printer was well received by SMEs and up to the LPD, the plastic tape printer produced by Ruiyuan remained as our main patented product. For FYE2010 and FPE 2011, our patented products contribute 28.2% and 26.7% respectively of our Group's total revenue. Our patented products contribute a higher gross profit margin as compared with non-patented products. Please refer to Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operation" for more details and analysis of our gross profit margin by products.

Moving forward, we plan to develop more patented products such as our second generation plastic tape printer and anti-tampering plastic envelope for the express mail services industry.

5 INFORMATION ON OUR GROUP (Cont'd)

We have been expanding our production capacity in anticipation of increasing demand and sales

In 2005, in anticipation of future expansion, we built our Second Plant. Our Second Plant has GFA of approximately 4,165.5 sq m. The First Plant and Second Plant have combined GFA of approximately 8,200.3 sq m. In anticipation of greater demands for our existing products and the launch of new plastic products such as the anti-tampering plastic envelope, we have constructed the New Plant.

Production of plastic stationery products has commenced from part of the New Plant since March 2010. The New Plant has increased our annual production capacity in terms of production of PP sheets from 22,400 tonnes per annum as at 31 December 2009 to 27,600 tonnes per annum as at the LPD.

Restructuring exercise

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 was equivalent to the registered capital of Sakura Plastic and Sakura Stationery and was 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.

Our Company was incorporated on 14 August 2007 in Bermuda as an exempted company with limited liabilities under the Bermuda Companies Act. Our Company was incorporated as a holding company to acquire the entire equity interests in Sunwealth and Campus which in turn holds our operating companies in the PRC.

In September 2007, our Company then acquired Campus and Sunwealth from Chan Fung @ Kwan Wing Yin and his spouse Kwan Chun Chu at their respective NTA values of SGD19.47 million and SGD12.93 million as at 30 June 2007 via the issuance of an aggregate of 999,999 ordinary shares of SGD1.00 each in China Stationery. Chan Fung @ Kwan Wing Yin and Kwan Chun Chu nominated Yuan Teng and 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 China Stationery to Yuan Teng, making the aggregate number of shares held by Yuan Teng and Wingday in China Stationery to be 1,000,000 ordinary shares of SGD1.00 each. On 17 September 2007, every existing ordinary share of par value SGD1.00 each in the capital of our Company was divided into 500 ordinary shares of par value of SGD0.002. 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 held by Yuan Teng and Wingday were transferred to Lead Champion.

The reorganisation was completed on 17 September 2007 and our Group adopted the current structure.

For the purposes of this Prospectus, GFE Law Office, the Legal Adviser to our Company on PRC law, have confirmed that all approvals under the PRC laws in connection with the reorganisation have been obtained and that the reorganisation does not violate any PRC laws. In particular, they have confirmed that our Company has not infringed the Provisions on Acquisitions of Domestic Enterprises by Foreign Investors (关于外国投资者并购境内企业的规定) (the "New M&A Regulations") as the New M&A Regulations do not apply to the reorganisation and the listing of our Shares on the Main Market of Bursa Securities does not require any approval by or registration with any PRC authority under the New M&A Regulations.

5 INFORMATION ON OUR GROUP (Cont'd)

OTHER CORPORATE EXERCISES AND ENTRY OF NEW INVESTORS

Corporate exercises

In mid-April 2007, our Company commenced its attempt to conduct an IPO and to list its shares on the Main Board of SGX-ST. In early 2008, we obtained a conditional eligibility-to-list from SGX-ST. However, due to the unfavourable market conditions at that material time, we decided to abort the plan to list our shares on the Main Board of SGX-ST in May 2008.

Subsequently, on 23 July 2008, our Company entered into a conditional sale and purchase agreement ("**TV SPA**") with Thai Village Holdings Limited ("**Thai Village**"), a company listed on the Main Board of SGX-ST. Pursuant to the TV SPA, Thai Village agreed to acquire Sunwealth and Campus from our Company and the purchase consideration was to be satisfied by the issuance of new Thai Village shares to our Company. The new Thai Village shares represent approximately 87.7% of the enlarged share capital of Thai Village. It was a very substantial acquisition or a Reverse Take-Over ("**RTO**") exercise according to the Listing Manual of SGX-ST.

Subsequent to the TV SPA, our Company had in the third quarter of 2008 entered into discussions with WWD Ruby for the issuance of Convertible Bonds and Warrants. On 4 December 2008 our Company, Sunwealth, Campus, JDL, our Promoters and WWD Ruby entered into the Subscription Agreement. The Convertible Bonds were issued on 8 December 2008.

Our Company subsequently entered into a supplemental agreement on 23 January 2009 to extend the longstop date for the TV SPA from 31 January 2009 to 31 August 2009. The RTO was eventually terminated in September 2009 after the relevant parties decided that it would not be of their best interests to further extend the longstop date of the agreement.

To facilitate the RTO, a special purpose vehicle, JDL, was made to be the holding company of Campus and Sunwealth and JDL was a 100% owned subsidiary of our Company at that point. JDL was removed from our Group structure subsequent to the termination of the RTO.

Investment in China Stationery by WWD Ruby, an indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc.

Pursuant to the Subscription Agreement, our Company agreed to issue and WWD Ruby agreed to subscribe for up to USD30 million in aggregate principal amounts of convertible bonds. The convertible bonds are convertible into (i) fully paid common shares with a par value of SGD0.002 each of China Stationery and (ii) fully paid ordinary shares of Thai Village. However, since our Company and Thai Village had, in September 2009, decided to terminate the RTO, the Convertible Bonds were only convertible into Shares in our Company.

Pursuant to the Subscription Agreement, the Convertible Bonds would be issued in two (2) tranches. The first tranche was for USD20 million in aggregate principal amounts of the Convertible Bonds. The second tranche was for USD10 million in aggregate principal amounts of the Convertible Bonds. On 8 December 2008, our Company issued and WWD Ruby subscribed for the first tranche Convertible Bonds. Our Company did not issue and WWD Ruby did not subscribe to the second tranche Convertible Bonds.

On 8 December 2008, our Company executed the Warrants Instruments by way of deed poll ("**Warrants Instruments**") and issued to WWD Ruby, the Warrants to subscribe for either (i) in aggregate of up to approximately USD25.65 million for Shares in the capital of our Company and (ii) in aggregate of up to approximately SGD16.62 million for shares in the capital of Thai Village on the terms and conditions contained therein ("**Warrants**"). However, since our Company and Thai Village had, in September 2009, decided to terminate the RTO, the Warrants was only to subscribe for Shares in the capital of our Company.

5 INFORMATION ON OUR GROUP (Cont'd)

Arising from the Subscription Agreement, our Company had also entered into, *inter alia*, an Investor's Rights Agreement ("**IRA**") and a series of security agreements ("**Security Agreements**") with DB Trustee (Hong Kong) Limited (as security trustee) ("**Security Trustee**") to provide security for the Convertible Bonds and Warrants.

On 9 June 2010, our Company executed the Consent Deed. Pursuant to the Consent Deed, WWD Ruby consented to LTH investing into our Company via the Investment Agreement. Further, pursuant to the Consent Deed, our Company was to redeem USD10 million of the Convertible Bonds from WWD Ruby ("**Partial Redemption**"). Upon completion of the Partial Redemption, WWD Ruby will continue to hold the remaining USD10 million 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 our 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 the Warrants were cancelled on 9 July 2010.

Our Company, Campus, Sunwealth, the Promoters and WWD Ruby entered into an Amendment Deed dated 9 September 2010 which provides, *inter alia*, that the maturity date of the Convertible Bonds be extended to 8 March 2011.

On 8 December 2010, our Promoters and WWD Ruby entered into the SPA which provides, *inter alia*, for Lead Champion to acquire and WWD Ruby to sell 23,165,500 Shares to Lead Champion by way of a DBT on the Listing Date in accordance with the terms and conditions of the SPA.

Further, on 8 December 2010, our Company, Campus, Sunwealth, the Promoters and WWD Ruby entered into the Further Amendment Deed which provides, *inter alia*, that the listing deadline is set at 30 June 2011 and the maturity date of the Convertible Bonds be further extended to 30 June 2011.

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, our Company had entered into an agreement with an investor, namely LHY for the grant of a convertible loan to our Company for purpose of the said redemption by issuing a USD15.81 million new convertible loan.

The Remaining Bonds has been fully redeemed by the Company on 22 August 2011 at a redemption price of USD15.81 million.

Please see Section 14.8, "Material Contracts" for more details and salient terms of these agreements between our Company and WWD Ruby.

Investment in China Stationery by LTH

Pursuant to the Investment Agreement, LTH subscribed for 26,332,230 China Stationery Shares at an aggregate cash consideration of RM36.34 million. The said shares were transferred to LTH on 6 July 2010 from the Company and the Investment Agreement was completed on the same day. The shares transferred to LTH were previously the treasury shares held by our Company and as such, it did not increase our issued and paid-up share capital.

Pursuant to the above, prior to the Issuance of Shares to LHY, LTH holds approximately 4.99% of the entire issued and paid up share capital of our Company and 5.0% of the voting shares of our Company.

5 INFORMATION ON OUR GROUP (Cont'd)

The number of Shares transferred to LTH is calculated based on a 20% discount to an indicative IPO price at the time of execution of the Investment Agreement. In the event the actual IPO price is less than the indicative IPO price as provided for in the Investment Agreement, then our Company shall issue to LTH additional Shares ("**Additional Shares**") to be derived based on a formula provided for in the Investment Agreement to maintain a discount of 20% to the eventual IPO price in relation to LTH's investment. If the number of Additional Shares to be allotted to LTH together with the Shares owned by LTH exceeds 4.99% of the post IPO share capital of our Company, then the number of Additional Shares to be given to LTH will be accordingly reduced such that LTH's shareholding does not exceed 4.99% and the balance will be paid to LTH in cash.

Pursuant to the Investment Agreement (as amended by the LTH Supplemental Deed and LTH Supplemental Agreement, LTH Second Supplemental Agreement and LTH Third Supplemental Agreement), our Company and Promoters granted to LTH a put option ("**LTH Put Option**") to require our Company or failing our Company, to require each of our Promoters to purchase from LTH all the Shares which are legally and beneficially owned by LTH at the time of exercise of the LTH Put Option. The LTH Put Option may be exercised by LTH in the event Listing does not occur on or before 15 March 2012 (extended from 30 November 2011 pursuant to the LTH Supplemental Agreement, LTH Second Supplemental Agreement and LTH Third Supplemental Agreement ("**Extension**"). In the event that Listing does not occur on or before 15 March 2012, LTH has 30 working days to exercise its put option. The put option price is RM38,685,337.40.

In consideration for the above Extension, China Stationery and the promoters are required to undertake that 13.0 million China Stationery shares (26.0 million Shares after accounting for the Share Split) or 2% of the enlarged issued and paid-up share capital (whichever is higher) owned by LTH shall be offered for sale as part of the Listing.

For further information on the terms of the Investment Agreement, please refer to Section 14.8, "Material Contracts" of this Prospectus.

Treasury Shares

Pursuant to a convertible loan agreement dated 28 September 2007, a group of fifteen (15) investors advanced a convertible loan amounting to SGD18.80 million to our Company as part of the previous proposed and subsequently aborted listing exercise in Singapore under a pre-listing scheme.

The convertible loan was converted into 78,991,597 China Stationery Shares on 4 April 2008 and between November 2008 and December 2008, our Company purchased these shares from the fifteen (15) investors for an aggregate amount of approximately SGD20.30 million and kept the shares as treasury shares of our Company.

On 27 January 2010, 51,291,597 treasury shares were cancelled. On 6 July 2010, 26,332,230 treasury shares were allotted to LTH pursuant to the Investment Agreement.

On 6 January 2012, the remaining 2,735,540 treasury shares (after the Share Split) were cancelled.

5.2 OUR SHARE CAPITAL AND SUBSIDIARY COMPANIES' INFORMATION

5.2.1 Our share capital and changes in share capital

On incorporation of our Company, our authorised share capital was SGD20,000 comprising 20,000 Shares. Subsequently, on 17 September 2007, our authorised share capital was increased to SGD10,000,000 comprising 5,000,000,000 Shares and remained the same up to the date of this Prospectus. As at the date of this Prospectus, our issued and paid-up share capital is SGD1,102,590 comprising 1,102,590,776 Shares credited as fully paid-up.

5 INFORMATION ON OUR GROUP (Cont'd)

Details of all issues of Shares made since the date of incorporation of our Company are tabulated as follows:-

Date of allotment	No. of Shares allotted	Par value (SGD)	Consideration (SGD)	Resultant number of issued and paid-up shares (cumulative)	Resultant issued and paid-up share capital (cumulative) (SGD)
15 August 2007	1	1.00	Nil	1	Nil
17 September 2007	486,809	1.00	15,772,611.60 ⁽¹⁾	486,810	486,810
17 September 2007	114,190	1.00	3,699,756 ⁽¹⁾	601,000	601,000
17 September 2007	323,190	1.00	10,471,356 ⁽²⁾	924,190	924,190
17 September 2007	75,810	1.00	2,456,244 ⁽²⁾	1,000,000	1,000,000
17 September 2007	Subdivision of shares into 500 shares of par value SGD0.002 each			500,000,000	1,000,000
4 April 2008	78,991,597	0.002	18,800,000 ⁽³⁾	578,991,597	1,157,983
27 January 2010	(51,291,597)	0.002	- ⁽³⁾	527,700,000	1,055,400
2 November 2011	Subdivision of shares into 2 Shares of par value SGD0.001 each			1,055,400,000	1,055,400
14 November 2011	49,926,316 ⁽⁴⁾	0.001	19,670,703	1,105,326,316	1,105,326
6 January 2012	(2,735,540) ⁽⁵⁾	0.001	-	1,102,590,776	1,102,590

Notes:

- (1) Acquisition of 100% Campus for total consideration of approximately SGD19.47 million based on the issue price of SGD32.40 per share and the NTA of Campus as at 30 June 2007.
- (2) Acquisition of 100% in Sunwealth for total consideration of approximately SGD12.93 million based on the issue price of SGD32.40 per share and the NTA of Sunwealth as at 30 June 2007.
- (3) Pursuant to a convertible loan agreement dated 28 September 2007, a group of fifteen (15) investors advanced a convertible loan amounting to SGD18.80 million to our Company as part of the previous proposed and subsequently aborted listing exercise in Singapore under a pre-listing scheme. The convertible loan was converted into 78,991,597 China Stationery Shares on 4 April 2008 and between November 2008 and December 2008, our Company purchased these shares from the fifteen (15) investors for an aggregate amount of approximately SGD20.30 million and kept the shares as treasury shares of our Company. On 27 January 2010, 51,291,597 treasury shares were cancelled. On 6 July 2010, 26,332,230 treasury shares were allotted to LTH pursuant to the Investment Agreement.
- (4) Pursuant to the conversion of the USD15.81 million (SGD19.67 million) loan by LHY.
- (5) Pursuant to the cancellation of 2,735,540 treasury shares.

5.2.2 Sunwealth

(i) History and business

Sunwealth is a company limited by shares. It is duly incorporated under the British Virgin Islands International Business Companies Act (Cap. 291) in the BVI on 22 February 2005. Sunwealth is principally an investment holding company.

In September 2007, our Company then acquired Sunwealth from Chan Fung @ Kwan Wing Yin and his spouse Kwan Chun Chu.

There have been no material changes in the manner in which Sunwealth conducts its business or activities since the last three (3) years prior to the date of this Prospectus.

(ii) Substantial shareholders

Sunwealth is a direct wholly-owned subsidiary of our Company.

5 INFORMATION ON OUR GROUP (Cont'd)

(iii) Share capital

The present authorised share capital of Sunwealth is USD132,111 of par value USD1 each while its present issued and paid-up share capital is USD50,000 of par value USD1 each.

There is no change in the issued and paid-up share capital of Campus for the last three (3) years.

(iv) Subsidiary / associated company

Save for Ruiyuan being the subsidiary company of Sunwealth, Sunwealth does not have any other subsidiary or associated companies.

5.2.3 Campus

(i) History and business

Campus is a company limited by shares. It is duly incorporated under the British Virgin Islands International Business Companies Act (Cap. 291) in the BVI on 3 December 2002. Campus is principally an investment holding company.

In September 2007, our Company then acquired Sunwealth from Chan Fung @ Kwan Wing Yin and his spouse Kwan Chun Chu.

There have been no material changes in the manner in which Campus conducts its business or activities since the last three (3) years prior to the date of this Prospectus.

(ii) Substantial shareholders

Campus is a direct wholly-owned subsidiary of our Company.

(iii) Share capital

The present authorised share capital of Campus is USD867,889 of par value USD1 each while its present issued and paid-up share capital is USD50,000 of par value USD1 each.

In the last three (3) years prior to the date of this Prospectus, Campus' authorised share capital was increased from USD50,000 to USD867,889 in August 2007.

There is no change in the issued and paid-up share capital of Campus in the last three (3) years prior to the date of this Prospectus.

(iv) Subsidiary / associated company

Save for Sakura Plastic and Sakura Stationery being the subsidiary companies of Campus, Campus does not have any other subsidiary or associated companies.

5.2.4 Sakura Stationery

(i) History and business

Sakura Stationery was first established in Putian City, Fujian Province, the PRC under the name of Putian Sakura Package Stationery Co., Ltd (莆田櫻花包装文具有限公司) on 15 July 1991 as a sino-foreign equity joint venture and its registered capital was contributed by Kawan Kita and Putian Jiangkou Hualian in the proportion

5 INFORMATION ON OUR GROUP (Cont'd)

of 95.0% and 5.0%, respectively to primarily manufacture plastic files and folders and plastic ornament boards.

On 30 March 1992, the company's name was changed to Sakura (Putian) Packaging & Stationery Co., Ltd. (櫻花(莆田)包装文具有限公司) and the principal activities of the company was changed to production of files & folders, partition board, plastic ornament boards and all kinds of tape.

Subsequently on 9 October 1993, the company's name was changed to Sakura (Fujian) Packaging & Stationery Co., Ltd. (櫻花(福建)包装文具有限公司).

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 WFOE. The governing laws of Sakura Stationery thereafter were changed to the Law of the PRC on WFOE and its implementation regulations.

On 24 February 2003, the principal activity of Sakura Stationery was changed to the production of office supplies and school supplies such as files and folders, plastic sheets, partition board, plastic ornaments of board and all kinds of tape. On 13 December 2006, the company's principal activity was further changed to production and sale of plastic stationery.

In August 2007, Kawan Kita disposed 100% equity interest in Sakura Stationery to Campus. There have been no material changes in the manner in which Sakura Stationery conducts its business or activities since the last three (3) years prior to the date of this Prospectus.

(ii) Substantial shareholders

Sakura Stationery is a direct wholly-owned subsidiary of Campus.

(iii) Share capital

As at the date of this Prospectus, the registered capital of Sakura Stationery is USD3,800,000 and the contributions to its registered capital is USD3,800,000.

There is no change in the contributions to the registered capital of Sakura Stationery in the last three (3) years prior to the date of this Prospectus.

(iv) Subsidiary / associated company

Sakura Stationery does not have any subsidiary or associated companies.

5.2.5 Sakura Plastic

(i) History and business

Sakura Plastic was established as a WFOE with limited liabilities in Putian City, Fujian Province, the PRC under its current name on 5 November 1993 to undertake research, development and production of PP and polyethylene materials.

On 24 February 2003, the principal activities of Sakura Plastic were changed to the research, development and production of PP sheets.

In June 2004, Campus acquired 100% equity interest in Sakura Plastic from Kawan Kita.

5 INFORMATION ON OUR GROUP (Cont'd)

There have been no material changes in the manner in which Sakura Plastic conducts its business or activities since the last three (3) years prior to the date of this Prospectus.

(ii) Substantial shareholders

Sakura Plastic is a direct wholly-owned subsidiary of Campus.

(iii) Share capital

On 21 March 2008, the registered capital of Sakura Plastic was increased from USD5,000,000 to USD10,000,000. As at the date of this Prospectus, the registered capital of Sakura Plastic is USD10,000,000 and the contributions to its registered capital is USD10,000,000.

The contributions to the registered capital of Sakura Plastic for the last three (3) years are as follows:

Date of capital verification report	Value (USD)	Consideration	Cumulative contributions to the registered capital (USD)
19 June 2008	999,288.35	Cash	5,999,288.35
24 March 2009	1,482,498.83	Cash	7,481,787.18
30 March 2009	978,934.39	Cash	8,460,721.57
19 May 2009	553,278.89	Cash	9,014,000.46
23 December 2010	985,999.54	Cash	10,000,000.00

(iv) Subsidiary / associated company

Sakura Plastic does not have any subsidiary or associated companies.

5.2.6 Ruiyuan

(i) History and business

Ruiyuan was established as a WFOE with limited liabilities in Putian City, Fujian Province, the PRC under its current name on 16 February 2006 to undertake the production of our main proprietary product, the plastic tape printer.

There have been no material changes in the manner in which Ruiyuan conducts its business or activities since the last three (3) years prior to the date of this Prospectus.

(ii) Substantial shareholders

Ruiyuan is a direct wholly-owned subsidiary of Sunwealth.

(iii) Share capital

On 8 January 2010, the registered capital of Ruiyuan was increased from USD3,000,000 to USD10,000,000. As at the date of this Prospectus, the registered capital of Ruiyuan is USD10,000,000 and the contributions to its registered capital is USD4,400,000.

The contributions to the registered capital of Ruiyuan for the last three (3) years are as follows:

5 INFORMATION ON OUR GROUP (Cont'd)

Date of capital verification report	Value (USD)	Consideration	Cumulative contributions to the registered capital (USD)
3 September 2007	96,305.21	Cash	871,681.54
4 May 2009	605,373.19	Cash	1,477,054.73
8 May 2009	945,606.76	Cash	2,422,661.49
15 May 2009	577,338.51	Cash	3,000,000.00
2 August 2010	1,400,000.00	Cash	4,400,000.00

The outstanding contributions to the registered capital are USD5,600,000.00 and it shall be paid up before 4 August 2012.

(iv) Subsidiary / associated company

Ruiyuan does not have any subsidiary or associated companies.

Based on the internal reporting procedures of our Group, the supervisors of the operational companies will be required to report directly to our Audit Committee post listing, instead of the Board of Directors of these companies. Our Audit Committee can then mediate any issues arising and direct the appropriate action to be taken on any issues identified.

This reporting structure meets the requirements imposed on supervisors under the PRC law.

5.3 OUR PRODUCTS

Our Group is an integrated plastic stationery company with our own brands of plastic stationery products, proprietary products and technical know-how. We design, manufacture and sell a broad assortment of more than 450 plastic filing and storage products and our own patented products, which comprises primarily our plastic tape printer. Further details of our current products are set out in the ensuing sections.

5.3.1 Plastic filing and storage products

Our Group focuses on producing a variety of plastic filing and storage products. We design, manufacture and sell a broad assortment of more than 450 plastic filing and storage products such as expandable files, pocket files, pocket files with sheet protectors, compact disc holder files, business card holders and albums as well as our own patented products. These products are differentiated by (a) style and accessories (including pockets, buttons, lever clips, compression clips or ring-binders), (b) prints such as silk-screen printing or offset printing, and (c) specifications include size, colour and rigidity. We specialise in plastic filing and storage products which are durable as compared with paper filing and storage products. Our success in penetrating the international market and the awards that we have received are testament to the quality of our plastic filing and storage products. Please refer to Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operation" for discussion on our sales to overseas market and China market. Please also refer to Section 5.14, "Key Milestones, Achievements and Awards" for more details on the awards which we have received.

We set out below some of major plastic filing and storage products.

5 INFORMATION ON OUR GROUP (Cont'd)



Expandable Files



Document Files



Movable Document Cases



Expandable Folders



CD Holders



Filing Bags



Display Books



Pocket Files



Lever Clip Files

5.3.2 Patented products

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

Plastic tape printer

Our plastic tape printer is used by many SMEs in China and globally to print customised adhesive tape labels used to seal corrugated or packaging boxes. In the past, SMEs that need such customised labels had to pre-order them in large quantities. With this hand-held device, these SMEs can now print their own customised labels cost effectively. Our plastic tape printer operates in the following manner:

5 INFORMATION ON OUR GROUP (Cont'd)

- (a) A roll of adhesive tape is mounted onto the tape wheel of the plastic tape printer.



- (b) As the user of the plastic tape printer starts to dispense the adhesive tape, the adhesive tape passes through a mould (a piece of rubber) attached to a printing roller. This mould is custom made by the user through any third-party manufacturer who is able to engrave the user's specified design on the mould, which is of the same analogy as the normal rubber stamp. The user may specify the design he wishes to engrave on the mould. The user will normally engrave his corporate logo or advertisement tagline on the mould.



- (c) Our ink is released onto a printing pad. The mould picks up the ink from the printing pad and prints on the sticky side of the adhesive tape as it passes through the mould. The adhesive tape will thus be printed with the specified design and customised labels are thus printed.



- (d) The customised labels are then dispensed and used to seal the corrugated or packaging boxes.



Our plastic tape printer was first launched in February 2006 and was well received by SMEs.

According to the Independent Market Research Report, it is believed that our plastic tape printer is an innovative product as, through primary and desktop research (based on publicly available information) conducted as at December 2011, we have not encountered any other hand-held plastic tape dispenser with an in-built ink-based printer (using tapes of width between 40mm and 70mm) that is widely and commercially available in the market. The estimated global market size for the plastic tape printer and ink is approximately USD1.7 billion in 2010. It is envisaged that this market will grow further to reach USD1.8 billion in 2011 and USD2.2 billion in 2014, with a CAGR of 6.2%.

5 INFORMATION ON OUR GROUP (Cont'd)

We set out below more details on the volume sold and revenue generated by the plastic tape printer.

Plastic tape printers	FYE2007	FYE2008	FYE2009	FYE2010	FPE2010	FPE2011
Volume (Units sold)	470,470	889,400	1,033,180	1,189,815	659,770	817,920
Growth in volume (%)	158.1	89.0	16.2	15.2	-	24.0
Revenue (RMB'000)	157,868	280,806	311,948	357,991	199,375	244,397
Growth in revenue (%)	119.2	77.9	11.1	14.8	-	22.6
ASP (RMB)	336	316	302	301	302	299
ASP (RM)	152	152	156	143	146	139
Percentage of total Group's revenue (%)	30.6	32.7	28.9	25.4	25.9	25.1

To increase the market penetration for our plastic tape printers, we decreased the selling price of the plastic tape printers from an ASP of RMB336 per unit in FYE2007 to RMB301 per unit in FYE2010 and RMB299 per unit in FPE 2011. As at the LPD, the selling price of our plastic tape printer is approximately RMB298 per unit. We will continue to monitor the selling price for our plastic tape printers going forward. Each plastic tape printer is sold with a complimentary bottle of ink.

The ink for the plastic tape printer is refillable. In order to cater for market requirements and to supplement our plastic tape printer, we started selling the ink in FYE2008 separately from the plastic tape printer to our customers. Ink constitutes recurring revenue to the Group and generated approximately RMB37.8 million, RMB48.7 million, RMB61.6 million and RMB51.7 million to our Group in FYE2008, FYE2009, FYE2010 and FPE2011 respectively, comprising approximately 4.4%, 4.5%, 4.4% and 5.3% of our Group's total revenue in FYE2008, FYE2009, FYE2010 and FPE 2011, respectively.

The plastic tape printer is our main patented product and accounts for 94.1% of our revenue from patented products in FPE2011. The other patented products which have been commercialised which contribute 5.9% of our Group's revenue for FPE2011 include:

- files with cover which may be locked; and
- net bag (sheet).

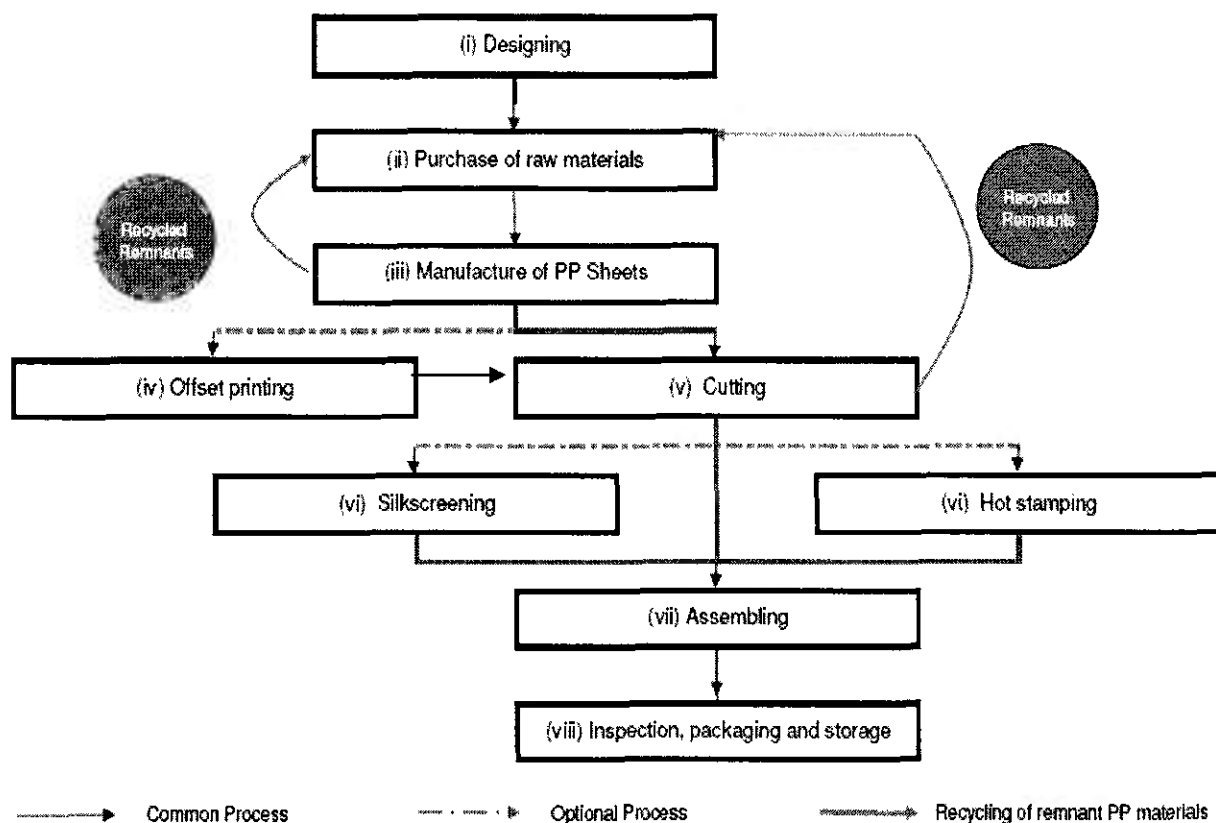
Please refer to the Section 5.11, "Intellectual Property" for more details on our patented products.

5.4 PROCESS FLOW OF PRODUCTION

(a) Plastic filing and storage products

We design, manufacture and sell a broad assortment of more than 450 plastic filing and storage products such as expandable files, pocket files, pocket files with sheet protectors, compact disc holder files, business card holders and albums. Although we produce a broad spectrum of products, the main process flow of production is similar and set out in the diagram below:-

5 INFORMATION ON OUR GROUP (Cont'd)



(i) Designing

We design various plastic stationery products through our R&D department. In addition to designing our plastic stationery products under our own brands, we also provide customised design services to our customers who require such services (other than OEM customers) whereby we assist them in creating aesthetic and unique plastic stationery.

(ii) Purchase of raw materials

We manufacture plastic stationery products using mainly PP materials. PP materials form 46.2% and 46.9% of our cost of sales for FYE2010 and FPE 2011 respectively. We purchase PP granules and use them (mixed with additives and pigments) to manufacture PP sheets. On average, we purchase our PP granules 4-5 times a month mainly from our suppliers. Other raw materials used by our Group comprise packaging materials, printing materials and accessories. Further details of our cost of sales are set out under Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operation".

(iii) Manufacture of PP sheets

We are an integrated plastic stationery manufacturer with upstream capability and we manufacture our own PP sheets under Sakura Plastic and these PP sheets are used to produce our final products. We manufacture PP sheets in accordance with the needs and requirements specified in our orders. PP granules, pigment and additives are mixed to produce the requisite mixture. This mixture is mechanically melted. Depending on the thickness of PP sheets being manufactured, the melted mixture is either drawn, rolled and cooled to form PP sheets or blown and cooled to form PP sheets. The PP sheets are then cut to specified dimensions. Remnants of PP sheets (cut outer edges around other unused portions) are recycled in that they are crushed, shredded and used like PP granules to manufacture other PP sheets.

5 INFORMATION ON OUR GROUP (Cont'd)

Just-on-time inspection commences at this stage. Our staffs perform inspection on the PP sheets to ascertain whether they conform to specifications on colour, thickness, finish, rigidity, and clarity of prints.

Due to limitation in our production capacity of PP sheets, all PP sheets produced by us are used to manufacture plastic stationery for the export market. As for the China market, we manufacture the plastic stationery using PP sheets which we purchase from third-party suppliers. In addition to that, some of our products require the use of PP sheets with special designs or specification. In such instances we also purchase these PP sheets from third-party suppliers. For production of plastic stationery meant for the China market and instances where we require PP sheets of special designs or specifications, sourcing such specific PP sheets from our suppliers is more cost efficient and also allows our production capacity to be put to better use.

(iv) Offset printing

If required, the PP sheets are next sent to the printing press for offset printing. Offset technology is commonly used in printing and packaging. Our printing press comprises multiple units (each containing one printing plate) that can print multi-colour images in one pass on one side of the PP sheet. Some of our plastic stationery products that undergo this optional process include expandable files, pocket files, compact disc holder files, business card holders and albums.

A small batch of products is test printed for inspection by our customers. Once our customers verify and confirm that the sample products are in accordance with their requirements and/or specifications, we will commence mass printing. During the course of mass printing, we will conduct sample testing to ensure consistency.

(v) Cutting

For our plastic stationery products, the PP sheets (which may have been printed by the offset printing process) are cut into the desired shapes and sizes in accordance to specifications of the end products. At this juncture, the cutting mould might also compress certain parts of the PP sheets to create grooves to facilitate folding in the later stages of production. Remnants of PP sheets from this cutting process are recycled in that they are shredded and used like PP granules for the manufacture of PP sheets.

(vi) Silk-screen printing /Hot stamping

If required, the cut PP sheets then undergo silk-screen printing or hot stamping to produce the desired image on the PP sheets.

(vii) Assembling

Assembling comprises the following processes:

- Affixing of accessories. Accessories that are affixed include pockets, buttons, lever clips, compression clips or ring-binders.
- Sewing. In this process, trimmings or zippers are sewn onto the cut PP sheets. An example of our plastic stationery product that undergoes this process is our compact disc holder file.
- Welding. In this process, one or several PP sheets are welded. Some of our plastic stationery products that undergo this process are pocket files, pocket files with sheet protectors, compact disc holder files, business card holders and albums.

5 INFORMATION ON OUR GROUP (Cont'd)

- **Punching.** In this process, holes are punched into PP sheets. Our sheet protectors undergo this process.

During the process, the plastic stationery products are visually inspected by our staff. Samples are also taken for mechanical (folding) testing and to ascertain the quality and durability of the products.

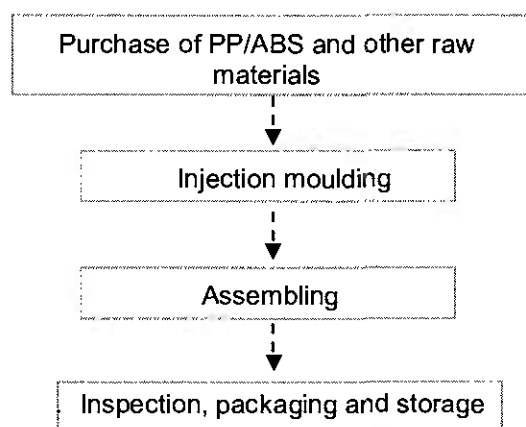
(viii) Inspection, packaging and storage

The finished plastic stationery products undergo final random visual inspection for quality and defects. Products that pass the quality inspection are labelled and packaged.

Please refer to the Section 5.5, "Quality Assurance" for more details on our quality control procedure.

(b) Plastic tape printer

Our plastic tape printer is our main patented product and the major production process flows are as follows:-



(i) Purchase of PP/ABS/POM and other raw materials

We purchase PP granules, pigments, additives, ABS granules and POM for the production of the plastic components of the plastic tape printers. The ABS granules are purchased from suppliers in China as and when we require them. We also purchase other components of the plastic tape printer from our suppliers.

(ii) Injection moulding

The PP, ABS granules, POM, pigment and other additives are mixed. This mixture is mechanically melted. The melted plastic is injected into a mould which is cooled so that the plastic solidifies into the plastic components of the plastic tape printer, which are mainly the roller and the handle. The formed part is ejected when the mould opens.

(iii) Assembling

The finished plastic components and other parts are assembled by our production staff. During this process, visual inspection of the product is undertaken by our staff.

5 INFORMATION ON OUR GROUP (Cont'd)

(iv) Inspection, packaging and storage

The finished plastic tape printer undergoes final inspection for quality and defects. If it passes the quality inspection, it is then packaged together with a complementary bottle of ink and labelled. These inks are refillable and customers may purchase refills from us for optimal printing result. We obtain these inks from a third-party supplier. We also sell these inks to our customers and it represents a recurring revenue to the Group.

5.5 QUALITY ASSURANCE

We believe that the quality of our products is closely associated with our brands. Our management places emphasis on quality assurance in all our activities, from design, development, procurement to production, to ensure that we satisfy our customers' quality requirements. This emphasis on quality of our products contributed to our success in marketing our products globally in over 45 countries including but not limited to countries such as Japan, Germany and USA which maintain high standards for quality of products.

In 2005, Sakura Stationery was awarded the Certificate for Product Exemption from Quality Surveillance Inspection (产品质量免检证书) by the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine (中华人民共和国国家质量监督检验检疫总局) under which Sakura Stationery was exempted from products quality surveillance inspection for its "SAKURA" brand A4-size and foolscap (FC)-sized plastic document files for the period from December 2005 to December 2008. We were not awarded with the Certificate for Product Exemption from Quality Surveillance Inspection since 2008 because the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine (中华人民共和国国家质量监督检验检疫总局) has since September 2008, ceased to give out this award.

In line with our quality assurance system, the following procedures have been implemented in our production processes:-

Receipt of raw materials

All in-coming raw materials (save for PP granules and ABS granules) are subject to inspection to ensure that they comply with our requirements. We purchase PP materials and ABS from long term suppliers whom we have previously dealt with and who possess quality assurances that we are comfortable with.

Any raw materials that do not meet our requirements are rejected and returned to the suppliers. Records of the in-coming inspections are maintained to assist us in the continuous monitoring and evaluation of suppliers' performance (factors taken into account include whether their products are of consistent quality, whether delivery of products were on schedule, price and service standard).

Production process

We subscribe to the paradigm of "doing it right the first time". We conduct quality checks at various stages of our production process to ensure that our products are fit for their purposes. Our quality assurance system aims to prevent defects and detect defects as early as possible to minimise reworking costs. Our system comprises primarily 5 quality control checks: -

- (a) each employee inspects his own work;
- (b) each employee inspects the semi-finished product before commencing work;
- (c) at the assembling stage, the final product is inspected before packaging;

5 INFORMATION ON OUR GROUP (Cont'd)

- (d) throughout the production process, we conduct inspection on samples. Aside from visual inspection, the products are tested mechanically for failure testing and mechanically gauged for thickness; and
- (e) prior to being stored, sampling inspection/testing of our products are conducted at the warehouse.

Warehousing & delivery

We perform inspections on our products to ensure that they comply with our customers' required specifications before end-of-line packing for storage or delivery to customers. We specify strict delivery, handling and packing requirements to prevent damage during delivery.

After-sales service

Customer satisfaction is an important part of our Group's philosophy. We are committed to responding promptly to our customers' complaints on defective products and enhance and improve our products based on customers' feedback.

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5 INFORMATION ON OUR GROUP (Cont'd)

5.6 LOCATION OF BUSINESS, PRODUCTION FACILITIES AND DETAILS OF MACHINERIES

As at the LPD, we own and lease certain land use rights and properties in China.

The following table sets forth information relating to land and buildings that we own:

Owner	Location	Tenure	Use of Land per certificate of land use right	Use of Property per ownership certificate	Land area (sq m)	GFA (sq m)	Encumbrance	Net book value as at FPE2011		Detailed description and existing use
								Land	Building	
Sakura Stationery	Zhenfu Road, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇镇府路)	50 years ending on 7 August 2053	Industrial use	Integrated Building (First Plant)	5,390.0	4,034.8	Please see Note 1 below	RMB142,700 (RM65,785) ⁽²⁾	RMB172,301 (RM79,431) ⁽²⁾	An individual designed 5 storey detached factory and vacant
			↔	↔		4,165.5	Please see Note 1 below		RMB1,121,603 (RM517,059) ⁽²⁾	An individual designed 3 storey detached factory used for off set colour printing division
	No. 5, 12 th Group, Wu Xing Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星村十二组五号)	50 years ending on 10 January 2044	Residential Use	Residential Use	201.8	390.4	Nil		RMB101,798 (RM46,929) ⁽²⁾	An individual designed 2 storey detached residential house and vacant

5 INFORMATION ON OUR GROUP (Cont'd)

Owner	Location	Tenure	Use of Land per certificate of land use right	Use of property per ownership certificate	Land area (sq m)	GFA (sq m)	Encumbrance	Net book value as at FPE2011		Detailed description and existing use
								Land	Building	
Sakura Plastic	Wuxin & Donglou Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星, 东楼村)	50 years ending on 7 August 2053	Industrial use (New Plant)	Factory Building (New Plant)	21,597.0	2,692.9	Nil	RMB1,406,005 (RM648,168) ⁽²⁾	RMB712,879 (RM328,637) ⁽²⁾	An individual designed 2 storey detached factory building used for moulding and assembling of tape printer
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇锦江西路 2899 号)	7 August 2053		Industrial use (New Plant)		4,270.38	Nil		RMB14,503,826 (RM6,686,264) ⁽²⁾	An individual designed 3 storey detached factory building used for production of PP sheets, warehouse for PP resin, PP sheets and recycle PP resin.
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (涵江区江口镇锦江西路 2899 号)	7 August 2053		Industrial use (New Plant)		15,422.59	Nil		RMB44,103,454 (RM20,331,692) ⁽²⁾	An individual designed 5 storey detached factory building used for manufacturing of PP films, warehouse for finished goods, accessories, parts and storage boxes, assembling line for stationery products and future production for envelopes.

5 INFORMATION ON OUR GROUP (Cont'd)

Owner	Location	Tenure	Use of Land per certificate of land use right	Use of property per property ownership certificate	Land area (sq m)	GFA (sq m)	Encumbrance	Net book value as at FPE2011		Detailed description and existing use
								Land	Building	
	Hanjiang District Jiangkouzhen Jinjiang West Road No.2899 (淞江区江口镇锦江西路 2899 号)	7 August 2053		Industrial use (New Plant)		6,988.04	Nil			An individual designed 7 storey detached factory buildings used as a dormitory and cafeteria for our employees.
						-	Nil		RMB24,756,973 (RM11,412,965) ⁽³⁾	Drainage work
						-	Nil		RMB10,187,120 (RM4,696,262) ⁽²⁾ RMB32,492,833 (RM14,979,196) ⁽²⁾	Plant road
						148	Nil		RMB3,663,402 (RM1,688,828) ⁽²⁾	Power generator
										An individual designed 5 storey detached factory building is currently under construction. It will be used for manufacturing of PP films, warehouse for finished goods, accessories, parts and storage boxes, assembling line for stationery products and future production for envelopes.

5 INFORMATION ON OUR GROUP (Cont'd)

Owner	Location	Tenure	Use of Land per certificate of land use right	Use of property ownership certificate	Land area (sq m)	GFA (sq m)	Encumbrance	Net book value as at FPE2011		Detailed description and existing use
								Land	Building	
Sakura Plastic	Wuxin Village, Jiangkou Town, Hanjiang District, Putian, China (中国莆田市涵江区江口镇五星村)	50 years ending on 31 December 2060	Industrial use ⁽³⁾ (New Plant)	-	45,600.6	-	Nil	RMB13,222,678 (RM6,095,655) ⁽²⁾	-	Vacant piece of industrial land
Ruiyuan	Within Putian City High-Tech Industrial Development Zone, China (中国莆田市高新技术产业开发区内)	50 years ending on 12 April 2057	Industrial use	-	6,530.9	-	Nil	RMB566,779 (RM261,285) ⁽²⁾	-	⁽⁴⁾

Notes:

- (1) Mortgaged together with First and Second Plant to Agriculture Bank of China, Hanjiang Branch for securing all loans not exceeding approximately RMB10.39 million obtained by Sakura Stationery from Agriculture Bank of China, Hanjiang Branch during the period commencing 2 December 2010 to 1 December 2013.
- (2) Using exchange of RMB1.00: RMD.4610 as at FPE2011.
- (3) The cost of this land is approximately RMB13.33 million and is financed using internal generated fund.
- (4) We intend to construct a second factory building under Ruiyuan. Currently, land filling work and construction work has been completed and construction will commence after the completion of construction for Sakura Plastic's building as disclosed in the table above.

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5 INFORMATION ON OUR GROUP (Cont'd)

There are no other laws and land regulations to be complied with save for the use of land which is stated in the certificate of land use right disclosed above.

The above buildings are used by Sakura Stationery, Sakura Plastic and Ruiyuan as manufacturing facilities and for warehousing of finished goods. There is no valuation undertaken on the properties of our Group tabulated above pursuant to the listing exercise. The properties are recorded at cost.

There are no other laws and building regulations to be complied with save for the use of property which is stated in the property ownership certificate disclosed above.

(b) Rented properties

The following table sets forth information relating to the properties that we have leased:

Location	Description/ Existing Use	GFA (sq m)	Lessor	Tenant	Tenure	Monthly rental
Unit 6A & 7A, Lianhua Building, No 2011, South People's Road, Luohu District, Shenzhen City, China ⁽¹⁾ (中国深圳市羅湖區人民南路2011號聯華大廈 6A, 7A)	The rented premises form an unit each on Level 6 and Level 7 of the 26 storey commercial building/ Office	Approximately 295.0	Kwan Chun Chu (关珍珠)	Campus	1 April 2011 to 31 March 2013	RMB10,000 (RM4,637) ⁽²⁾

Notes:

- (1) Please refer to the Section 12.1, "Related Party Transactions" for further details.
 (2) Using exchange of RMB1.00: RM0.4637 as at FPE 2011.

To the best of our Directors' knowledge and belief, there are no regulatory requirements that may materially affect our Group's utilisation of tangible fixed assets.

As at the LPD, all of our Group's PP sheets manufacturing machineries and other production machineries (save for the offset printing machine) have been relocated to our New Plant. The offset printing machine is still located there due to certain fixtures and fittings. It is our intention to eventually move the offset printing machine to the New Plant to streamline our production process. The initial move of our machineries to the New Plant did not cause any disruption to our operations, and coupled with the close proximity between the location of our First and Second Plants and our New Plant, our Board does not foresee the move of the offset printing machine to the New Plant to cause any disruption and have any material impact on our Group's operations. We had incurred an additional cost of approximately RMB0.90 million for the installation of certain fixtures and fittings in the New Plant. Our Board will decide on the optimal way to utilise or realise our investments in the First and Second Plants, which could be by way of disposal as and when suitable opportunities arise.

We have land use rights for 73,728.5 sq m of land in the vicinity of our New Plant which is owned by Sakura Plastic and Ruiyuan ("**New Plant Land**"). Currently, our New Plant comprises four (4) completed buildings with GFA of 29,373.9 sq m. The New Plant is used for manufacturing of PP sheets, production of plastics filing and storage products, production of our patented products and for administrative purposes. Production of plastic stationery has commenced from part of the New Plant since March 2010.

The expenditure for the construction for the New Plant, dormitory, cafeteria and infrastructure amounting to approximately RMB135.5 million was financed by our internal funds.

5 INFORMATION ON OUR GROUP (Cont'd)

We intend to construct more buildings on the New Plant Land. Aside from the completed buildings mentioned above, we plan to construct additional two (2) buildings on the New Plant Land. One of the buildings which is owned by Sakura Plastic is in the construction stage, while the second building under Ruiyuan has completed with the land filing work and construction work will commence after the completion of construction for Sakura Plastic's building. These new buildings will be used to house the new machineries to be purchased which will increase our production capacity to 44,400 tonnes of PP sheet per annum from the current 27,600 tonnes per annum. The new buildings will also be used to streamline the layout of our plant and to house the production of patented products which is currently now housed in part of the building used for non-patented products. In addition to the amounts stated in the paragraph above, we plan to utilise another RMB92.6 million from our internally generated funds for the construction of these additional two (2) buildings on the New Plant Land which is envisaged to complete in two (2) years time.

Save as disclosed above and to the best of our Directors' knowledge and belief, in respect of the land and buildings owned or occupied by us as at the LPD:

- (a) there are no other restrictions in interest or major encumbrances save as disclosed in this section;
- (b) there has not been any breach of land use conditions or permissible land use; and
- (c) there has not been any material non-compliance with current statutory requirements or rules and regulations relating to land and building.

Our Company had undertaken that:

- (a) in relation to our new buildings currently under construction, our Group will not occupy such buildings, until and unless the property ownership certificates or its equivalent for the new buildings have been validly and legally obtained by our Group from the relevant authorities; and
- (b) our Group will not occupy any buildings which will be constructed by our Group, until and unless the property ownership certificates or its equivalent for the buildings have been validly and legally obtained by our Group from the relevant authorities.

(c) **Machineries and equipments**

As at the LPD, our Group has invested in major equipment for our business operations since commencement of our manufacturing operations in 1993, which include the following:

Machinery and equipment	Quantity (units)	Capacity (per annum)	Audited NBV as at 31 July 2011 (RMB'000)
PP sheet machines	26	27,600 tonnes	48,237
Injection moulding machines	4	2,000,000 units	440

Details of our future plans to purchase more machinery and to expand our production capacity are set out in Section 3.10, "Proceeds of the Public Issue and Proposed Utilisation".

5 INFORMATION ON OUR GROUP (Cont'd)

5.7 PRODUCTION CAPACITY AND UTILITY RATES

Plastic filing and storage products

Over the Review Periods, in anticipation of increased demand for our products and higher sales, we have increased our production capacity through the purchase of additional equipments and expansion of our production plants. Our production capacity refers to our production from raw materials, i.e. PP granules into PP sheets. We set out below our production capacity, production volume and utilisation rate over the Review Periods for PP sheets.

PP sheets produced (by tonnes)	FYE2007	FYE2008	FYE2009	FYE2010	FPE2011
Maximum capacity ⁽¹⁾	12,000	12,300	22,400 ⁽²⁾	27,600	16,100
Production volume	9,186	9,778	17,341	23,690	14,232
Utilisation rate	76.6%	79.5%	77.4%	85.8%	88.4%

Notes:

- (1) Maximum capacity has been computed based on the assumption that the machines are operating 300 days a year, 24 hours per day.
- (2) The increase in the maximum capacity for FYE2009 was due to the acquisition of new machineries during the financial year to meet the demand of the increased in sales orders.

We have entered into contracts to purchase new machineries for our New Plant which will increase our production capacity of PP sheets to 44,400 tonnes per annum. This will be partly funded by our IPO proceeds.

Plastic tape printer

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

Plastic tape printers produced	FYE2007	FYE2008	FYE2009	FYE2010	FPE2011
Maximum capacity ⁽¹⁾	1,080,000	1,386,667	2,160,000 ⁽²⁾	2,160,000	1,260,000
Actual production	464,270	890,400	1,033,500	1,190,000	856,500
Utilisation rate	43.0%	64.2 %	47.8%	55.1%	68.0%

Notes:

- (1) Maximum capacity has been computed based on the assumption the machines are operating 300 days a year, and 20 hours per day.
- (2) The increase in the maximum capacity for FYE2009 was due to the acquisition of new machineries in the last quarter of FYE2008 in anticipation of increased in sales orders.

We commenced production of plastic tape printers in February 2006. The production of plastic tape printer has increased since FYE2006. Our production capacity increased in FYE2008 and FYE2009 in line with purchase of new machineries.

5.8 SALIENT TERMS OF CONTRACTS ON WHICH OUR GROUP IS DEPENDENT ON

Save as disclosed below and in Section 5.11, our Group has not entered into any contracts and arrangement or have any intellectual property which we are dependent on. Although our Group has entered into distribution agreements with certain of our distributors to specify, amongst others, the territory, products to be sold and minimum order quantity, our Group is not dependent on them as the orders placed by our distributors are via purchase orders. In aggregate, these exclusive distributors contribute approximately 18.6% and 21.6% of our Group's revenue for FYE2010 and FPE2011 respectively. As shown in Section 5.17 "Major Customers", our Group has no major customers which accounted for more than 10.0% of sales over any FYE/FPEs in the Review Periods.

5 INFORMATION ON OUR GROUP (Cont'd)

(a) Purchasing Agreement for ink

On 26 February 2009, Ruiyuan has entered into a purchasing agreement with its supplier of ink. The tenure of the purchasing agreement is from 1 March 2009 to 28 February 2011 and there is a provision for an automatic extension for another two (2) years period upon its first expiry. There is a confidentiality clause in the purchasing agreement prohibiting the supplier from disclosing any confidential information relating to the transaction without prior consent of Ruiyuan. The purchasing agreement also prohibits the supplier from selling printing ink and printing boxes to any other party other than Ruiyuan during the term of the purchasing agreement.

(b) PP Supply Agreement

In 2007, Sakura Plastic entered into agreements with Horneman Chemplas (Far East) Ltd, Y & M International Corp. and Daelim Corporation for the supply of PP granules. The salient terms of the PP supply agreements are as follows:

- (i) Sakura Plastic agreed to purchase a minimum quantity of PP granules from Horneman Chemplas (Far East) Ltd monthly, which so far we have been able to comply with;
- (ii) The suppliers guarantee to offer Sakura Plastic a favourable price on the basis of CIF Fujian China; and
- (iii) The agreements remain valid for a period of one (1) year and will be automatically extended for one year and so on thereafter if either party has no disagreement to the mutual cooperation. These agreements are still valid and have not been terminated as at the LPD.

(c) Industrial Patent Agreement

On 2 December 2009, Ruiyuan and Shenzhen Yimei Industry Design Co., Ltd (深圳市怡美工业设计有限公司) ("Shenzhen Yimei") had entered into a product design commission agreement (产品委托设计合同), under which Ruiyuan agreed to appoint Shenzhen Yimei to provide relevant industrial design services prescribed in the product design commission agreement in relation to the second generation plastic tape printer. The consideration of the contract is RMB24.2 million and is to be satisfied via cash. Subsequently on 15 January 2010, the parties had entered into a supplemental agreement under which the parties agreed that Shenzhen Yimei shall carry on the R&D works in accordance with the R&D progress stipulated in the product design commission agreement. In the event that any changes in market have caused the R&D works to be discontinued, Shenzhen Yimei shall return to Ruiyuan all unutilised R&D fees which Ruiyuan has paid under the product design commission agreement.

5.9 R&D

In order to maintain our competitiveness, we place emphasis on R&D to improve the quality of our existing products and to accelerate the development of new products. As at the LPD, our Group has a R&D team comprising 11 members. Our R&D team constantly develops new products and enhances our existing products to support the evolving needs of the ever-changing market. We have introduced a total of 177 new non-patented products over the Review Periods. Our products are manufactured based on market demand and as such, we do not have any patented and non-patented products which failed to commercialise or discontinued over the Review Periods.

R&D expenses will be expensed as incurred, except for development costs which relates to the design and testing of new or improved materials, products or processes which are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. This means that the entity must intend and be able to complete the

5 INFORMATION ON OUR GROUP (Cont'd)

intangible asset and either uses it or sells it and be able to demonstrate how the asset will generate future economic benefits.

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

- (a) Development and successful introduction of patented products which are proprietary to us such as the plastic tape printer, files with cover which may be locked and net bag;
- (b) Continuous improvement in our production process which helped us to minimise waste, hence lowering our costs of production;
- (c) Constant update and enhancement on our existing range of plastic filing and storage products. We have developed and manufactured more than 100 types of new non-patented products over the Review Periods;
- (d) Continually widen our range of product offerings, thus enabling us to respond quickly to the evolving requirements of our customers. We currently manufacture and sell a broad assortment of more than 450 types of plastic filing and storage products; and
- (e) Performed in-house testing on the PP sheets produced by us which includes testing on the colour, texture, oxidation, thickness and durability. Our current testing equipment comprise of basic machineries such as chromatography, thickness meter, tensile testing machine, burst strength testing machine, corrosion testing machine and anti-oxidation device.

The R&D expenses incurred by our Group historically were minimal as most of the R&D activities undertaken previously by us were focused on improving the quality of the PP sheets, the concept and idea for the development of patented products and improvement of our production processes, in which there were no material outlay of R&D expenses by our Group.

The R&D expenses incurred by our Group for the past five (5) FYE2010 and FPE2011 are as set out below:-

	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FPE 2011
R&D expenses (RMB'000)	185	328	5,494	19,471	321
Total R&D expenses as a proportion of the Group's total revenue (%)	0.04	0.04	0.51	1.38	0.03

Prior to FYE 2009, R&D expenditures are mostly incurred at the expense of Chan Fung @ Kwan Wing Ying and hence not reflected as an expense in the audited financial statements of our Group. This include the cost of purchasing our current testing equipments, which are relatively basic in nature. Further, the expenses incurred are minimal as the required raw materials are available in our factory for testing purposes. Since FYE 2009, R&D expenditure has been borne by our Group.

Our Auditors, Messrs Foo Kon Tan Grant Thornton LLP has confirmed and expressed their opinion in the Auditor's Report (as set out in Annexure C of this Prospectus) that the Combined Financial Statements of our Company for the Review Periods in all material respects are true and fair and such opinion was formed by them after taking into consideration the R&D expenses incurred previously by our Group.

Our in-house R&D department also develops patented products which are proprietary to our Group such as the plastic tape printer, second generation plastic tape printer and plastic envelope. For the second generation plastic tape printer, the concept and idea of the product is developed by our Group, whilst the industrial design was outsourced to Shenzhen Yimei at

5 INFORMATION ON OUR GROUP (Cont'd)

the consideration of RMB24.20 million due to their experience and expertise in this area. We view the design of the second generation plastic tape printer to be important as this product is aimed at the consumer market and not the industrial market and as such has to be aesthetically pleasing. Please refer to Section 5.21.1 "Future Products" for further details on the second generation plastic tape printer and plastic envelope.

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

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

We may also purchase technology and technical know-how relating to production of stationery which we do not specialise in to enhance our existing products. Such purchase of technology will only be made if it is for a specialised product and it is faster time to market for us to purchase as opposed to developing the technology in-house. We have, however, not purchased any technology and technical know-how in the past.

Moving forward, to facilitate our Group to grow to the next level to become one of the large stationery players and to increase our brand name in the global market, we intend to undertake more R&D activities to develop more proprietary or patented future products which include amongst others, the second generation plastic tape printer, anti-tampering plastic envelope and further improved features of the plastic tape printer. Our Group's current R&D equipment are relatively basic in nature and as such, in order for us to achieve our growth plan, we will need to equip our in-house R&D facilities with more advanced and sophisticated equipment to cater for more R&D projects to be undertaken by our Group to further improve on our manufacturing capabilities by performing quality control testing on the products, as well as the development of innovative and new patented and non-patented products in the future.

Our Group proposes to utilise approximately RM25 million of the IPO proceeds amount towards the enhancement of our R&D activities to purchase testing machineries for our R&D department which is aimed at improving the quality and durability of our products. Please refer to Section 3.10, "Proceeds of the Public Issue and Proposed Utilisation" for more details on the R&D machineries to be purchased.

5 INFORMATION ON OUR GROUP (Cont'd)

5.10 APPROVALS, MAJOR LICENCES AND PERMITS

We have obtained all the necessary approvals, major licences and permits for our business operations and our Directors are of the opinion that our Group has materially complied with all relevant laws and regulations. Since the inception of our business, we have not experienced any previous instances of suspension or revocation of licences and permits granted to our Group.

We set out in the table below all the necessary approvals, major licences and permits for our business operations:

Approving Authority	Recipient	Type of approvals/ licences and permits	Date of issuance/ Validity period or term of operation	Conditions	Status of compliance
Putian City Administration for Industry and Commerce (莆田市工商行政管理局)	Sakura Stationery	Business License (No.350300400000777)	*4 August 2008 / 14 July 1991 to 15 July 2041	Note (i) and (ii)	Complied
People's Government of Fujian Province (福建省人民政府)	Sakura Stationery	Approval Certificate (No. 1991 0545)	*24 August 2007 / none	Note (i) and (ii)	Complied
Fujian Province Putian City Hanjiang District Bureau of State Tax (福建省莆田市涵 江区国家税务局) and Fujian Province Putian City Hanjiang District Bureau of Local Tax (福建省莆田市涵 江区地方税务局)	Sakura Stationery	Tax Registration Certificate (No. 350303611250842)	*24 June 2010 / none	Note (i) and (ii)	Complied
State Administration of Foreign Exchange Putian sub-branch (国家外汇管理局莆田市中 心支局)	Sakura Stationery	Certificate of Foreign Exchange Registration (No. 00021138)	None	Note (i) and (ii)	Complied
Putian Custom (莆田海关)	Sakura Stationery	Customs Certificate (No.3503946029)	26 November 1992. The expiring date of the certificate is on 26 November 2014.	To be renewed once every 3 years in 30 days' advance before the expiring date and Note (ii)	Complied
Putian City Administration for Commerce and Industry (莆田市工商行政管理局)	Sakura Plastic	Business License (No.350300400000988)	*30 December 2010 / From 5 November 1993 to 4 November 2043	Note (i) and (ii)	Complied
People's Government of Fujian Province (福建省人民政府)	Sakura Plastic	Approval Certificate (No. 1993 0150)	*25 March 2008 / none	Note (i) and (ii)	Complied
Fujian Province Putian City Hanjiang District Bureau of State Tax (福建省莆田市涵 江区国家税务局) and Fujian Province Putian City Hanjiang District Bureau of Local Tax (福建省莆田市涵 江区地方税务局)	Sakura Plastic	Tax Registration Certificate (No. 350303611256443)	*24 June 2010 / none	Note (i) and (ii)	Complied

5 INFORMATION ON OUR GROUP (Cont'd)

Approving Authority	Recipient	Type of approvals/ licences and permits	Date of issuance/ Validity period or term of operation	Conditions	Status of compliance
State Administration of Foreign Exchange Putian sub-branch (国家外汇管理局莆田市中心支局)	Sakura Plastic	Certificate of Foreign Exchange Registration (No.00021163)	None	Note (i) and (ii)	Complied
Putian Customs (莆田海关)	Sakura Plastic	Customs Certificate (No. 3503946712)	20 December 1995. The expiring date of the certificate is on 20 December 2014.	To be renewed once every 3 years in 30 days' advance before the expiring date and Note (ii)	Complied
Putian City Administration for Industry and Commerce (莆田市工商行政管理局)	Ruiyuan	Business License (No.350300400000945)	*4 August 2010/ From 16 February 2006 to 15 February 2056	Note (i) and (ii)	Complied
People's Government of Fujian Province (福建省人民政府)	Ruiyuan	Approval Certificate (No. 2006 0005)	*21 January 2010 / none	Note (i) and (ii)	Complied
Fujian Province Putian City Hanjiang District Bureau of State Tax (福建省莆田市涵江区国家税务局) and Fujian Province Putian City Hanjiang District Bureau of Local Tax. (福建省莆田市涵江区地方税务局)	Ruiyuan	Tax Registration Certificate (No. 350303782194515)	*24 June 2010 / none	Note (i) and (ii)	Complied
State Administration of Foreign Exchange Putian sub-branch (国家外汇管理局莆田市中心支局)	Ruiyuan	Certificate of Foreign Exchange Registration (No.00021091)	None	Note (i) and (ii)	Complied
Putian Custom (莆田海关)	Ruiyuan	Customs Certificate (No.3503947255)	17 April 2006. The expiring date of the certificate is on 17 April 2012.	To be renewed once every 3 years in 30 days' advance before the expiring date and Note (ii)	Complied

Notes:

* All the business licences, approval certificates and tax registration certificates held by Sakura Stationery, Sakura Plastic and Ruiyuan are the latest business licences, approval certificates and tax registration certificates issued by the relevant governing authorities. Under circumstances stipulated in the relevant PRC laws and regulations, for instance, where amendments are made to the memorandum and articles of the companies, the companies are required to inform the relevant governing authorities and the authorities will issue new business licences/ approval certificates/ tax registration certificates to the companies accordingly.

(i) Recipient to pass annual inspection.

(ii) Recipient to apply for reissuance of certification in the event any of the registered information items has changed.


5 INFORMATION ON OUR GROUP (Cont'd)

5.11 INTELLECTUAL PROPERTY

(a) Trademark

We believe that our commitment and dedication to quality is the cornerstone for the building of our brands. Our brands are established and well-recognised. Our trademarks afford greater protection to our brands, are valuable to us and are important to our continued growth.

As at the LPD, the following trademarks are registered in China:-

Trademark	Registration number	Country of registration	Class of Goods and services	Period of validity
SAKURA	748028	China	16 Files (文件夹); data books (资料册); business card holders (名片簿); note books (笔记簿); account books covers (帐簿皮); photo albums (相片簿); and stamp albums (集邮册)	28 May 1995 to 27 May 2005 Renewed for 28 May 2005 to 27 May 2015
	3662202	China	16 Handheld printing device set (Office Equipment) (便携式印刷成套工具(办公用品)); book covers (书籍封皮); bags (envelopes, pouches) made of paper or plastic, to be used for packaging (包装用纸袋或塑料袋(信封、小袋)); hole punchers (办公室用打孔器); pencil box (文具盒(全套)); numbering machine (号码机); stationery and self-adhesive tapes (文具及家用胶带); compasses for drawing (绘画用圆规); paint boxes for use in school (颜料盒(学校用品)); and teaching materials (excluding machines) (教学材料(仪器除外))	14 July 2005 to 13 July 2015
	691726	China	16 Files (文件夹); data books (资料册); business card holders (名片簿); note books (笔记簿); account book covers (帐簿皮); photo album (相片簿); and stamp albums (集邮册)	28 May 1994 to 27 May 2004 Renewed for 28 May 2004 to 27 May 2014
	3654894	China	18 Artificial leather (仿皮); shopping bags (购物袋); briefcases (公文包); leather leashes (皮缘饰品); umbrellas(伞); canes(手杖); harness (马具); and leather straps (皮制带子)	From 7 March 2006 to 6 March 2016
	3313338	China	16 Files (文件夹); data books (资料册); business card holders (名片簿); note books (笔记簿); account book covers (帐簿皮); photo album (相片簿); and stamp albums (集邮册)	From 28 February 2004 to 27 February 2014
Foldersys	4032632	China	16 Files (文件夹); data books (资料册); business card holders (名片簿); note books (笔记本); account book covers (帐簿皮); albums (影集); stamp albums (邮票夹); stationery (文具); bags (envelopes, pouches) made of paper or plastic, to be used for packaging (包装用纸袋或塑料袋(信封、小袋)) and adhesive tape dispensers (office supplies)(胶带分配器(办公用品))	From 21 December 2006 to 20 December 2016

5 INFORMATION ON OUR GROUP (Cont'd)

(b) Patents

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

Description	Type	Number	Duration, Expiry date
Plastic tape printer ⁽⁴⁾	Utility model	ZL03259039.3	10 years, expiring 23 June 2013
Files with cover which may be locked ⁽¹⁾	Design	ZL03317063.0	10 years, expiring 10 June 2013
Plastic SIM card holder ⁽¹⁾	Design	ZL200430016481.2	10 years, expiring 25 February 2014
Plastic wrapping with pockets for cassette holders ⁽¹⁾	Design	ZL200430057639.0	10 years, expiring 1 June 2014
Seal of plastic envelope ⁽²⁾⁽³⁾	Utility model	ZL200620075257.4	10 years, expiring 16 July 2016
CD File ⁽¹⁾	Design	ZL200930171742.0	10 years, expiring 20 April 2019
Plastic Cubbyhole ⁽¹⁾	Design	ZL200930171743.5	10 years, expiring 20 April 2019
Files with Cover Which May be Locked ⁽¹⁾	Design	ZL200930171744.X	10 years, expiring 20 April 2019
Files with Cover Which May be Locked ⁽¹⁾	Design	ZL200930171740.1	10 years, expiring 20 April 2019
Files with Cover Which May be Locked ⁽¹⁾	Design	ZL200930171741.6	10 years, expiring 20 April 2019
Folder Structure of Suspension Files ⁽¹⁾	Utility Model	ZL200920181489.1	10 years, expiring 25 November 2019

Notes:

- (1) *These patents were originally owned by Guan Yongrui. In September 2007 and September 2011, Guan Yongrui successfully transferred these patents to Sakura Stationery for no consideration as application for the patent was previously made on behalf of Sakura Stationery. Guan Yongrui is the cousin of Chan Fung @ Kwan Wing Yin. He is currently the Head of Operations of Sakura Stationery.*
- (2) *Ruiyuan has filed an international patent application under the Patents Co-Operation Treaty for the "Sealing Protection Structure for Package Bag" on 13 July 2007. We have also filed a national phase entry application in the United States of America.*
- (3) *This patent was originally owned by Guan Yongrui. In August 2007, Guan Yongrui successfully transferred this patent to Ruiyuan for no consideration as application for the patent was previously made on behalf of Ruiyuan.*
- (4) *This patent was originally owned by Sakura Stationery. In November 2007, Sakura Stationery successfully transferred this patent to Ruiyuan for no consideration. Upon its expiry on 23 June 2013, the patent of the plastic tape printer will not be protected by the law in China. The patent is not renewable nor a fresh application can be made. However, we will constantly develop new improved products such as the second generation plastic tape printer, in which patent application for the new product will be made prior to its commercialisation.*

5 INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, we have applied for the registration of the following patents in China:

Description	Type	Application No.	Application Date
Tape dispenser (Snail)	Design	201130209625.6	5 July 2011
Plastic Tape Printer (Desktop)	Design	201130303220.9	31 August 2011
Desktop all-in-one plastic tape printer	Utility Model	201120323827.8	31 August 2011
Plastic Tape Printer	Invention	201110185978.6	5 July 2011

(c) Confidentiality and Non-competition Agreements

Our Group has also entered into confidentiality agreements with our R&D staff personnel to protect our intellectual properties. These agreements include confidentiality and non-competition agreement clauses.

5.12 OUR COMPETITIVE STRENGTHS AND ADVANTAGES

We believe the following to be our key competitive strengths:

(a) We have our own award winning brand which is associated with high quality products

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

We have generated awareness for our brands through trade shows and advertisements on billboards and through other media in China. Our "SAKURA" brand of products has won numerous awards, certifications and accolades including Fujian Province Branded Products (福建省名牌产品) (since 2006) awarded by the Fujian Provincial People's Government (福建省人民政府), and Fujian Province Famous Trademark (福建省著名商标) (valid for three (3) years until 2010) awarded by the Fujian Province Famous Trademark Determination Committee (福建省著名商标认定委员会).

Our Executive Directors believe that branding is associated with quality. Hence, the cornerstone of our branding is our commitment and dedication to quality. Our ability to market our products globally to more than 45 countries including but not limited to countries such as Japan, Germany and USA which maintain high standard for quality of products is testament to the quality of our products. In China, we have received numerous awards and recognition for the quality of our products and the credit worthiness of our Group.

Our commitment and dedication to quality have been affirmed by various commendations. We were awarded a Certificate for Product Exemption from Quality

5 INFORMATION ON OUR GROUP (Cont'd)

Surveillance Inspection (产品质量免检证书) from the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine (中华人民共和国国家质量监督检验检疫总局). We were also one of the only five (5) manufacturers in China to co-author the industry standards for files published by the State Development and Reform Commission of China (中华人民共和国国家发展和改革委员会) in 2006.

Please refer to Section 5.14, "Key Milestones, Achievements and Awards" for more details of the awards which we have received.

(b) Our proprietary products and know-how

Innovative patented products

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

We have our own R&D department to develop innovative patented products and improve on existing products as we envisage that patented products will allow us to enjoy higher gross profit margins, which can be substantiated by the average gross profit margin of approximately 60.0% achieved by our patented products during the Review Periods. In February 2006, Ruiyuan, a WFOE, was incorporated to undertake the production of our main proprietary and patented product, the plastic tape printer which was successfully launched in February 2006. The plastic tape printer was well received by SMEs and up to the LPD, the plastic tape printer produced by Ruiyuan remained as our main patented product. For FYE2010 and FPE2011, patented products contribute 28.2% and 26.7% of our Group's total revenue respectively. Our patented products contribute a higher gross profit margin as compared with non-patented products. Please refer to Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operation" for more details and analysis of our gross profit margin by products.

Going forward, we plan to develop more patented products, which include the second generation plastic tape printer and the anti-tampering plastic envelope for the express mail industry.

As at the LPD, we own eleven (11) patents for our products including our plastic tape printer and anti-tampering seal for plastic envelope in China. Please refer to the Section 5.11, "Intellectual Property" for more details. We intend to commercialise our plastic envelope with anti-tampering seal by mid 2012 and the second generation plastic tape printer during the first quarter of 2012. At present, we have a team of 11 R&D staff tasked to develop new products or improve on existing products. Please refer to the Section 5.21.1, "Future Products, Future Plans, Business Strategies and Prospects" for more details of the anti-tampering plastic envelope and the new type of plastic tape printer.

Our technical know-how

During the Review Periods, we have never encountered incidence of sales returns from any of our customers for our products. This, coupled with the continuous incoming orders we received from our local and overseas customers serve as a testament of the quality of our products, which is well accepted by our diverse range of customers. Our PP sheets are manufactured by Sakura Plastic from PP granules. The formulation for the production of our PP sheets forms part of our proprietary knowledge and kept by our Executive Chairman, Chan Fung @ Kwan Wing Yin and Kwan Wing Sang, our Vice-President of Procurement, Production and R&D. We believe we can maintain our quality as we control the upstream manufacturing of PP

5 INFORMATION ON OUR GROUP (Cont'd)

sheets and hence are able to control the colour, rigidity, durability, colour and design of our files. Our upstream capability also enables us to control our PP sheet production and hence our end products to meet our customer's requirements and hence accord us flexibility, as opposed to bulk purchase of PP sheets from third party as we may be unable to control the quality produced by such third parties. The acceptance of our products overseas, particularly in countries such as Japan, USA and Germany, is a testament of our quality. We produce about 74% of our PP sheets used while the balances were purchased from third party suppliers. We purchase PP sheets from third party suppliers due to the manufacturing constrain in our PP sheets capacity and in instances where sourcing specific PP sheets (with special design and specifications) are more cost efficient and allow our production capacity to be put to better use.

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

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

(c) We have an extensive distribution network globally and in China and we are not dependent on any single market

As at FPE2011, our Group has over three hundred (300) distributors worldwide of which fourteen (14) are exclusive distributors. Our exclusive distributors are responsible for their assigned territories around the world and they on-sell our products to various retailers in their respective territories. The exclusive distributors are required to attain a minimum sales target. Our sales and marketing department is constantly seeking new distributors to extend our sales reach globally.

As at the FPE2011, our products are sold through distributors in over 45 countries to more than 400 customers (including distributors, retailers and corporations). These customers are located mainly in China, Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China), America, Europe and other regions, each of which contributed to approximately 27.4%, 33.4%, 16.3%, 16.1% and 6.8% of our revenue in FYE2010, respectively, and approximately 28.2%, 32.9%, 15.9%, 16.0% and 7.0% of our revenue in FPE2011. For the Review Periods, sales through distributors contribute more than 99.0% of our total revenue. Hence, we are not dependent on a single geographical market.

According to the Independent Market Research Report, as stationery is an essential item, and due to typically low average spending on stationery products as a percentage of total consumption by an average consumer, stationery products exhibit a relatively inelastic demand trend. The global plastic stationery market is largely driven by innovative product designs, and increasing levels of literacy, supported by strong economic conditions and increased consumer spending. Please refer to the Section 9, "Executive Summary of the Independent Market Research Report (Industry Overview)" for further details on the stationery industry.

Going forward, we will continue to promote our sales globally and locally, in particular, focusing on China which we believe has strong growth potential. In line with this, we propose to utilise approximately RM10.8 million of the gross proceeds from the Public Issue to fund our efforts to strengthen our existing proprietary brands, namely,

5 INFORMATION ON OUR GROUP (Cont'd)

"SAKURA", "NACHI" and "FOLDERSYS" in the domestic market. Please refer to Section 3.10, "Proceeds of the Public Issue and Proposed Utilisation" for more information.

We believe that China currently has potentially strong growth prospects for the plastic stationery industry and, as such, we intend to focus our marketing and promotional efforts in the China market. To promote our brands and expand our distribution channels in China, as at the LPD, we have entered into 52 agreements to establish shop-in-shop in China. Please refer to Section 4.1(iii) for the credit terms of our shop-in-shop, which is amongst the salient terms of our shop-in-shop agreements. Presently, our shop-in-shop is mainly located at the Guangdong and Fujian Province. We intend to expand shop-in-shop sales distribution of our products in China. We intend to expand our distribution network to cover regions where we do not currently have a presence and increase our distribution network in regions where we currently do not have a strong presence.

According to the Independent Market Research Report, for the period of 2009 to 2014, the annual spending per capita in North America is expected to increase from USD 53.0 to USD 64.6 on plastic stationeries, whilst in Europe, it is expected to grow from USD 42.2 to USD 49.4. Japan is anticipated to record annual spending per capita from USD 43.1 to USD 48.9 for the same period on plastic stationeries. Comparatively, China (excluding Hong Kong) has a significantly lower annual spending per capita for plastic stationery, with figures of approximately USD 5.2 in 2009 growing to USD 6.1 in 2014, indicating strong growth potential for this market.

Compared to the established markets in North America, Europe and Japan, the annual per capita spending on stationery products in China (excluding Hong Kong) is extremely low. At USD 5.2 per annum in 2009, China's per capita spending for plastic stationery is at least eight times lower than those of these developed regions. As the income levels in China rises, per capita spending will inevitably increase, leading to the growth in overall consumption and demand for stationery products. The large disparity between the per capita spending levels between China and the developed countries suggests that the potential for long term growth in China is significant.

Please refer to the Section 9, "Executive Summary of the Independent Market Research Report (Industry Overview)" for further details on the stationery industry.

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

(d) **We have an experienced management team**

Our experienced management team is spearheaded by our Executive Chairman, Chan Fung @ Kwan Wing Yin. Chan Fung @ Kwan Wing Yin is supported by Jiang Danping, our CEO and Executive Director, Angus Kwan Chun Jut, our Executive Director and Kwan Wing Sang, our Vice-President of Procurement, Production and R&D. In aggregate they have more than 45 years of experience in the plastic stationery industry. Furthermore, the Executive Directors had on 21 July 2010 entered into service agreements with our Company for duration of three (3) years commencing from 1 January 2010. According to these service agreements, the resignation of our Executive Directors is subjected to a minimum of 12 months notice.

Each of them is highly skilled and possesses intimate knowledge of our products and strong management capabilities. Further, Chan Fung @ Kwan Wing Yin and Jiang Danping have established networks of relationships with existing and potential customers and suppliers in China and globally. Their combined strengths and capabilities and continued focus on bringing strategies to fruition are vital to our

5 INFORMATION ON OUR GROUP (Cont'd)

continued growth and future development. Please refer to the Section 10, "Promoters, Substantial Shareholders, Directors and Key Management" for further details of the professional experiences of our Directors and Executive Officers. Each of our Executive Directors is an indirect major shareholder of our Company via Lead Champion. This shareholding interest aligns their interests with those of public Shareholders. We believe that our Executive Directors' interests in our Company has been instrumental in helping us achieve a low cost structure, consistent profit margins, efficient operations and short delivery schedules. We believe this alignment of interest will continue after this IPO and provide us with a key advantage over our competitors.

5.13 MODES OF MARKETING

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

Our Sales and Marketing Department is led by Lam Chun Wah, who has approximately 12 years of relevant experience in sales and marketing. Lam Chun Wah reports directly to our Executive Director, Angus Kwan Chun Jut on export sales and our CEO and Executive Director, Jiang Danping on domestic sales. Our Executive Chairman, Chan Fung @ Kwan Wing Yin, has almost two (2) decades of experience in the plastic stationery industry and has an extensive network of contacts both in China and overseas. He also plays a key role in consolidating our Group's position in existing markets and in its expansion in new markets.

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

We promote our "SAKURA", "NACHI" and "FOLDERSYS" brands of plastic stationery products through participation in trade shows and advertisements on billboards and other media in China. Our advertising and promotional activities are conceptualised and carried out by personnel from our Sales and Marketing Department who are also responsible for liaising with third-party service providers such as production houses and advertising agencies. Since 2008, as part of our continuous effort to promote our brands, we increased our advertisement expenditure and entered into an agreement for 81 billboard advertisements throughout China. In 2009, we entered into agreements for advertisement of our brands in major airports in China. We have also been actively participating in international trade shows, both in China and globally. To strengthen our market branding in China, we have also earmarked a significant portion of our IPO proceeds for advertising and marketing purposes.

Our Group proposes to utilise approximately RM10.8 million of the proceeds from the Public Issue to fund our efforts to strengthen our existing proprietary brands, namely, "SAKURA", "NACHI" and "FOLDERSYS". We will utilise this amount for our advertising, branding and promotion activities, which is by way of, but not limited to newspaper advertisement, billboard advertisement in commercial districts, giant poster displays on exteriors of airports, participating in local and international trade fairs and exhibitions such as the China Import and Export Fair (中国进出口商品交易会) (commonly known as Canton Fair (广交会)) and advancing our retail presence into other provinces and cities by increasing the number of shop-in-shop. In this regard, we will be utilising the proceeds to expand shop-in-shop distribution of our products in China from our existing 52 shop-in-shop we have presently. Please refer to Section 3.10, "Proceeds of the Public Issue and Proposed Utilisation" for more details.

To showcase our three (3) brands to distributors and retailers, we participate in major sales fairs, including the China Import and Export Fair (中国进出口商品交易会) (commonly known as Canton Fair (广交会)), held twice a year in Guangzhou, China to showcase our new

5 INFORMATION ON OUR GROUP (Cont'd)

products and to solicit orders for our products from distributors and retailers. These sales fairs are important platforms for us to showcase our latest product designs to our existing and potential distributors and retailers and also to enable us to interact with the distributors and retailers and obtain valuable feedback on market acceptance of our brands of plastic stationery products.

As at FPE 2011, our Group has more than three hundred (300) distributors worldwide of which fourteen (14) are exclusive distributors. Most of our distributors are in China, followed by Asia, Europe, America and other countries. For China, most of our distributors are in the Guangdong Province, followed by the Fujian Province and Shanghai. Our exclusive distributors are responsible for their assigned territories around the world and they on-sell our products to various retailers in their respective territories. The exclusive distributors are required to attain a minimum sales target. Sales to our exclusive distributors accounted for an average of 22.5% of our Group's total revenue over the Review Periods. Our network of distributors contributed more than 99.0% of sales in the Review Periods. Our Sales and Marketing Department is constantly seeking new distributors to extend our sales reach globally.

A year-on-year analysis of our Group's distributors worldwide during the Review Periods is as set out below:-

Countries	No. of Distributors				
	FYE2007	FYE2008	FYE2009	FYE2010	FPE 2011
China					
▪ Guangdong	8	35	29	29	28
▪ Fujian	8	21	23	25	26
▪ Shanghai	8	14	14	14	14
▪ Zhejiang	5	8	10	10	10
▪ Beijing	4	4	4	4	4
▪ Others	17	47	48	50	49
	50	129	128	132	131
Asia	66	78	95	99	101
Europe	29	38	51	52	55
America	16	20	23	24	25
Others	14	17	19	21	23
Total	175	282	316	328	335

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

As part of our Group's marketing strategy to increase awareness of our products and brands, our Group has established a shop-in-shop concept since 2008. The shop-in-shop concept involves distributors setting up dedicated shelves or space at a retailer's premises (e.g. department stores and chain stores) to exclusively sell our Group's products. Setting up shop-in-shop is one of our Group's strategies to expand our distribution channels in China and to create brand awareness with relatively low cost as opposed to having our own retail outlets with heavy overhead costs. In order to attract more distributors to set up shop-in-shop, our Group also provides a longer credit terms for the initial inventory. The sales are outright sales and not on consignment basis. Since its inception, the shop-in-shop concept has contributed positively to our Group's revenue. For FYE2010 and FPE2011, the contribution from shop-in-shop is 3.8% and 4.7% of our Group's revenue respectively. As at LPD, we have a total of 52 shop-in-shop. The number of the Group's shop-in-shop has remained constant since the implementation of this strategy in FYE2008 as the Group has been selective in identifying the right distributors or partners who are expected to have good knowledge of and presence in

5 INFORMATION ON OUR GROUP (Cont'd)

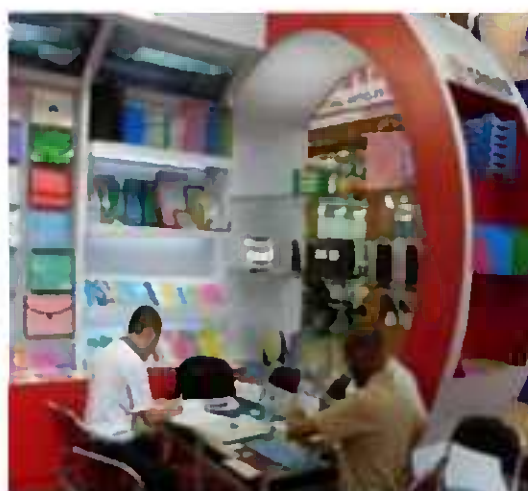
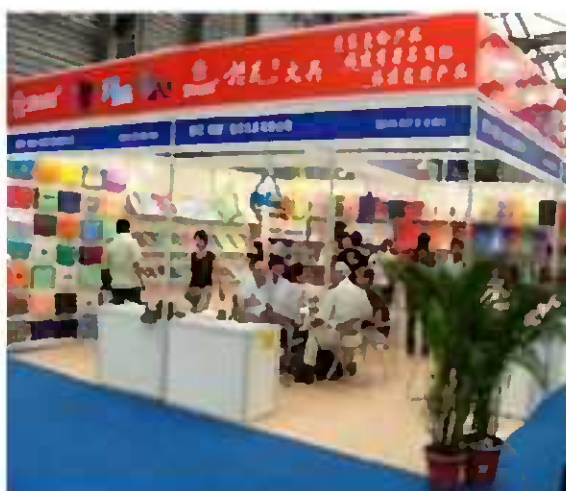
the local markets prior to entering into an agreement with the distributor for the set up of a new shop-in-shop.

The pictures below illustrate the mode of marketing that we employ to promote our brands and products.

Shop-in-shop



Trade fairs/ Exhibitions



5.14 KEY MILESTONES, ACHIEVEMENTS AND AWARDS

We are committed to product excellence and developing and maintaining our good relations with our suppliers, customers and other business partners by being a trusted and reliable partner. Our commitment is evidenced by the following awards, certificates and accolades that have been awarded or accorded to our Group for the last five (5) years are as follows:

Year	Name of award/certificate/accolade	Conferred by
2011	Consumer Products Satisfaction in Fujian Province in 2010 (2010年福建省用户满意产品)	Fujian Province Quality Association (福建省质量协会)
2011	Consumer Products Satisfaction in Fujian Province in 2010	Fujian Province Quality Association (福建省质量协会)

5 INFORMATION ON OUR GROUP (Cont'd)

Year	Name of award/certificate/accolade	Conferred by
	(2010 年福建省用户满意产品)	
2011	2009 - 2010 Putian Municipal Creditworthy Enterprise (莆田市守合同重信用企业)	Putian City Administration for Industry and Commerce and Putian City Creditworthy Enterprises Association (莆田市工商行政管理局和莆田市守合同重信用企业协会)
2010	Top 10 Enterprises of Educational and Cultural Goods Industry in China Light Industries, 2010 (2010 年度中国轻工业文教用品行业十强企业)	China Nation Light Industry Council and China Educational, Cultural and Sports Goods Association (中国轻工业联合会和中国文教体育用品协会)
2009	2009 Key Enterprises Ranking in Stationery Production Industry Rank No.3 – Total Sales in Stationary Production Industry Rank No.2 – Total Profits in Stationary Production Industry (2009 年文具制造行业重点企业排名)	National Bureau of Statistics of China and Ican Data Research Center (国家统计局和艾凯数据研究中心)
2009	Putian Municipal Creditworthy Enterprise (莆田市守合同重信用企业)	Putian City Administration for Industry and Commerce and Putian City Creditworthy Enterprises Association (莆田市工商行政管理局和莆田市守合同重信用企业协会)
2009	China Association of Enterprises with Foreign Investment Certificate of Enterprise Membership	China Enterprises with Foreign Investment Association (中国外商投资企业协会)
2009	Top 100 Brand of Fujian Province (2009 年度福建省品牌 100 强)	China Brand Research Institute (中国品牌研究院)
2009	Consumer Products Satisfaction in Fujian Province in 2008 (2008 年福建省用户满意产品)	Fujian Province Quality Association (福建省质量协会)
2008	Putian Municipal Outstanding Enterprise to Promote Creditworthy (2006-2007 年度莆田市创建诚信企业先进单位)	Putian City Creditworthy Promotion Association; Putian Enterprises and Entrepreneurs Association; Putian City Administration for Industry and Commerce; Putian Ethics Promotion Office; Bank of China, Putian Central Sub-branch; Putian State Taxation Bureau; Putian Local Taxation Bureau; Putian Economic and Trade Commission; Putian Quality Technology Supervision Bureau; Putian Construction Bureau; Putian Environmental Protection Bureau; Putian Customs; Putian Labor and Social Security Bureau; Putian Food and Drug Administration; Putian General Labor Union; Meizhou Daily; Putian Broadcast and Television Center; Putian Work Safety Administration Bureau 市诚信促进会; 市企业与业家联合会; 市工商局; 市委文明办; 中国人民银行莆田市中心支行; 市国家税务局; 市地方税务局; 市经贸委; 市质量技术监督局; 市建设局; 市环境保护局; 莆田海关; 市劳动和社会保障局; 市食品药品监督管理局; 市总工会; 湄州日报社; 市广播电视中

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Year	Name of award/certificate/accolade	Conferred by
		心; 市安全生产监督管理局
2008	Fujian Province Branded Products in 2008 (2008年福建省名牌产品)	Fujian Provincial People's Government (福建省人民政府)
2008	Top Fujian Province Industrial Enterprises (福建工业行业榜首) Top 10 Fujian Province Industrial Enterprises (福建工业主要行业前十强)	Fujian Province Enterprises Assessment Centre (福建省评价企业中心) Fujian Province Enterprises Assessment Association (福建省企业评价协会)
2008	Putian Municipal Well-known Trademark (莆田市知名商标)	Putian City Well-known Trademark Determination Committee (莆田市知名商标认定委员会)
2008	Fujian Province Creditworthy Progressive Enterprise (诚信经营先进单位)	Fujian Province Creditworthy Promotion Association (福建省诚信促进会)
2007	Fujian Province Creditworthy Enterprise (2005-2006年度"福建省守合同重信用单位")	Fujian Province Administration for Industry and Commerce (福建省工商行政管理局)
2007	Fujian Province Putian City Contractual Integrity (2005-2006年度守合同重信用单位)	Putian City Municipal Government (莆田市人民政府)
2007	Fujian Province Famous Trademark (福建省著名商标(有效期三年))	Fujian Province Administration for Industry & Commerce (福建省工商行政管理局)
2006	Fujian Province Branded Products in 2005 (2005年福建省名牌产品)	Fujian Provincial People's Government (福建省人民政府)
2006	Consumer Products Satisfaction in Fujian Province in 2005 (2005年福建省用户满意产品)	Fujian Province Quality Association (福建省质量协会)
2006	Provincial Trustworthy Entity (省级诚信单位)	Fujian Province Consumers Committee (福建省消费者委员会)
2005	AAA Credit Rating Client in 2004 (2004年度AAA级信用客户)	Enterprise Credit Assessment Commission of Agricultural Bank of China, Fujian Province Branch (中国农业银行福建省分行企业资信评审委员会)
2005	Certificate for Product Exemption from Quality Surveillance Inspection * (产品质量免检证书)	State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine (中华人民共和国国家质量监督检验检疫总局)
2005	Fujian Province Creditworthy Enterprise (2003-2004年度守合同重信用单位)	Putian City Municipal Government (莆田市人民政府)
2005	Fujian Province Creditworthy Enterprise (2003-2004年度福建省守合同重信用企	Fujian Province Administration for Industry and Commerce

5 INFORMATION ON OUR GROUP (Cont'd)

Year	Name of award/certificate/accolade	Conferred by
	业)	(福建省工商行政管理局)

Note:-

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

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

5.15 INTERRUPTIONS IN OPERATIONS DURING THE PAST TWELVE (12) MONTHS

There has been no interruption to our business or operations in the past twelve (12) months.

5.16 EXCEPTIONAL FACTORS AFFECTING OUR BUSINESS

Save for the risk factors highlighted in Section 4 of this Prospectus, we do not foresee any exceptional factors, which may affect our business.

5.17 MAJOR CUSTOMERS

As our Group has a diverse range of customers, we do not have any major customers who accounted for 10% or more of our total revenue during the Review Periods. As at the LPD, our business and profitability are not dependent on any one of our customers. As can be seen from Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operation", we are also not dependent on any particular geographical region and our customers are wide spread in China, America, Europe, Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China) and other countries.

5.18 MAJOR SUPPLIERS

The table below sets out our major suppliers who accounted for 10.0% or more of our total purchases in the period under review:-

Major Suppliers	Percentage of the Group's Total Purchases (%)				
	FYE2007	FYE2008	FYE2009	FYE2010	FPE2011
Total Purchases (RMB'000)	215,465	364,268	470,697	656,630	455,335
Supplier of PP materials:-					
Kawan Kita (H.K.) Company Limited	19.30%	-	-	-	-
Quanzhou Quangang Hongxin Chemical Trading Co., Ltd.	22.30%	20.90%	24.90%	23.10%	22.94%
Horneman Chemplas (Far East) Ltd	13.80%	13.50%	13.20%	16.80%	16.07%
Supplier of other materials:-					
Xiamen Jiyou New Material Co., Ltd	8.00%	11.80%	10.90%	9.70%	10.42%
Shenzhen Jianzhong Jiakai Polyurethane Co., Ltd.	9.40%	11.10%	10.00%	8.40%	8.69%

We select suppliers of our raw materials (including PP materials, packaging materials, printing materials, accessories and miscellaneous materials) based on their product quality, reliability, price, delivery schedules and timeliness and market reputation. As part of our quality control

5 INFORMATION ON OUR GROUP (Cont'd)

procedures, we track the performance of our suppliers and review their performance from time to time. We generally purchase our raw materials (except PP granules which we keep certain quantity in stock) after we receive orders from our customers.

For the first 6 months of FYE2007, we purchased PP granules from our sole supplier, Kawan Kita. Kawan Kita is a related party. Please see the Section 12.1, "Related Party Transactions" for further details. To the best of our knowledge, Kawan Kita's suppliers of PP granules were Horneman Chemplas (Far East) Ltd, Y & M International Corp. and Daelim Corporation. These suppliers granted Kawan Kita the supply of low off grade PP granules which benefited our Group. These PP granules could be of lower price as they are not of premium quality. We are able to make minor modifications to our production process to suit these off grade PP granules to maintain the quality of our PP sheets.

Kawan Kita's selling price to our Group was marked up with a commission from its cost price. To obviate the need to pay commission to Kawan Kita, we decided to purchase the PP granules directly from the suppliers and Sakura Plastic has entered into purchase agreements with the three (3) suppliers details of which are set out in Section 5.8(b) of this Prospectus. Kawan Kita ceased supplying us with PP granules since 1 July 2007 and moving forward we do not foresee that we will make any purchases from Kawan Kita.

We are to a certain extent dependent on the supplier of PP and other materials as set out above as disruptions in the supply of raw materials may lead to disruption in our production. Please refer to Section 4.1 (ii) for more information on our dependency on key suppliers.

To the best of our Directors' knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our suppliers listed in the table above.

5.19 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

The major cost components for the raw materials used by our Group for FYE2010 and FPE 2011 are as follows:-

	FYE 2010				FPE 2011			
	RMB'000	%	RM'000	%	RMB'000	%	RM'000	%
PP materials	352,609	51.8	167,666	51.8	249,433	52.6	115,662	52.6
Packaging materials	100,081	14.7	47,588	14.7	68,355	14.4	31,696	14.4
Printing materials	92,538	13.6	44,002	13.6	63,597	13.4	29,490	13.4
Metal accessories	49,974	7.3	23,763	7.3	33,070	7.0	15,335	7.0
Others	85,468	12.6	40,640	12.6	59,895	12.6	27,773	12.6
Total direct materials	680,670	100	323,659	100	474,350	100	219,956	100

(i) PP materials

PP materials are our major cost components for our plastic filing and storage products. Our PP materials cost comprises cost for our Group to manufacture our own PP sheets (including cost of PP granules, additives, pigments and chemicals) and PP sheets purchased from third party suppliers.

Our Group purchase PP materials from various suppliers and our major suppliers for PP materials are Quanzhou Quangang Hongxin Chemical Trading Co., Ltd. and Horneman Chemplas (Far East) Ltd. Should there be a shortage of PP materials and our suppliers are unable to fulfil our requirements as contracted, our production, sales and financial performance would be adversely affected.

5 INFORMATION ON OUR GROUP (Cont'd)

However, to date, we have not faced any difficulties in obtaining our raw materials nor has there been any material increase in raw material price which led to any material adverse effect on our operations or financial position. Further, we have warehouse capacity to stockpile approximately 1,000 tonnes of PP granules and other PP materials. We generally have stockpile of approximately 12 days supply of PP granules and other PP materials in our warehouses. Based on Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operation", our inventories average turnover period during the Review Periods is 12 to 16 days.

We have signed three (3) purchase agreements for PP granules with Horneman Chemplas (Far East) Ltd, Y&M International Corp. and Daelim Corporation. The agreements are valid for a period of one year and may be automatically renewed. Under the terms of the purchase agreement with Horneman Chemplas (Far East) Ltd, the Company is required to purchase a minimum quantity of PP granules per month from Horneman Chemplas (Far East) Ltd, which we have so far been able to comply with. The Group maintained a cordial relationship with its PP materials suppliers and to date, have not experienced any disruptions to supply.

To the best of our Executive Directors' knowledge, there is a ready market for PP materials and apart from the suppliers listed above, there are a number of other suppliers of PP materials in the market which our Group can source for PP materials should the need arise.

Fluctuations in commodity prices such as PP directly affect the costs of our PP granules that we purchase for our in-house manufacturing of PP sheets. However, we believe that we are able to pass on our price increase in PP raw materials to our customers as our Group constantly review and monitor our plastic stationery product prices and adjust our products prices accordingly, if circumstances requires.

(ii) Packaging materials

Packaging materials comprise carton boxes and bags used for packing our filling and storage products as well as our plastic tape printers. The above raw materials are obtained from a number of suppliers in China and are typically purchased in bulk.

Our Executive Directors believe that there is a ready market for this raw materials and our Company could source for the raw materials from various suppliers.

(iii) Printing materials

Printing materials comprise labels and description sheets in files, ink used for printing and ink used in plastic tape printers. These raw materials are obtained from a number of suppliers in China and are typically purchased in bulk. Printing materials also include the special ink for our plastic tape printer. The special ink was developed by our supplier at our Group's request and based on specifications given by us. The formulation of this ink does not reside with our Group. Our Group has entered into a purchase agreement with the ink supplier which provides, *inter-alia*, that the supplier is not to sell the ink to any other party other than our subsidiary, Ruiyuan. The supplier is also prohibited from divulging any information concerning the purchase agreement. In the event the ink supplier breaches this obligation, the ink supplier shall be liable for losses suffered by our Group arising from such breach.

Our Group maintains a cordial relationship with our ink supplier and as at the LPD, has not experienced any disruptions to the supply of the special ink from the ink supplier. Moving forward, our Group does not expect any changes to this arrangement or relationship.

5 INFORMATION ON OUR GROUP (Cont'd)

(iv) Metal accessories

Accessories comprise pockets, metal buttons, metal clips, compression clips or ring-binders for filing products whilst accessories for the plastic tape printer are metal spring and metal cover. The above raw materials are obtained from a number of suppliers in China and are typically purchased in bulk.

Our Executive Directors believe that there is a ready market for this raw materials and our Company could source for the raw materials from various suppliers.

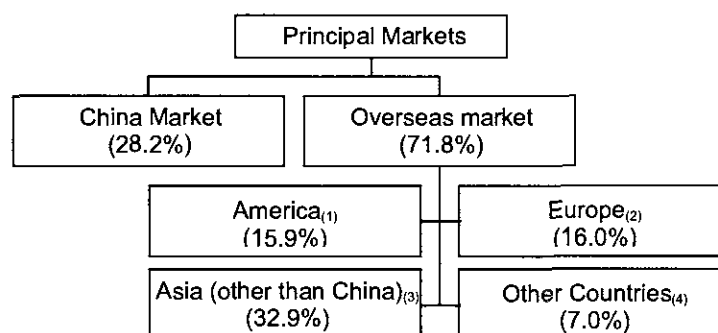
(v) Miscellaneous materials

Miscellaneous materials which reflect the balance of our costs of sales include PP, POM, ABS, sponge and moulds used in our plastic tape printers, bag handles, plastic clip, plastic buttons and PVC ("Polyvinyl chloride") materials used in our filing products. The above raw materials are obtained from a number of suppliers in China and are typically purchased in bulk.

Our Executive Directors believe that there is a ready market for this raw materials and our Company could source for the raw materials from various suppliers.

5.20 PRINCIPAL MARKETS FOR PRODUCTS

The principal markets for our products are China, America, Europe, Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China) and other countries. The diagram below illustrates our principal markets and the percentage of sales contribution for FPE2011.



Notes:

- (1) America mainly includes Argentina, Canada and United States
- (2) Europe mainly includes Germany, Greece, Italy, Turkey and United Kingdom.
- (3) Asia mainly includes Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and, Taiwan, but excluding China.
- (4) Other Countries mainly includes New Zealand and Australia

Please refer to Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operation" for more details and breakdown of our geographical revenue and analysis of gross profit margin.

5 INFORMATION ON OUR GROUP (Cont'd)

5.21 FUTURE PRODUCTS, FUTURE PLANS, BUSINESS STRATEGIES AND PROSPECTS

5.21.1 Future products

Our Group's existing products have been well accepted worldwide. We recognise that in addition to our existing products, new products play an important role to attract new customers and diversify our business. Our future products to be rolled-out include:

- Anti-tampering plastic envelope
- Second generation plastic tape printer

Anti-tampering plastic envelope

We are developing our anti-tampering plastic envelope targeted to be used as an alternative to paper envelope commonly used by the express mail service industry for delivery of documents. This anti-tampering plastic envelope incorporates our proprietary anti-tampering seal, and is expandable, water-proof and durable and affordable. Our target customers for the anti-tampering plastic envelopes are global players of express mail service industry as well as post offices in China and other countries. According to the Independent Market Research Report, the global paper envelope market for the express mail service industry is estimated to be worth around USD999.0 million in 2010. This trend is likely to increase conservatively in the next few years, driven by the changes in the international scene such as the expanding trade market, deregulation of the postal market in Europe as well as the increasing role of China as a strategic market. We commenced the development of the anti-tampering plastic envelope since 2006 and are targeting to commercialise the product by mid 2012. We are currently in the final stages of fine-tuning the machineries required for production of PP sheets required for this product.

Our anti-tampering seal for our plastic envelope was patented in China in 2007. In 2007, we filed an international patent application as well as a national phase entry application in the USA for the anti-tampering seal for plastic envelopes and the said applications are currently pending examination. Our Executive Directors believe that the anti-tampering plastic envelope will contribute positively to our revenue and profits. The anti-tampering plastic envelope has the following features:

- (a) made of recycled plastic materials, making it environmentally friendly and affordable;
- (b) waterproof;
- (c) better durability as compared with paper envelope. Unlike paper envelope, the sides and edges of our patented anti-tampering plastic envelope is less likely to break when under external pressure;
- (d) expandable to accommodate greater volume; and
- (e) anti-tampering security features.

The R&D activities undertaken for the development of the product are mainly on the PP sheets required for the production of the product and the fine-tuning of the machineries required for the production of the PP sheets. The PP sheets will be developed by our R&D department whilst the R&D costs for the fine-tuning of the machineries will be borne by the machine manufacturer, namely Shanzhang Machine Manufacturing Co., Ltd. (汕头市汕樟机械制造有限公司).

Second generation plastic tape printer

We are enhancing our main patented product, the plastic tape printer into the second generation version through continuous R&D. We commenced the development of the second generation plastic tape printer since mid 2009 and intend to commercialise the new type of plastic tape printer which is smaller than our existing patented plastic tape printer in the first quarter of FYE2012. The new type of plastic tape printer is

5 INFORMATION ON OUR GROUP (Cont'd)

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

The total combined global market size for the plastic tape printer and ink market for SMEs is estimated at USD1.63 billion. Frost & Sullivan foresees the market will grow at a CAGR of 6.2 percent during the forecast period between 2010 till 2014. Since the product is within the introductory stage of the lifecycle, competition is expected to be low in the next few years. Our Group intends to capitalise on this opportunity.

The concept and idea of the second generation plastic tape printer is developed by our Group. However, the industrial design is outsourced to Shenzhen Yimei Industry Design Co., Ltd. Please refer to Section 14.8, "Material Contracts" for more information. Save for the consideration of RMB24.2 million to be paid to Shenzhen Yimei Industry Design Co., Ltd. for the outsource of the industrial design, there is no other cost incurred by our Group for the development of the concept and idea of the second generation plastic tape printer. Our Group has not outsourced any other products in the past to third party other than the industrial design for the second generation plastic tape printer as mentioned above and the ink used for the plastic tape printer.

We believe our emphasis on innovation and development will enable us to remain competitive globally.

Our anti-tampering plastic envelope and second generation plastic tape printer were initially targeted to be commercialised in FYE 2011. However, our machinery supplier was not able to fulfil our technical requirements and hence was not able to deliver the equipment on time. As such, the products' launching were postponed to 2012.

5.21.2 Business Strategies and Future Plans

Our strategy and plans for the growth and expansion of our businesses are described below:

(a) **Enhancement of the reputation of our proprietary brands, namely, "SAKURA", "NACHI" and "FOLDERSYS"**

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

In advancing our retail presence into other provinces, we will be utilising the proceeds to expand the shop-in-shop distribution of our products in China. We expect the increase in the number of shop-in-shop will result in positive contributions to our revenue and profits.

Please refer to Section 3.10, "Proceeds of the Public Issue and Proposed Utilisation" and Section 3.11, "Financial Impact from Utilisation of Proceeds" for further details.

(b) **Improve products research, design and development capabilities**

We intend to increase our R&D efforts by improving and upgrading our existing R&D facilities. This will involve, *inter-alia*, acquiring new machineries to carry out R&D and quality control testing of our products. Our R&D efforts involve enhancing our existing products and developing new patented

5 INFORMATION ON OUR GROUP (Cont'd)

products to maintain and enhance our profit margins. We expect the enhancement of our products and development of new patented products will result in positive contributions to our revenue and profits.

Please refer to Section 3.10, "Proceeds of the Public Issue and Proposed Utilisation" and Section 3.11, "Financial Impact from Utilisation of Proceeds" for further details.

(c) Increase production capacity and improved production efficiency

We expect sales of our products to continue to increase. Accordingly, we intend to upgrade our existing production facilities to increase our production capacity and production efficiency through the purchase of new machineries.

As at the LPD, production of plastic stationery products has commenced from part of the New Plant since March 2010.

We have entered into contracts to purchase new machineries for our New Plant which will increase our production capacity, in term of production of PP sheets, from 27,600 tonnes per annum to 44,400 tonnes per annum.

Please refer to Section 3.10, "Proceeds of the Public Issue and Proposed Utilisation" and Section 3.11, "Financial Impact from Utilisation of Proceeds" for further details.

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6 FINANCIAL INFORMATION

6.1 HISTORICAL PROFORMA CONSOLIDATED FINANCIAL INFORMATION

The following tables summarise our proforma consolidated financial information extracted from the audited combined financial statements of our Group for the FYE2007 to FYE2010 and FPE2011. The proforma consolidated financial information of our Group is provided for illustrative purposes only, after incorporating such adjustments considered necessary and assuming that the present structure of our Group has been in existence throughout the financial years/periods under the Review Periods.

There has been no audit qualification on the audited combined financial statements for the financial years/periods under the Review Periods. The audited combined financial statements for the financial years/periods under the Review Periods were prepared in accordance with IFRS and audited by Messrs. Foo Kon Tan Grant Thornton LLP, Singapore and have been reviewed by our Reporting Accountants, Messrs SJ Grant Thornton. The audited combined financial statements consolidate the financial statements of all subsidiaries of China Stationery during the financial years/periods under the Review Periods. The bases and accounting policies used for the purpose of preparing our proforma consolidated financial information are consistent with those adopted in the preparation of the audited combined financial statements of our Group for the financial years/periods under the Review Periods.

Exchange rate

The proforma consolidated financial information of our Group was prepared in RMB.

As at the LPD, the exchange rate between the RMB and the RM was RMB1: RM0.4621. The table below sets out the high and low exchange rates for RMB/RM for each month during the 6 months and up to the LPD. The table below indicates the equivalent amount of RM for RMB1.00.

	RMB : RM rate	
	High	Low
July 2011	0.4689	0.4577
August 2011	0.4711	0.4569
September 2011	0.5003	0.4645
October 2011	0.4990	0.4831
November 2011	0.5021	0.4912
December 2011	0.5033	0.4908
1 January 2012 up to the LPD	0.5028	0.4963

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6 FINANCIAL INFORMATION (Cont'd)

The following table sets out, for each of the financial years/periods indicated, the average and closing exchange rates between RMB and RM. The average exchange rate between RMB and RM is calculated using the average of the exchange rates on the last active trading day of each month during each financial years/periods. Where applicable, the exchange rates in this table are used for our financial statements disclosed elsewhere in this Prospectus.

	RMB/RM	
	Average	Closing
FYE 2007	0.4517	0.4528
FYE 2008	0.4819	0.5073
FYE 2009	0.5153	0.4985
FYE 2010	0.4755	0.4637
FPE 2010	0.4826	0.4705
FPE 2011	0.4637	0.4610

The exchange rates between RMB and RM as outlined above have been presented for information purposes only. The exchange rates should not be construed as a representation that these RMB amounts could have been or could be converted into RM at any particular rates, the rates above, or at all.

All figures stated in RMB are converted to RM, where applicable. The financial position items and comprehensive income items were translated using the closing rate and average exchange rates respectively, as outlined above.

6.1.1 Proforma Consolidated Statement of Financial Position of Our Group as at 31 July 2011

The proforma consolidated statement of financial position below has been prepared for illustrative purposes only, based on audited combined statement of financial position of our Group as at 31 July 2011 to show the effects of the Share Split and cancellation of treasury shares, repayment to WWD Ruby and Issuance of Shares to LHY and our IPO on the assumption that certain events had been effected on that date. Our proforma consolidated statement of financial position below has been prepared in accordance with IFRS. The bases and accounting policies used for the purpose of preparing our proforma consolidated statement of financial position are consistent with those adopted in the preparation of the audited combined financial statements of our Group under the Review Periods.

You are advised to read the proforma consolidated statement of financial position together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 8 of this Prospectus.

6 FINANCIAL INFORMATION (Cont'd)

	← Proforma I →		← Proforma II →		← Proforma III →		← Proforma IV →	
	After Share Split and cancellation of treasury shares*		After the repayment to WWD Ruby and LHY*		After the IPO		After utilisation of proceeds from Public Issue	
Audited as at 31 July 2011	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital	5,262	2,389	4,977	2,249	2,372	5,725	2,594	2,594
Share premium	77,061	37,246	75,701	35,996	82,810	362,235	354,478	164,512
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)	(1,875)	(4,150)	(4,150)	(1,875)
Statutory reserve	94,930	44,171	94,930	44,171	94,930	44,171	94,930	44,171
Treasury shares	(1,645)	(1,390)	-	-	-	-	-	-
Capital reserve	64	29	64	29	64	64	64	29
Translation reserve	-	(28,277)	-	(28,277)	-	(28,277)	-	(28,277)
Retained earnings	1,383,277	664,468	1,383,277	664,468	1,383,277	664,468	1,368,691	657,744
Total shareholders' equity	1,554,799	716,761	1,554,799	716,761	1,656,615	1,842,081	849,198	1,819,738
838,898								
Represented by:								
NON-CURRENT ASSETS								
Property, plant and equipment	283,016	130,470	283,016	130,470	283,016	130,470	401,070	184,893
Land use rights	15,338	7,071	15,338	7,071	15,338	7,071	15,338	7,071
Non-current receivables	48,534	22,374	48,534	22,374	48,534	22,374	48,534	22,374
Investment property	172	79	172	79	172	79	172	79
Total non-current assets	347,060	159,994	347,060	159,994	347,060	159,994	465,114	214,417
CURRENT ASSETS								
Inventories	43,535	20,070	43,535	20,070	43,535	20,070	43,535	20,070
Trade and other receivables	403,199	185,875	403,199	185,875	403,199	185,875	403,199	185,875
Cash and bank balances	1,109,475	511,468	1,109,475	511,468	1,294,941	596,968	1,154,544	532,245
Total current assets	1,556,209	717,413	1,556,209	717,413	1,741,675	802,913	1,601,278	738,190

6 FINANCIAL INFORMATION (Cont'd)

	← Proforma I →		← Proforma II →		← Proforma III →		← Proforma IV →	
	After Share Split and cancellation of treasury shares*		After the repayment to WWD Ruby and LHY*		After the IPO		After utilisation of proceeds from Public issue	
Audited as at 31 July 2011	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
CURRENT LIABILITIES								
Trade and other payables	102,441	47,226	102,441	47,226	102,441	47,226	102,441	47,226
Borrowings	51,600	23,788	51,600	23,788	51,600	23,788	51,600	23,788
Amount due to a shareholder	71,746	33,075	71,746	33,075	71,746	33,075	71,746	33,075
Convertible bonds	101,816	46,937	101,816	46,937	-	-	-	-
Income tax payable	6,858	3,162	6,858	3,162	6,858	3,162	6,858	3,162
Total current liabilities	334,461	154,188	334,461	154,188	232,645	107,251	232,645	107,251
NET CURRENT ASSETS	1,221,748	563,225	1,221,748	563,225	1,323,564	610,162	1,509,030	630,939
NON-CURRENT LIABILITY								
Deferred income tax liabilities	14,009	6,458	14,009	6,458	14,009	6,458	14,009	6,458
Total non-current liability	14,009	6,458	14,009	6,458	14,009	6,458	14,009	6,458
Number of ordinary shares ('000)	1,554,799	716,761	1,554,799	716,761	1,656,615	763,698	1,842,081	849,198
	527,700	1,052,664	1,052,664	1,052,664	1,102,590	1,102,590	1,192,590	1,192,590
Net tangible assets per ordinary share of:	RMB	RM	RMB	RM	RMB	RM	RMB	RM
- SGD0.001 each	-	-	1.48	0.68	1.50	0.69	1.54	0.71
- SGD0.002 each	2.95	1.36	-	-	-	-	-	-
Net assets per ordinary share of:								
- SGD0.001 each	-	-	1.48	0.68	1.50	0.69	1.54	0.71
- SGD0.002 each	2.95	1.36	-	-	-	-	-	-

Note:-
*

The Share Split and cancellation of treasury shares, repayment to WWD Ruby and issuance of Shares to LHY were completed on 2 November 2011, 6 January 2012, 22 August 2011 and 14 November 2011 respectively.

6 FINANCIAL INFORMATION (Cont'd)

6.1.2 Proforma Consolidated Statement of Comprehensive Income

The proforma consolidated statement of comprehensive income has been prepared for illustrative purposes only, based on the audited combined financial statements of our Group for the financial years/periods under the Review Periods. Our proforma consolidated statement of comprehensive income has been prepared in accordance with IFRS. The bases and accounting policies used for the purpose of preparing our proforma consolidated statement of comprehensive income are consistent with those adopted in the preparation of the audited combined financial statements of our Group for the Review Periods.

We advise you to read our audited combined statement of comprehensive income together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as disclosed in Section 8 of this Prospectus.

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6 FINANCIAL INFORMATION (Cont'd)

6.1.2 Proforma Consolidated Statement of Comprehensive Income (cont'd)

	← FYE2007		FYE2008		Audited		FYE2009		FYE2010		Unaudited		Audited	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	516,225	233,179	857,812	413,380	1,079,573	556,304	1,408,786	669,878	770,348	371,770	972,718	451,049		
Gross profit	255,142	115,248	425,214	204,911	521,389	268,672	644,648	306,530	350,598	169,199	440,649	204,329		
Other income	2,266	1,024	6,134	2,956	1,918	988	2,848	1,354	1,321	638	2,206	1,023		
Selling and distribution expenses	(9,646)	(4,357)	(52,451)	(25,276)	(68,328)	(35,209)	(52,478)	(24,953)	(21,141)	(10,203)	(57,765)	(26,786)		
Administrative expenses	(12,524)	(5,657)	(33,538)	(16,162)	(27,390)	(14,114)	(41,887)	(19,917)	(19,200)	(9,266)	(19,756)	(9,161)		
EBITDA	243,071	109,795	351,128	169,210	441,450	227,480	572,158	272,062	321,070	154,946	379,495	175,971		
Depreciation	(7,796)	(3,521)	(7,744)	(3,732)	(13,813)	(7,118)	(19,190)	(9,125)	(9,586)	(4,626)	(14,022)	(6,502)		
Amortisation	(37)	(17)	(47)	(23)	(48)	(25)	(50)	(24)	(29)	(14)	(139)	(64)		
Finance costs	(3,516)	(1,588)	(10,437)	(5,030)	(16,299)	(8,399)	(34,202)	(16,263)	(29,859)	(14,410)	(37,908)	(17,578)		
PBT	231,722	104,669	332,900	160,425	411,290	211,938	518,716	246,650	281,596	135,896	327,426	151,827		
Taxation	(16,446)	(7,429)	(70,815)	(34,126)	(84,261)	(43,420)	(121,090)	(57,578)	(69,815)	(33,693)	(99,036)	(45,923)		
PAT	215,276	97,240	262,085	126,299	327,029	168,518	397,626	189,072	211,781	102,203	228,390	105,904		
No of ordinary shares of SGD0.001 each assumed to be issued ('000) *	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590	1,102,590
Gross profit margin (%)	49.4	49.4	49.6	49.6	48.3	48.3	45.8	45.8	45.5	45.5	45.3	45.3		
PBT margin (%)	44.9	44.9	38.8	38.8	38.1	38.1	36.8	36.8	36.6	36.6	33.7	33.7		
Net profit margin (%)	41.7	41.7	30.6	30.6	30.3	30.3	28.2	28.2	27.5	27.5	23.5	23.5		
Gross EPS (RMB/RM)	0.2	0.1	0.3	0.2	0.4	0.2	0.5	0.2	0.4 [^]	0.2 [^]	0.5 [^]	0.2 [^]		
Net EPS – Basic (RMB/RM)	0.2	0.1	0.2	0.1	0.3	0.2	0.4	0.2	0.3 [^]	0.2 [^]	0.4 [^]	0.2 [^]		
Net EPS – Diluted (RMB/RM)	0.2	0.1	0.2	0.1	0.3	0.2	0.4	0.2	0.3 [^]	0.2 [^]	0.4 [^]	0.2 [^]		

6 FINANCIAL INFORMATION (Cont'd)

Notes:-

- * Based on the issued and paid-up share capital of 1,102,590,776 Shares after the completion of Share Split and cancellation of treasury shares, repayment to WWD Ruby and Issuance of Shares to LHJ
- ^ Annualised to 12 months for comparison purpose

There were no exceptional or extraordinary items in the Review Periods.

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6 FINANCIAL INFORMATION (Cont'd)

6.1.3 Proforma Consolidated Statement of Cash Flows

The proforma consolidated statement of cash flows below has been prepared for illustrative purposes only, based on the audited combined financial statements of our Group for FPE2011. Our proforma consolidated statement of cash flows has been prepared in accordance with IFRS. The bases and accounting policies used for the purpose of preparing our proforma consolidated statement of cash flows are consistent with those adopted in the preparation of the audited combined financial statements of our Group for the financial years/periods under the Review Periods. The proforma consolidated statement of cash flows for FPE2011 has been prepared based on the assumption that the Listing Scheme has been completed.

We advise you to read the proforma consolidated statement of cash flows together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 8 of this Prospectus.

	FPE2011	
	RMB'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	327,426	151,827
Adjustments for:-		
Interest income	(2,184)	(1,013)
Depreciation of property, plant and equipment	14,022	6,502
Amortisation of land use rights	139	64
Exchange loss	8	4
Interest expenses on bank borrowings	37,908	17,578
Operating profit before working capital changes	377,319	174,962
Changes in working capital:-		
Increase in inventories	(7,613)	(3,530)
Increase in trade and other receivables	(42,435)	(19,677)
Increase in trade and other payables	9,196	4,264
Cash generated from operations	336,467	156,019
Interest received	2,184	1,013
Interest paid	(4,601)	(2,133)
Tax paid	(115,674)	(53,638)
Net cash generated from operating activities	218,376	101,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of land use rights	(10,094)	(4,681)
Acquisition of property, plant and equipment		
- by working capital	(3,962)	(1,837)
- by listing proceeds	(118,054)	(54,423)
Net cash used in investing activities	(132,110)	(60,941)

6 FINANCIAL INFORMATION (Cont'd)

	FPE2011	
	RMB'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Listing proceeds through Public Issue	185,466	85,500
Payment of listing expenses	(22,343)	(10,300)
Bank loan obtained	35,100	16,276
Repayment of bank loan	(32,600)	(15,117)
Net cash generated from financing activities	165,623	76,359
Effects of foreign exchange translation	-	(559)
Net increase in cash and cash equivalents	251,889	116,120
Cash and cash equivalents at beginning of the financial period		
Effect on exchange rate on cash and bank balances on opening balance	(8)	(4)
As previously reported	902,663	418,565
Effect on exchange rate changes	-	(2,436)
As restated	902,663	419,129
Cash and cash equivalents at end of the financial period	1,154,544	532,245

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6 FINANCIAL INFORMATION (Cont'd)

6.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of our Group's financial condition and results of operations for FYE2007, FYE2008, FYE2009, FYE2010 and FPE2011 ("**Review Periods**") should be read in conjunction with the Reporting Accountants' Letter on Proforma Consolidated Financial Information and the Accountants' Report, together with the notes, assumptions and bases thereto, as set out in Section 8 and Section 7 of this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this Prospectus, particularly in the risk factors as set out in Section 4 of this Prospectus.

6.2.1 Overview

Our Company was incorporated in Bermuda on 14 August 2007 under the Bermuda Companies Act under the name of China Stationery Limited. On 26 October 2009, our Company was registered in Malaysia as a foreign company.

Our Company is an investment holding company and our Group is an integrated plastic stationery company with our own in-house brands of plastic stationery proprietary products and technical know-how. Our own brands of plastic stationery are currently "SAKURA", "FOLDERSYS" and "NACHI".

We design, manufacture and sell a broad assortment of more than 450 plastic filing and storage products such as expandable files, pocket files, pocket files with sheet protectors, compact disc holder files, business card holders and albums as well as our own patented products. Currently, our plastic tape printer is our main proprietary and patented product.

Our products are sold in China and globally to over 45 countries to more than 400 customers (including distributors, retailers and corporations) located in China and Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, Philippines, South Korea and Taiwan but excluding China), Europe and America and other regions. As at the LPD, we have entered into agreements with distributors and established 52 shop-in-shops in China. Setting up shop-in-shop is one of our Group's strategies to expand our distribution network in the Chinese market and to create awareness for our brands with relatively low cost as oppose to owning our own retail outlet.

As part of our Group's marketing strategy to increase market awareness for our products and brands, we have continuously strived to increase our market share through appointment of distributors with strong knowledge and network in their respective markets. Brand awareness is an important factor in attracting such distributors for our products. We have been aggressively promoting our brands through advertisement and participating in both local and international trade fairs. In line with this strategy, we intend to utilise part of our IPO proceeds for advertisement and marketing.

6.2.2 Revenue

We recognise revenue once our products leave our warehouse. Prior to the products leaving our warehouse, the products undergo quality control checks by our quality assurance team. Under the terms of sale to our overseas customers and some of our local customers, the customer's representative has an option to send their representative to inspect the quality of the products they ordered before leaving our warehouse. For certain local customers,

6 FINANCIAL INFORMATION (Cont'd)

inspection of goods may also be done in their own premises once the goods arrive. Over the Review Periods, there was no sales return from any of our customers.

During the transit of the products between our warehouse and the port for export customers or between our warehouse and our customers' designated warehouse for deliveries within China, the transportation cost is borne by us. For export customers our products are sold on FOB basis. Upon the products being shipped, the ownership of the products is transferred to the customer. The shipping costs, export duties and insurance are borne by our customers once the products are on board.

During the Review Periods, an average of 88.7% of our products are sold under our own brands namely, "SAKURA", "FOLDERSYS" and "NACHI" brands, whilst the remaining products are sold to our OEM customers.

Our Group experienced significant growth during the Review Periods. Total revenue increased by RMB341.6 million or 66.2% from RMB516.2 million in FYE2007 to RMB857.8 million in FYE2008. Whilst in FYE2009, revenue increased by RMB221.8 million or 25.9% from RMB857.8 million in FYE2008 to RMB1,079.6 million in FYE2009. Our revenue increased by RMB329.2 million or 30.5% from RMB1,079.6 million in FYE2009 to RMB1,408.8 million in FYE2010. As for the FPE2011 total revenue increased by RMB202.4 million or 26.3% compared to similar period of the preceding year.

The revenue generated from our products can be broadly classified into patented and non-patented products as expanded in the ensuing paragraphs.

Revenue by product mix

Our Group's revenue is segregated into revenue from patented and non-patented products.

Patented products

We have undertaken R&D activities and generated revenue from innovative products and over the Review Periods, our patented products include, *inter alia*, plastic tape printer, net bag and files with cover that may be locked. Over the Review Periods, our main patented product is the plastic tape printer.

Our plastic tape printer was launched in February 2006 and is used by many SMEs in both the local and foreign markets to print customized labels on adhesive tapes to seal corrugated or packaging boxes. With this hand-held device, these SMEs can now print their own customised labels on adhesive tapes in a cost effective manner as compared to pre-printing labels. Over the Review Periods, average revenue for our plastic tape printer contributed approximately 91.3% over the average revenue of our patented products. Please refer to Section 5.3.2 of this Prospectus for further details on our plastic tape printer.

According to the Independent Market Research Report, our Company plans to tap into the Small Medium Enterprises ("SME") market for the plastic tape printer as it offers tremendous opportunities. As of 2010, there were roughly 23 million SMEs in the Europe Union and 40 million SMEs in China. This represents a tremendous opportunity for our Company. The estimated global market size for the plastic tape printer and ink market is approximately USD1.6 billion (approximately RM5.48 billion) in 2009 and an estimated USD1.7 billion (approximately RM5.23 billion) in 2010. It is envisaged that this market will grow further to reach USD1.82 billion (approximately RM5.51 billion) in 2011 and USD2.18 billion (approximately RM6.94 billion) in 2014, with a CAGR of 6.20%. It is also believed that our plastic tape printer is an innovative product as, through primary and desktop research (based on publicly available information) conducted as at December 2011, we have not encountered any other hand-held plastic tape dispenser with an in-built ink-based printer (using tapes of width between 40 mm and 70 mm) that is widely and commercially available in the market.

6 FINANCIAL INFORMATION (Cont'd)

Non-patented products – Plastic filing and storage products and ink

We design, manufacture and sell a broad assortment of more than 450 plastic filing and storage products such as expandable files, pocket files, pocket files with sheet protectors, compact disc holder files, business card holders and albums as well as our own patented products. Currently, our plastic tape printer is our main proprietary and patented product.

We also supply the ink that is specially formulated for our patented tape printer that was developed by our supplier at the Company's request and based on specification given by our Company. We purchase this ink from our ink supplier and on-sell it to our customers. The formulation of this ink does not reside with our Group. We choose not to produce our own ink as manufacturing of ink is not our Group's core business. Our Group has entered into a purchase agreement with the ink supplier that they are not allow to sell to other parties other than our subsidiary, Ruiyuan. We only started to sell ink separately in FYE2008 as orders from customers to refill the ink only commence from FYE2008 onwards. Please refer to Section 5.8 of this Prospectus for further details on our agreement with our ink supplier.

As we have more than 450 products, our revenue and sales volume by each product mix of plastic filing and storage products vary widely from year to year depending on orders from customers. The ASP for each product mix also varies widely across the different types of plastic filing and storage products sold by us.

Our revenue from non-patented products has been increasing over the Review Periods in line with our advertising efforts made and may also be attributable to the increase in consumer spending and level of literacy.

According to the Independent Market Research Report, the global plastic stationery market stood at an estimated USD75.0 billion (approximately RM226.90 billion) in 2010 and is expected to grow at a CAGR of 5.3% during the forecast period of 2011-2014 to USD91.2 billion (approximately RM275.91 billion). The demand for plastic stationery comes from professional / business users (including schools and universities), small office / home office ("SoHo") and private users. Professional users together with the SoHo users account for the major share of almost 70% of stationery expenditure.

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6 FINANCIAL INFORMATION (Cont'd)

Revenue by product mix

As set out below is a breakdown of our revenue by patented and non-patented products.

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products	174,134	33.7	306,657	35.7	345,240	32.0	396,836	28.2	221,761	28.8	259,822	26.7
Non-Patented Products	342,091	66.3	551,155	64.3	734,333	68.0	1,011,950	71.8	548,587	71.2	712,896	73.3
Total	516,225	100.0	857,812	100.0	1,079,573	100.0	1,408,786	100.0	770,348	100.0	972,718	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Patented Products	78,656	33.7	147,778	35.7	177,902	32.0	188,696	28.2	107,022	28.8	120,479	26.7
Non-Patented Products	154,523	66.3	265,602	64.3	378,402	68.0	481,182	71.8	264,748	71.2	330,570	73.3
Total	233,179	100.0	413,380	100.0	556,304	100.0	669,878	100.0	371,770	100.0	451,049	100.0

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6 FINANCIAL INFORMATION (Cont'd)

Revenue by Patented Products

Revenue from patented products accounted for approximately 33.7%, 35.7%, 32.0%, 28.2%, 28.2% and 26.7% of our Group's total revenue in FYE2007, FYE2008, FYE2009, FYE2010 and FYE2011 respectively. This was mainly attributable to our main proprietary and patented product, the plastic tape printer, which accounted for approximately 90.7%, 91.6%, 90.4%, 90.2%, 89.9% and 94.1% of the revenue of our patented products in FYE2007, FYE2008, FYE2009, FYE2010, FYE2010 and FYE2011 respectively.

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FYE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Plastic tape printer	157,868	90.7	280,806	91.6	311,948	90.4	357,991	90.2	199,375	89.9	244,397	94.1
Others	16,266	9.3	25,851	8.4	33,292	9.6	38,845	9.8	22,386	10.1	15,425	5.9
Total	174,134	100.0	306,657	100.0	345,240	100.0	396,836	100.0	221,761	100.0	259,822	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FYE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Plastic tape printer	71,309	90.7	135,320	91.6	160,747	90.4	170,225	90.2	96,218	89.9	113,327	94.1
Others	7,347	9.3	12,458	8.4	17,155	9.6	18,471	9.8	10,804	10.1	7,152	5.9
Total	78,656	100.0	147,778	100.0	177,902	100.0	188,696	100.0	107,022	100.0	120,479	100.0

Our portion of revenue from patented products increased by RMB132.5 million or approximately 76.1% from approximately RMB174.1 million in FYE2007 to approximately RMB306.6 million in FYE2008. In FYE2009, our revenue from patented products increased by RMB38.6 million or approximately 12.6% from RMB306.6 million in FYE2008 to RMB345.2 million. For FYE2010, our revenue from patented products increased by RMB51.6 million or approximately 14.9% from RMB345.2 million in FYE 2009 to RMB396.8 million. For FYE2011, our revenue from patented products increase by RMB38.1 million or approximately 17.2% to RMB259.9 million as compared to FYE2010. The increasing trend in our revenue from patented products is mainly attributed to our strategy to reduce the selling price of our plastic tape printer to achieve market penetration, which has in turn led to a corresponding increase in the quantity sold for our plastic tape printer.

6 FINANCIAL INFORMATION (Cont'd)

We set out below the sales volume, the ASP and the revenue contributed by our plastic tape printer over the Review Periods.

In RMB

Plastic Tape Printers	FYE2007	FYE2008	FYE2009	FYE2010	FPE2010	FPE2011
Volume (Units sold)	470,470	889,400	1,033,180	1,189,815	659,770	817,920
ASP (RMB)	336	316	302	301	302	299
Revenue (RMB'000)	157,868	280,806	311,948	357,991	199,375	244,397

In RM

Plastic Tape Printers	FYE2007	FYE2008	FYE2009	FYE2010	FPE2010	FPE2011
Volume (Units sold)	470,470	889,400	1,033,180	1,189,815	659,770	817,920
ASP (RM)	152	152	156	143	146	139
Revenue (RM'000)	71,309	135,320	160,747	170,225	96,218	113,327

It is believed that our plastic tape printer is an innovative product as there is no other hand-held plastic tape dispenser with an in-built ink-based printer (using tapes of with between 40 mm and 70 mm) that is widely and commercially available in the market. Notwithstanding this, it is our strategy to reduce the selling price of our plastic tape printer to make it more affordable to consumers which we hope will lead to greater market penetration for our plastic tape printer. We have decreased the selling prices of our plastic tape printers from an ASP of RMB336 per unit in FYE2007 to RMB299 per unit in FYE2011. As a result of this, the volume of our plastic tape printers sold has increased by 89.0%, 16.2% and 15.2% in FYE2008, FYE2009, FYE2010 and 24.0% in FYE2011 as compared to FYE2010, leading to an overall increase in revenue. As at 31 July 2011, the selling price of our plastic tape printer is approximately RMB299 per unit. We will continue to monitor the selling price of our plastic tape printers going forward. Each plastic tape printer is sold with a complimentary bottle of ink.

Our Directors believe that our plastic tape printer will continue to contribute significantly to our revenue growth, especially in view of the expected launch of our second generation plastic tape printer in the first quarter of FYE2012. The second generation tape printer is smaller and suitable for desktop and office use.

Going forward, we intend to continue developing more patented products. As at the LPD, we have eleven (11) patents for our products including our tape printer and anti-tempering seal for our plastic envelopes.

6 FINANCIAL INFORMATION (Cont'd)

Revenue by Non-Patented Products

In RMB	FYE2007		FYE2008		FYE2009		FYE2010		FYE2011			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Filing and storage products	342,091	100.0	513,318	93.1	685,634	93.4	950,383	93.9	518,744	94.6	661,190	92.7
Ink	-	-	37,837	6.9	48,699	6.6	61,567	6.1	29,843	5.4	51,706	7.3
Total	342,091	100.0	551,155	100.0	734,333	100.0	1,011,950	100.0	548,587	100.0	712,896	100.0

In RM	FYE2007		FYE2008		FYE2009		FYE2010		FYE2011			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Filing and storage products	154,523	100.0	247,368	93.1	353,307	93.4	451,907	93.9	250,346	94.6	306,594	92.7
Ink	-	-	18,234	6.9	25,095	6.6	29,275	6.1	14,402	5.4	23,976	7.3
Total	154,523	100.0	265,602	100.0	378,402	100.0	481,182	100.0	264,748	100.0	330,570	100.0

Revenue from non-patented products accounted for approximately 66.3%, 64.3%, 68.0%, 71.8%, 71.2% and 73.3% of our Group's total revenue in FYE2007, FYE2008, FYE2009, FPE2010 and FPE2011 respectively. Our portion of revenue from non-patented products increased by RMB209.1 million or approximately 61.1% from RMB342.1 million in FYE2007 to approximately RMB551.2 million in FYE2008. Whilst, in FYE2009, revenue from non-patented products increased by RMB183.1 million or approximately 33.2% from RMB551.2 million in FYE2008 to RMB734.3 million in FYE2009. For FYE2010, revenue from non-patented products increased by RMB277.6 million or approximately 37.8% from RMB734.3 million in FYE2009 to RMB1,011.9 million in FYE2010. For FPE2011 revenue from non-patented products increased by RMB164.3 million or approximately 30.0% from RMB548.6 million in FPE2010 to RMB712.9 million in FPE2011. Please refer to Section 6.3 of this Prospectus for further details on the increase in revenue.

Revenue by geographic regions of our customers

Our products are sold in China as well as to more than 400 customers (including distributors, retailers and corporations) in Asia (including Hong Kong, India, Indonesia, Japan, Kuwait, Philippines, South Korea and Taiwan but excluding China), Europe and America and other regions. Over 99% of our revenue is contributed from sales to distributors. As at the LPD, we sell our products to our distributors located in more than 45 countries worldwide, including but not limited to countries such as Japan, Germany and USA which maintain high standards for quality of products. We set out below a breakdown of our revenue by geographic regions.

6 FINANCIAL INFORMATION (Cont'd)

Revenue by geographic regions

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales to China	98,129	19.0	288,764	33.7	339,612	31.5	386,988	27.5	211,292	27.4	274,453	28.2
Sales to overseas distributors												
Asia ⁽¹⁾	199,253	38.6	242,496	28.3	332,536	30.8	470,791	33.4	257,071	33.4	320,576	32.9
America ⁽²⁾	96,839	18.8	145,525	17.0	176,268	16.3	228,046	16.2	125,869	16.3	154,767	15.9
Europe ⁽³⁾	91,700	17.7	128,931	15.0	163,560	15.1	227,566	16.1	123,741	16.1	155,250	16.0
Others ⁽⁴⁾	30,304	5.9	52,096	6.0	67,597	6.3	95,395	6.8	52,375	6.8	67,672	7.0
Total	516,225	100.0	857,812	100.0	1,079,573	100.0	1,408,786	100.0	770,348	100.0	972,718	100.0

Notes:

- (1) Asia includes mainly Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan, but excluding China.
- (2) America includes mainly Argentina, Canada and the United States.
- (3) Europe includes mainly Germany, Greece, Italy, Turkey and the United Kingdom.
- (4) Others include mainly Australia and New Zealand

6 FINANCIAL INFORMATION (Cont'd)

Revenue by geographic regions

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FYE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales to China	44,325	19.0	139,155	33.7	175,002	31.5	184,013	27.5	101,970	27.4	127,264	28.2
Sales to overseas distributors												
Asia ⁽¹⁾	90,003	38.6	116,859	28.3	171,356	30.8	223,861	33.4	124,062	33.4	148,651	32.9
America ⁽²⁾	43,742	18.8	70,129	17.0	90,831	16.3	108,436	16.2	60,744	16.3	71,765	15.9
Europe ⁽³⁾	41,421	17.7	62,132	15.0	84,282	15.1	108,208	16.1	59,717	16.1	71,989	16.0
Others ⁽⁴⁾	13,688	5.9	25,105	6.0	34,833	6.3	45,360	6.8	25,277	6.8	31,380	7.0
Total	233,179	100.0	413,380	100.0	556,304	100.0	669,878	100.0	371,770	100.0	451,049	100.0

Notes:

(1) Asia includes mainly Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan, but excluding China.

(2) America includes mainly Argentina, Canada and the United States.

(3) Europe includes mainly Germany, Greece, Italy, Turkey and the United Kingdom.

(4) Others include mainly Australia and New Zealand

6 FINANCIAL INFORMATION (Cont'd)

Our quantum of revenue from China has been increasing over the Review Periods specifically in FYE2008 which is in line with our marketing and advertising efforts such as the setting up of shop-in-shop, putting up billboards, placing advertisement in airports and participating in trade fairs so as to increase our market penetration in the domestic market.

Our Group's strategy for the shift back to the China market in 2008 was mainly due to:-

- (a) The increasing recognition and acceptance from the China market for our products and brand name demonstrated by the increasing the quantum of our revenue;
- (b) Our management's intention to strengthen our market branding and increase market awareness for our products in China by tapping on our local network of distributors and through the establishment of the shop-in-shop concept; and
- (c) Our management believes that the China domestic market presents potentially strong growth prospects for the plastic stationery industry. According to the Independent Market Research Report, for the period of 2009 to 2014, China recorded the lowest annual spending per capita for plastic stationeries of only approximately USD5.2 (approximately RM15.73) to USD6.1 (approximately RM18.45), which indicates strong growth potential for the plastic stationeries market in China. The plastic stationery market in China (excluding Hong Kong) is valued at USD7.1 billion (approximately RM21.32 billion) in 2010 and is expected to reach USD8.3 billion in 2014 (approximately RM25.11 billion) with a CAGR of 4.4%.

For the FYE2010, revenue contributed from China is approximately 27.5%, which is 4.0 percentage points lower as compared to FYE2009, notwithstanding that the quantum of revenue registered for FYE2010 of RMB387.0 million is higher than the quantum of revenue achieved in FYE2009 of RMB339.6 million. The lower contribution registered in China for FYE2010 was due to higher revenue contribution from Asia and Europe region.

The breakdown of our revenue according to patented and non-patented products selling in China and overseas are as follows:-

Patented Products

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2011			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
China	48,210	27.7	111,045	36.2	127,029	36.8	137,413	34.6	74,105	33.4	91,454	35.2
Overseas	125,924	72.3	195,612	63.8	218,211	63.2	259,423	65.4	147,656	66.6	168,368	64.8
Total	174,134	100.0	306,657	100.0	345,240	100.0	396,836	100.0	221,761	100.0	259,822	100.0

6 FINANCIAL INFORMATION (Cont'd)

Patented Products

In RM	FYE2007		FYE2008		FYE2009		FYE2010		FYE2011			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
China	21,776	27.7	53,513	36.2	65,458	36.8	65,340	34.6	35,763	33.4	42,407	35.2
Overseas	56,880	72.3	94,265	63.8	112,444	63.2	123,356	65.4	71,259	66.6	78,072	64.8
Total	78,656	100.0	147,778	100.0	177,902	100.0	188,696	100.0	107,022	100.0	120,479	100.0

Non-Patented Products

In RMB	FYE2007		FYE2008		FYE2009		FYE2010		FYE2011			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
China	49,920	14.6	177,719	32.2	212,583	28.9	249,575	24.7	137,187	25.0	182,999	25.7
Overseas	292,171	85.4	373,436	67.8	521,750	71.1	762,375	75.3	411,400	75.0	529,897	74.3
Total	342,091	100.0	551,155	100.0	734,333	100.0	1,011,950	100.0	548,587	100.0	712,896	100.0

In RM

In RM	FYE2007		FYE2008		FYE2009		FYE2010		FYE2011			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
China	22,549	14.6	85,643	32.2	109,544	28.9	118,673	24.7	66,206	25.0	84,857	25.7
Overseas	131,974	85.4	179,959	67.8	268,858	71.1	362,509	75.3	198,542	75.0	245,713	74.3
Total	154,523	100.0	265,602	100.0	378,402	100.0	481,182	100.0	264,748	100.0	330,570	100.0

6 FINANCIAL INFORMATION (Cont'd)

As shown from the tables above, most of our Group's patented and non-patented products are largely sold to overseas markets. We have throughout the years established a strong clientele base in overseas markets. However, the contribution from the domestic market has also been increasing over the Review Periods as we have been focusing more on our advertising and marketing efforts in China market to strengthen our Group's brand name domestically due to the strong growth potential in China.

Factors affecting our revenue

Our business and revenue are affected by the following key factors:-

- (a) our ability to compete effectively with existing or new competitors, in existing and new markets, given the highly competitive industry we operate in. Typically, we compete against our competitors in terms of product quality, branding, design, range of products, timely delivery and price;
- (b) the general economic conditions and level of literacy in the countries in which we operate which may affect the level of consumer spending which in turn affect the demand for our products;
- (c) our ability to retain existing customers and secure new customers;
- (d) our ability to develop new products or improve existing products which the market is receptive towards;
- (e) our ability to increase our production capacity and production volume including our technical capability and production facilities;
- (f) fluctuations between USD and RMB due to the recent unpegging of RMB against USD, as our export sales are denominated in USD and our financial statements are presented in RMB; and
- (g) changes in political, economic, laws, rules and regulations in the PRC which may adversely affect our business and financial performance. Please refer to Section 4, "Risk Factor" of this Prospectus for more details.

Seasonality

We did not experience any seasonality in respect of our sales pattern during the Review Periods. Please refer to Section 4, "Risk Factors" and Section 9, "Executive Summary of the Independent Market Research Report" of this Prospectus for further details on other factors that may affect our revenue.

6 FINANCIAL INFORMATION (Cont'd)

6.2.3 Cost of Sales

We set out below the breakdown of our cost of sales for the Review Periods:-

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PP materials	123,257	47.2	189,172	43.7	238,570	42.7	352,609	46.2	194,755	46.4	249,433	46.9
Packaging materials	26,468	10.2	49,139	11.4	75,841	13.6	100,081	13.1	53,771	12.8	68,355	12.8
Printing materials	25,311	9.7	55,919	12.9	73,533	13.2	92,538	12.1	51,287	12.2	63,597	12.0
Metal accessories	14,829	5.7	26,498	6.1	38,544	6.9	49,974	6.5	27,321	6.5	33,070	6.2
Others	41,095	15.7	72,596	16.8	70,626	12.7	85,468	11.2	46,609	11.1	59,895	11.2
Direct materials	230,960	88.5	393,324	90.9	497,114	89.1	680,670	89.1	373,743	89.0	474,350	89.1
Labour	9,007	3.4	8,857	2.1	10,856	1.9	14,587	1.9	7,768	1.9	10,014	1.9
Manufacturing Overheads	21,116	8.1	30,417	7.0	50,214	9.0	68,881	9.0	38,239	9.1	47,705	9.0
Total	261,083	100.0	432,598	100.0	558,184	100.0	764,138	100.0	419,750	100.0	532,069	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
PP materials	55,675	47.2	91,162	43.7	122,935	42.7	167,666	46.2	93,989	46.4	115,662	46.9
Packaging materials	11,956	10.2	23,680	11.4	39,081	13.6	47,588	13.1	25,950	12.8	31,696	12.8
Printing materials	11,433	9.7	26,947	12.9	37,891	13.2	44,002	12.1	24,751	12.2	29,490	12.0
Metal accessories	6,698	5.7	12,770	6.1	19,862	6.9	23,763	6.5	13,185	6.5	15,335	6.2
Others	18,563	15.7	34,984	16.8	36,394	12.7	40,640	11.2	22,494	11.1	27,773	11.2
Direct materials	104,325	88.5	189,543	90.9	256,163	89.1	323,659	89.1	180,369	89.0	219,956	89.1
Labour	4,068	3.4	4,268	2.1	5,594	1.9	6,936	1.9	3,749	1.9	4,643	1.9
Manufacturing Overheads	9,538	8.1	14,658	7.0	25,875	9.0	32,753	9.0	18,453	9.1	22,121	9.0
Total	117,931	100.0	208,469	100.0	287,632	100.0	363,348	100.0	202,571	100.0	246,720	100.0

6 FINANCIAL INFORMATION (Cont'd)

Cost of Sales by product mix

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Patented Products*	56,287	21.6	106,470	24.6	118,893	21.3	140,814	18.4	89,239	21.3	108,382	20.4
Non-Patented Products ^	204,796	78.4	326,128	75.4	439,291	78.7	623,324	81.6	330,511	78.7	423,687	79.6
Total	261,083	100.0	432,598	100.0	558,184	100.0	764,138	100.0	419,750	100.0	532,069	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Patented Products*	25,425	21.6	51,308	24.6	61,266	21.3	66,957	18.4	43,067	21.3	50,257	20.4
Non-Patented Products ^	92,506	78.4	157,161	75.4	226,366	78.7	296,391	81.6	159,504	78.7	196,463	79.6
Total	117,931	100.0	208,469	100.0	287,632	100.0	363,348	100.0	202,571	100.0	246,720	100.0

Notes:-

* Comprises the plastic tape printer, our Group's main patented products which contributed at least 91.3% of our Group's average patented product revenue over the Review Periods.

^ Includes other patented products which contributed to less than 10% of our Group's average patented product revenue over the Review Periods, of which our Group is unable to separately breakdown the cost for these patented products.

6 FINANCIAL INFORMATION (Cont'd)

Direct Materials

Direct materials which make up the majority of our cost of sales mainly comprised PP materials, packaging materials, printing materials, metal accessories and miscellaneous materials.

(i) PP materials

PP materials are a major cost component for our plastic filling and storage products. Our PP materials cost represents the material cost for our in-house produced PP sheets such as PP granules, additives, pigments and chemicals as well as the cost of PP sheets purchased from third party suppliers.

We use PP granules together with additives and pigments to produce PP sheets in-house through our subsidiary, Sakura Plastic. The PP sheets we produce may vary in terms of texture, colour and specification.

Due to production constraints, we are only able to produce PP sheets to meet the demand of our export customers. For local customers, we purchase PP sheets from third-party suppliers in China. We also purchase some PP sheets according to special request (such as design or specification) which we do not require in bulk and thus it is more cost-efficient to purchase these PP sheets from third party suppliers.

The analysis on the annual average market price of PP materials vis-à-vis the annual average purchased price of our Group for the Review Periods are as set out below:-

PP Granule Price	FYE2007	FYE2008	FYE2009	FYE2010	FPE2010	FPE2011
Average purchase price (USD per ton)	1,208	1,514	1,026	1,285	1,278	1,582
Average market price (USD per ton)*	1,316	1,430	1,044	1,311	1,254	1,585
Premium/ (Discount) (%)	(8.2)	5.9	(1.7)	(2.0)	1.9	(0.2)

Notes:-

* Extracted from the Independent Market Research Report, Frost & Sullivan

6 FINANCIAL INFORMATION (Cont'd)

During the Review Periods, the variations between our average purchase price for PP materials and the average international market price ranges between a discount of 8.2% and a premium of 5.9%. The variations were mainly due to our Group's pricing is dependent on our suppliers' costs as well as the quantity and quality of the PP materials required by us. Further, the price variations were also partly due to the time lag of approximately one (1) month from the date of our order to the delivery of the materials. The discount we enjoyed decreased from July 2007 onwards because we were unable to secure off-grade PP granules since then due to higher market demand for such PP granules.

Based on the PP supply agreements entered into between our Group and the suppliers, the suppliers shall offer our Group a favourable price on the basis of CIF Fujian China. We will constantly monitor the international market prices and the quantity required for our production and we generally have a stockpile of approximately 12 days supply of PP granules in our warehouse.

We set out below the volume of PP sheets we produced in-house and purchased from third-party suppliers and the average cost per ton over the Review Periods.

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2011			
	Tons	%	Tons	%	Tons	%	Tons	%	Tons	%		
PP sheets – produced in-house	9,186	80.1	9,778	63.4	17,341	67.4	23,690	73.5	13,140	72.4	14,232	74.0
PP sheets – purchased from third parties	2,288	19.9	5,641	36.6	8,375	32.6	8,520	26.5	5,015	27.6	5,000	26.0
Total	11,474	100.0	15,419	100.0	25,716	100.0	32,210	100.0	18,155	100.0	19,232	100.0
Average cost per ton (RMB)*	13,448		14,826		12,016		13,901		13,539		16,192	
Average cost per ton (RM)*	6,074		7,145		6,192		6,610		6,634		7,508	

Note:-

* Includes direct labour and manufacturing overheads.

The PP sheets produced in-house increased slightly by 6.4% from 9,186 tons in FYE2007 to 9,778 tons in FYE2008 and increased significantly by 77.3% from 9,778 tons in FYE2008 to 17,341 tons in FYE2009. For FYE2010, PP sheets produced in-house also increased by 36.6% as compared to FYE2009. The huge jump in PP sheets produced in-house for FYE2009 and FYE2010 was in line with the increase in sales orders received from our export customers and additional machinery brought for PP sheet produce. However, the increase in PP sheets produced in-house does not increase in tandem with our increase in export revenue due to the difference in product mix ordered by our customers, as well as adjustments to the selling price of our plastic stationery products in line with the increase in the cost of PP materials during the Review Periods. For FPE2011, PP sheets produced in-house increased slightly by 8.3% as compared to FPE2010.

6 FINANCIAL INFORMATION (Cont'd)

The PP sheets purchased from third parties increased by 146.5%, 48.5% and 1.7% for FYE2008, FYE2009 and FYE2010 respectively, which is in line with the increase in sale orders from the China market. For FPE2011, PP sheets purchased from third parties decreased marginally by 0.3% as compared to FPE2010. The slight decrease in PP sheets purchased was due to lower PP sheet tonnage requirement for the different mix of plastic stationery products sold.

The average cost per ton of the PP sheets increased by 10.2% from FYE2007 to FYE2008 but decreased by 19.0% from FYE2008 to FYE2009. For the FYE2010, the average cost per ton of the PP sheets increased by 15.7% and 19.6% for FYE2010 and FPE2011 as compared to FYE2009 and FPE2010. The fluctuation in the average cost per ton of the PP sheets was in line with the PP commodity price during the Review Periods.

Whilst PP sheets and PP materials form the largest component of costs of sales for our non-patented product, the cost of sales of PP materials for our patented product, namely the plastic tape printer is immaterial. PP materials for plastic tape printers only account for less than 1.0% of the total cost of sales for plastic tape printer for each of our Review Periods.

(ii)

Packaging materials

Packaging materials comprise carton boxes and bags used for packing our filing and storage products as well as our tape printers. The above raw materials are obtained from a number of suppliers in China and are typically purchased in bulk. The proportion of packaging material cost to our total cost of sales does not fluctuate significantly and remain rather stable under the Review Periods. The packaging material proportion will vary in accordance with the type of products being sold during the financial years/periods under the Review Periods.

(iii)

Printing materials

Printing materials comprise labels and description sheets in files, ink used for printing and ink used in plastic tape printers. These raw materials are obtained from a number of suppliers in China and are typically purchased in bulk. We do not experience any significant fluctuation in prices during the Review Periods. The proportion of the printing material cost will vary in accordance with the type of products being sold during the financial years/periods under the Review Periods. We started selling ink for our tape printers since FYE2008, which resulted in an increase in the cost of printing materials, being the cost of the ink we purchase from our supplier to on-sell to our customers. The ink was developed by our supplier at our Group's request and based on specifications given by us. The printing material proportion to our total cost of sales will vary in accordance with the type of products being sold and the fluctuation in PP material costs which is in line with the PP commodity price during the financial years/periods under the Review Periods.

6 FINANCIAL INFORMATION (Cont'd)

(iv) Metal accessories

Accessories comprise metal buttons, metal clips, compression clips or ring-binders for filing products whilst accessories for the tape printer are metal spring and metal cover. The above raw materials are obtained from a number of suppliers in China and are typically purchased in bulk. We do not experience any significant fluctuation in prices during the financial years/periods under the Review Periods. The metal accessories proportion will vary in accordance with the type of products sold during the financial years/periods under the Review Periods.

(v) Miscellaneous materials

Miscellaneous materials which reflect the balance of our costs of sales include PP, POM, ABS, sponge and moulds used in our plastic tape printers, bag handles, plastic clip, plastic buttons and PVC materials used in our filing products. The above raw materials are obtained from a number of suppliers in China and are typically purchased in bulk. We do not experience any significant fluctuation in prices during the Review Periods. The proportion of miscellaneous material cost will vary in accordance with the type of products sold during the Review Periods.

Direct labour

Direct labour comprises mainly wages and benefits and expenses incurred for the production workers and staff who are directly involved in manufacturing activities. Direct labour costs have historically been insignificant and are dependent on factors such as the number of employees, the production volume and the industry level of wages. The increasing labour costs did not have a significant impact on our cost of sales over the Review Periods as a result of economies of scale arising from the increasing production volume during the Review Periods.

Manufacturing overheads

Manufacturing overheads comprise mainly depreciation expenses for our factory building and plant and machinery, utility charges and repair and maintenance expenses. Manufacturing overheads are dependent on factors such as the level of sales and production activity, capital expenditure on plant and equipment and utility charges. However, the manufacturing overheads are not directly correlated to the production volume due to the economies of scale over the Review Periods. In FYE2009 and FYE2010, the manufacturing overheads have increased due to increase in utility costs and depreciation of the new machineries acquired for our expansion plan.

Factors affecting our cost of sales

Our cost of sales may be affected by the following key factors:

- (a) an increase in crude oil prices which in turn affects prices of PP materials. In the event that we are unable to pass on the increase in cost of such direct materials to our customers, our profitability may be affected. Please refer to Section 4, "Risk Factors" for more details on the impact of increase in cost of PP materials on our financial performance;
- (b) our ability to apply our technical know-how in managing our production process efficiently to minimise wastage and reduce cost of sales;

6 FINANCIAL INFORMATION (Cont'd)

- (c) our ability to secure stable and sufficient supply of raw materials at competitive prices including our ability to maintain our relationships with suppliers. During the Review Periods and up to the LPD, no shortage of raw materials was experienced;
- (d) fluctuations in USD against RMB due to the recent unpegging of RMB against the USD, as our major raw material purchases of PP resin are denominated in USD and our financial statements are presented in RMB; and
- (e) changes in laws, rules and regulations in the countries we operate and make purchases from, such as changes in export tax rebate granted to us in China and China labour laws or regulations. Please refer to Section 4, "Risk Factors" for more details on the impact of the increase in cost of PP materials on our financial performance;

6.2.4 Gross Profit

We set forth below a breakdown of our gross profit and gross profit margins by patented and non-patented products.

Gross Profit

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2011			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Patented Products	109,804	43.0	187,465	44.1	210,139	40.3	236,220	36.6	132,522	37.8	151,440	34.4
Non-Patented Products	145,338	57.0	237,749	55.9	311,250	59.7	408,428	63.4	218,076	62.2	289,209	65.6
Total	255,142	100.0	425,214	100.0	521,389	100.0	644,648	100.0	350,598	100.0	440,649	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2011			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Patented Products	49,598	43.0	90,339	44.1	108,285	40.3	112,323	36.6	63,955	37.8	70,222	34.4
Non-Patented Products	65,650	57.0	114,572	55.9	160,387	59.7	194,207	63.4	105,244	62.2	134,107	65.6
Total	115,248	100.0	204,911	100.0	268,672	100.0	306,530	100.0	169,199	100.0	204,329	100.0

6 FINANCIAL INFORMATION (Cont'd)

Gross profit margin

	FYE2007	FYE2008	FYE2009	FYE2010	FPE2010	FPE2011
Patented Products	63.1%	61.1%	60.9%	59.5%	59.8%	58.3%
Non-Patented Products	42.5%	43.1%	42.4%	40.4%	39.8%	40.6%
Overall	49.4%	49.6%	48.3%	45.8%	45.5%	45.3%

During the Review Periods, we have achieved an overall gross profit margin of 49.4%, 49.6%, 48.3%, 45.8%, 45.5% and 45.3% for FYE 2007, FYE 2008, FYE 2009, FYE 2010, FPE2010 and FPE2011 respectively. The healthy gross profit margin achieved by us for our products throughout the Review Periods was primarily due to:-

- (a) Our production and sale of innovative patented products such as the plastic tape printer. For FYE 2007, FYE 2008, FYE 2009, FYE 2010, FPE2010 and FPE2011 our Group's patented products commanded a gross profit margin of 63.1%, 61.1%, 60.9%, 59.5%, 59.8% and 58.3% respectively. Please refer to Section 6.2.3 of this Prospectus for the breakdown of our cost structure by product mix;
- (b) Our in-house capabilities to undertake injection moulding for our plastic tape printer;
- (c) Our vertically integrated production process where approximately 10.0% of the PP sheets used by us in production over the Review Periods were from recycled materials generated in the course of our production process. The use of these recycled materials lowers our cost of production; and
- (d) Our in-house PP manufacturing capabilities as well as our ability to continuously develop new innovative products whereby those new products which are accepted by our customers will generally command higher gross profit margin.

In general, our patented products are unique and consist of innovative solutions for our customers which can command higher gross profit margins than non-patented products. According to the Independent Market Research Report, the estimated global market size for the plastic tape printer and ink market is approximately USD1.6 billion (approximately RM5.48 billion) in 2009 and an estimated USD1.7 billion (approximately RM5.23 billion) in 2010. This total revenue represents the potential market size for the plastic tape printer and ink, which includes tape dispensers for corrugated/packaging box and ink markets. It is envisaged in the Independent Market Research Report that this market will grow further to reach USD1.82 billion (approximately RM5.51 billion) in 2011 and USD2.18 billion (approximately RM6.94 billion) in 2014, with a CAGR of 6.20%. It is also believed that our plastic tape printer is an innovative product as, through primary and desktop research (based on publicly available information) conducted as at December 2011, we have not encountered any other hand-held plastic tape dispenser with an in-built ink-based printer (using tapes of width between 40mm and 70mm) that is widely and commercially available in the market.

6 FINANCIAL INFORMATION (Cont'd)

The gross profit margin for our patented products has been on a decreasing trend throughout the Review Periods mainly due to our strategy to reduce the selling price of our plastic tape printer to make it more affordable to customers and hence, obtaining greater market penetration. We have decreased the ASP of our plastic tape printers from RMB336 to RMB299 per unit from FYE2007 to FPE2011 and resulting from this, the sales volume of our plastic tape printers has increased from 0.47 million units in FYE2010. For FPE2011 we had sold 0.82 million units as compared to 0.66 units in FPE2010.

As for our non-patented products, we are able to maintain a gross profit margin of at least 40% during the Review Periods. This is mainly achieved through our proprietary know-how, in-house PP manufacturing capabilities as well as our ability to continuously develop new innovative products.

In FYE2009, there is a slight drop of 0.7% of gross profit margin as compared to FYE2008 for our non-patented products. due to increase in market competitiveness. As such, the Group sold these non-patented products at a lower selling price in order to retain their existing customers. In FYE2010, there is a further drop of 2% of gross profit margin as compared to FYE2009. The reason is due to further reduction of the selling price of the existing products to increase the market share and also there are 34 new products being launched by the Group in FYE2010. These 34 new products comprise mainly files (contribute only 1% of the revenue in FYE2010) and the average gross profit margin of these new products is 35% as opposed to 41% of the average gross profit margin of the existing products .

For the FPE2011, the gross profit margin for our non-patented products increased slightly from 40.4% recorded in the preceding year to 40.6%.

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6 FINANCIAL INFORMATION (Cont'd)

Gross profit and gross profit margin by geographic regions of our customers

We set out below a breakdown of our gross profit and gross profit margins by geographic regions.

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RMB'000	Gross Profit Margin %	RMB'000	Gross Profit Margin %	RMB'000	Gross Profit Margin %	RMB'000	Gross Profit Margin %	RMB'000	Gross Profit Margin %	RMB'000	Gross Profit Margin %
Sales to China	49,437	50.4	144,632	50.1	157,545	46.4	162,802	42.1	97,454	46.1	126,938	46.3
Sales to overseas distributors												
Asia ⁽¹⁾	97,625	49.0	120,347	49.6	162,719	48.9	220,204	46.8	115,423	44.9	142,588	44.5
America ⁽²⁾	48,475	50.1	72,118	49.6	88,139	50.0	110,555	48.5	58,978	46.9	71,603	46.3
Europe ⁽³⁾	44,264	48.3	61,502	47.7	78,819	48.2	104,466	45.9	54,041	43.7	68,029	43.8
Others ⁽⁴⁾	15,341	50.6	26,615	51.1	34,167	50.5	46,621	48.9	24,702	47.2	31,491	46.5
Overall	255,142	49.4	425,214	49.6	521,389	48.3	644,648	45.8	350,598	45.5	440,649	45.3

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RM'000	Gross Profit Margin %	RM'000	Gross Profit Margin %	RM'000	Gross Profit Margin %	RM'000	Gross Profit Margin %	RM'000	Gross Profit Margin %	RM'000	Gross Profit Margin %
Sales to China	22,331	50.4	69,698	50.1	81,183	46.4	77,412	42.1	47,031	46.1	58,861	46.3
Sales to overseas distributors												
Asia ⁽¹⁾	44,097	49.0	57,995	49.6	83,849	48.9	104,707	46.8	55,703	44.9	66,119	44.5
America ⁽²⁾	21,896	50.1	34,754	49.6	45,418	50.0	52,569	48.5	28,463	46.9	33,202	46.3

6 FINANCIAL INFORMATION (Cont'd)

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	Gross Profit Margin RM'000	%	Gross Profit Margin RM'000	%	Gross Profit Margin RM'000	%	Gross Profit Margin RM'000	%	Gross Profit Margin RM'000	%	Gross Profit Margin RM'000	%
Europe ⁽³⁾	19,994	48.3	29,638	47.7	40,616	48.2	49,674	45.9	26,080	43.7	31,545	43.8
Others ⁽⁴⁾	6,930	50.6	12,826	51.1	17,606	50.5	22,168	48.9	11,922	47.2	14,602	46.5
Overall	115,248	49.4	204,911	49.6	268,672	48.3	306,530	45.8	169,199	45.5	204,329	45.3

Notes:

- (1) Asia includes mainly Hong Kong, India, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan, but excludes China.
- (2) America includes mainly Argentina, Canada and the United States.
- (3) Europe includes mainly Germany, Greece, Italy, Turkey and the United Kingdom.
- (4) Others include mainly Australia and New Zealand.

Our gross profits and gross profit margins for each geographic region will differ, depending on the product mix and types sold to each geographic region. The product mix and types sold to each of the geographic region vary widely depending on the requirements of our customers. Over the Review Periods, there is generally no significant fluctuation in our gross profit margin by geographical regions due to our Group's proprietary know-how, in-house PP manufacturing capabilities, our ability to continuously develop new innovative products and our ability to transfer the increase of PP materials to our customers worldwide. For FYE2010, we have achieved a lower gross profit margin as compared to the preceding financial year mainly due to the higher cost of PP raw materials which is in line with higher PP commodity prices globally, as well as the slight time lapse between rising PP costs and upward revision in the prices of our products.

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6 FINANCIAL INFORMATION (Cont'd)

6.2.5 Other Income

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FPE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Interest income	2,078	91.7	3,008	49.0	1,786	93.1	2,696	94.7	1,205	91.2	2,184	99.0
Others	188	8.3	3,126	51.0	132	6.9	152	5.3	116	8.8	22	1.0
Total	2,266	100.0	6,134	100.0	1,918	100.0	2,848	100.0	1,321	100.0	2,206	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FPE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	939	91.7	1,450	49.0	920	93.1	1,282	94.7	582	91.2	1,013	99.0
Others	85	8.3	1,506	51.0	68	6.9	72	5.3	56	8.8	10	1.0
Total	1,024	100.0	2,956	100.0	988	100.0	1,354	100.0	638	100.0	1,023	100.0

Our other income comprises mainly interest income from financial institutions. The interest rates ranged from 0.02% to 0.40% during the Review Periods. For FYE2008, other income was significantly higher compared to other Review Periods due to the one-off gain on sales of raw materials and foreign exchange gain of approximately RMB2.9 million. The gain derived from the sales of raw materials was mainly in respect of raw materials which were sourced earlier at a lower price due to bulk purchase and wherein we have subsequently disposed of the excess stocks which were not in use. Other income also includes cash rewards from certain Chinese authorities for fulfilling their external trade and product related criteria.

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6 FINANCIAL INFORMATION (Cont'd)

6.2.6 Selling and Distribution Expenses

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FPE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Salary	63	0.7	619	1.2	923	1.3	953	1.8	613	2.9	563	1.0
Travelling	1,216	12.6	932	1.8	1,035	1.5	1,354	2.6	791	3.7	1,291	2.2
Shipping/custom	6,968	72.2	14,382	27.4	22,111	32.4	24,920	47.5	13,963	66.0	15,398	26.7
Entertainment	1,101	11.4	4,125	7.9	7,174	10.5	8,459	16.1	2,440	11.5	2,570	4.4
Advertising/Exhibition	176	1.8	30,901	58.9	34,490	50.5	14,071	26.8	1,781	8.4	36,390	63.0
Others	122	1.3	1,492	2.8	2,595	3.8	2,721	5.2	1,553	7.5	1,553	2.7
Total	9,646	100.0	52,451	100.0	68,328	100.0	52,478	100.0	21,141	100.0	57,765	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FPE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Salary	28	0.7	298	1.2	475	1.3	453	1.8	296	2.9	261	1.0
Travelling	549	12.6	449	1.8	533	1.5	644	2.6	382	3.7	599	2.2
Shipping/custom	3,148	72.2	6,931	27.4	11,394	32.4	11,849	47.5	6,739	66.0	7,140	26.7
Entertainment	497	11.4	1,988	7.9	3,697	10.5	4,022	16.1	1,178	11.5	1,192	4.4
Advertising/Exhibition	80	1.8	14,891	58.9	17,773	50.5	6,691	26.8	860	8.4	16,874	63.0
Others	55	1.3	719	2.8	1,337	3.8	1,294	5.2	748	7.5	720	2.7
Total	4,357	100.0	25,276	100.0	35,209	100.0	24,953	100.0	10,203	100.0	26,786	100.0

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6 FINANCIAL INFORMATION (Cont'd)

Salary cost comprises salary of our sales staffs.

Travelling cost comprises mainly hotel accommodation, transportation and air tickets incurred by the sales staffs in the course of carrying out their duties.

Shipping and custom fees comprise mainly the custom fee paid for exporting our products to our export customers and transportation from our factory to the ports (for export customers) or the designated warehouse (for China customers). Our shipping term with our customers is FOB.

Entertainment expenses comprise mainly expenses incurred by the sales staff and management for business entertainment.

Advertising/exhibition expenses comprise mainly expenses incurred for advertisements on newspaper, magazines, promotion gifts, billboards, construction of booth and payment to organiser for participating in local and international trade fairs and exhibitions. The significant amount incurred for advertising/exhibition expenses in FYE2008 and FYE2009 is due to the 78 billboards we installed in twenty four (24) provinces in China during the period from November 2008 to October 2009 and also the setting up of advertisement billboards in 21 PRC airports for a period of two (2) months from July 2009 to August 2009 as well as our participation in exhibitions during the financial years. The abovementioned marketing activities was mainly undertaken to create awareness for our products and brands in the China market which we believe has potentially strong growth prospect for the plastic stationery industry.

The advertising/exhibition expenses incurred in FYE2010 and FPE2011 comprise mainly expenses incurred for our participation in exhibitions and also the set up of advertisement billboards at the Hanjiang District, Putian, Fujian Province in China for the period 1 April 2010 to 31 December 2015 and along 3 expressways at Beijing to Shenyang, Fujian to Beijing and Lian Jiang, Fuzhou for the period 18 November 2010 to 17 January 2011. The lower advertising/ exhibition expenses incurred in FYE2010 as compared to FYE2009 was mainly due to the contracts for the set up and installation of advertisement billboards in twenty four (24) provinces in China and 21 PRC airports has ended by the fourth quarter of FYE2009.

Others expenses for the Review Periods comprise mainly amortisation of the shop-in-shop renovation which our Group started since 2008. Since then amortisation expenses has been gradually increasing as the number of shop-in-shop increases over the review period.

6 FINANCIAL INFORMATION (Cont'd)

6.2.7 Administrative Expenses

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FYE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff cost	2,466	19.7	5,461	16.3	9,817	35.8	10,758	25.7	5,056	26.3	5,686	28.8
Professional fees	128	1.0	23,883	71.2	9,996	36.5	1,892	4.5	1,271	6.6	1,212	6.1
Exchange rate difference	7,694	61.5	-	-	615	2.2	7,211	17.2	1,092	5.7	7,040	35.6
Depreciation	131	1.0	185	0.5	211	0.8	613	1.5	123	0.7	2,057	10.4
R&D	9	0.1	-	-	5,102	18.6	19,100	45.6	9,600	50.0	-	-
Others	2,096	16.7	4,009	12.0	1,649	6.1	2,313	5.5	2,058	10.7	3,761	19.1
Total	12,524	100.0	33,538	100.0	27,390	100.0	41,887	100.0	19,200	100.0	19,756	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FYE2010		FYE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff cost	1,114	19.7	2,632	16.3	5,059	35.8	5,115	25.7	2,440	26.3	2,637	28.8
Professional fees	58	1.0	11,509	71.2	5,151	36.5	900	4.5	613	6.6	562	6.1
Exchange rate difference	3,475	61.5	-	-	317	2.2	3,429	17.2	527	5.7	3,264	35.6
Depreciation	59	1.0	89	0.5	109	0.8	291	1.5	59	0.7	954	10.4
R&D	4	0.1	-	-	2,629	18.6	9,082	45.6	4,633	50.0	-	-
Others	947	16.7	1,932	12.0	849	6.1	1,100	5.5	994	10.7	1,744	19.1
Total	5,657	100.0	16,162	100.0	14,114	100.0	19,917	100.0	9,266	100.0	9,161	100.0

Staff cost relates to the salary, social insurance, transportation and benefits for administrative and accounting personnel.

6 FINANCIAL INFORMATION (Cont'd)

Professional fees relate to the consultancy fees, advisory fees relating to the corporate exercises. The significant amount incurred for professional fees in FYE2008 and FYE2009 was due to a corporate exercise undertaken by the Company in 2008 and 2009. The professional fee for our IPO will be recognised upon our Listing and will be apportioned to share premium account and profit and loss account accordingly. Please refer to Section 8 of this Prospectus for more information

Exchange difference is the timing difference between collections from export customers which are denominated in USD and payment for purchases and expenses mostly in RMB. For FYE 2008 and FYE2009, the low exchange rate difference incurred by our Company was mainly due to the pegging of USD and RMB since 2nd half of FYE2008. However, our exchange rate difference increased substantially in FYE2010 and FYE2011 due to the relaxation of the peg of RMB against USD since 19 June 2010.

Depreciation expenses relate mainly to the depreciation charges of our motor vehicles, furniture, fixtures and office equipment. For FPE2011, depreciation increased due to the completion of the new buildings in the New Plant. Depreciation of the two new buildings commenced from May 2010 and the dormitory and cafeteria commenced from November 2010.

R&D comprises mainly the R&D expenditures incurred on our Group's second generation plastic tape printer pursuant to the product design agreement entered into between Ruiyuan and Shenzhen Yimei Industry Design Co., Ltd (深圳市怡美工业设计有限公司). Prior to FYE2009, all R&D expenditures are mainly incurred at the expense of Chan Fung @ Kwan Wing Yin and are therefore not reflected as an expense in our Group's audited financial statements. Since FYE2009, all R&D expenditure has been borne by our Group.

Other administrative expenses comprise mainly telecommunication expenses, office expenses, land amortisation and bank charges.

6.2.8 Other Expenses

Other expenses comprise loss on disposal of property, plant and equipment.

6 FINANCIAL INFORMATION (Cont'd)

6.2.9 Finance Costs

In RMB

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Interest expenses	3,516	100.0	3,792	36.3	4,001	24.5	3,270	9.6	1,925	6.4	1,688	4.5
Others	-	-	6,645	63.7	12,298	75.5	30,932	90.4	27,934	93.6	36,220	95.5
Total	3,516	100.0	10,437	100.0	16,299	100.0	34,202	100.0	29,859	100.0	37,908	100.0

In RM

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2010		FPE2011	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses	1,588	100.0	1,827	36.3	2,062	24.5	1,555	9.6	929	6.4	783	4.5
Others	-	-	3,203	63.7	6,337	75.5	14,708	90.4	13,481	93.6	16,795	95.5
Total	1,588	100.0	5,030	100.0	8,399	100.0	16,263	100.0	14,410	100.0	17,578	100.0

The interest charges relate mainly to the interest-bearing short term borrowings from financial institutions.

Other finance cost in FYE 2008 relate to the interest on the convertible loan, which the convertible loan was subsequently converted into Shares and then repurchased back by our Company as a result of our Company's decision to terminate our previous corporate proposal. Our Shares were repurchased and fully repaid in December 2008. For FYE2009 and FYE2010, other finance cost consist of the half yearly coupon payment for the Convertible Bonds which our Company issued to WWD Ruby in December 2008 at an interest rate of 9% per annum on the outstanding balance of the convertible bond of USD20 million.

On 9 July 2010, our Company completed the partial redemption of USD10.0 million of the Convertible Bonds and the settlement of redemption premium and interest expenses of USD3.22 million (equivalent to RMB21.79 million or RM10.30 million).

For FPE2011, the increase in others from RMB27.9 million in FPE2010 to RMB36.2 million in FPE2011 mainly due to interest payment on Convertible Bonds to WWD Ruby at a higher interest rate for termination.

6 FINANCIAL INFORMATION (Cont'd)

6.2.10 PBT

The table below sets forth the PBT and PBT margin of our Group for the respective financial years/periods under the Review Periods:-

In RMB

	FYE 2007	FYE 2008	FYE2009	FYE2010	FPE2010	FPE2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PBT	231,722	332,900	411,290	518,716	281,596	327,426

In RM

	FYE 2007	FYE 2008	FYE2009	FYE2010	FPE2010	FPE2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	104,669	160,425	211,938	246,650	135,896	151,827

PBT Margin

	FYE 2007	FYE 2008	FYE2009	FYE2010	FPE2010	FPE2011
	%	%	%	%	%	%
PBT margin	44.9	38.8	38.1	36.8	36.6	33.7

Our PBT margin decreased from 44.9% in FYE2007 to 38.8% in FYE2008 mainly due to increase in our operating expenses such as advertisement, interest expense and expenses related to corporate exercise during FYE2008. Our PBT margin has remained relatively constant for FYE2008, FYE2009. For FYE2010, our PBT margin decreased to 36.8% mainly due to the decrease in the gross profit margin of our non-patented products arising from higher PP materials cost and the slight time lag in passing the increase in cost to our customers, as well as the different product mix purchased by our customers during the financial year. Our PBT margin decreased to 33.7% during FPE2011 from 36.6% in FPE2010 mainly due to higher advertisement expenses incurred.

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6 FINANCIAL INFORMATION (Cont'd)

6.2.11 PAT

The table below sets the PAT and PAT margin of our Group for the respective financial years/periods under the Review Periods:-

In RMB

	FYE 2007	FYE 2008	FYE2009	FYE2010	FPE2010	FPE2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PAT	215,276	262,085	327,029	397,626	211,781	228,390

In RM

	FYE 2007	FYE 2008	FYE2009	FYE2010	FPE2010	FPE2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	97,240	126,299	165,518	189,072	102,204	105,904

PAT Margin

	FYE 2007	FYE 2008	FYE2009	FYE2010	FPE2010	FPE2011
	%	%	%	%	%	%
PAT margin	41.7	30.6	30.3	28.2	27.5	23.5

Our PAT margin decreased from 41.7% in FYE2007 to 30.6% in FYE2008 mainly due to increase in tax rate for Ruiyuan, which was exemption from state and local income tax in FYE2007. Our PAT margin further decreased to 23.5% during FPE2011 from 28.2% in FYE2010 as our subsidiary had fully utilised its entitled tax exemptions.

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6 FINANCIAL INFORMATION (Cont'd)

6.3 REVIEW OF PAST PERFORMANCE

6.3.1 FYE2008 vs FYE2007

Revenue

Our revenue increased by approximately RMB341.6 million or 66.2%, from approximately RMB516.2 million in FYE2007 to approximately RMB857.8 million in FYE2008. This was attributable to an increase in revenue from patented products of approximately RMB132.5 million and an increase in revenue from non-patented products of approximately RMB209.1 million.

The increase in revenue from patented products was mainly attributed to an increase of revenue of approximately RMB122.9 million from our plastic tape printer. In FYE2008, we sold a total of 889,400 units of plastic tape printers compared to 470,470 units in FYE2007, which represents an increase of 89.0%. The ASP for the plastic tape printer decreased from RMB336 in FYE2007 to RMB316 in FYE2008 as part of our strategy to deepen our market penetration and increase volume. This strategy was proven to be successful as evidenced by the increase in units sold and increase in revenue.

The increase in revenue from our non-patented products was mainly attributed to the increase in the selling price, establishing 52 shop-in-shops and launching of ink for plastic tape printers. The ink for the plastic tape printer is a special formulated ink for our patented tape printer that was developed by our Company and our ink supplier in accordance with our requirements. As a result of the increase in prices of PP material in the beginning of FYE2008, we have increased the selling price for most of our non-patented products. Revenue from the shops-in-shops and ink both contributed approximately 36.1% of the increase in non-patented revenue.

Geographically, our revenue increased across all regions. Specifically, our revenue increased by RMB190.6 million or approximately 194.3% from sales in China, and RMB43.2 million or approximately 21.7% from sales in Asia (excluding China), RMB37.2 million or approximately 40.6% from sales in Europe, RMB48.7 million or approximately 50.3% from sales in America and RMB21.8 million or approximately 71.9% from sales in other regions. The increase in revenue attributed by our existing customers in other regions was due to favourable demand for our plastic stationery products. Further, revenue from the 52 shop-in-shops and the increased orders from our existing customers contributed approximately 19.8% and 72.0% respectively of the increase in total revenue in China.

Cost of sales and gross profit margin

Our gross profit increased by approximately RMB170.1 million or 66.7% from approximately RMB255.1 million in FYE2007 to approximately RMB425.2 million in FYE2008. The increase in the gross profit was in line with the increase in our revenue.

6 FINANCIAL INFORMATION (Cont'd)

Our cost of sales increased by approximately RMB171.5 million or 65.7% from approximately RMB261.1 million in FYE2007 to approximately RMB432.6 million in FYE2008. The increase was due to higher material costs such as printing material which consist of our special formulated ink for the plastic tape printer which was launched in FYE2008. Direct material as a proportion to our revenue was approximately 45.9% in FYE2008 as compared to 44.7% in FYE2007.

Our gross profit margin increased marginally by approximately 0.2 percentage points from approximately 49.4% in FYE2007 to approximately 49.6% in FYE2008. The increase in our gross profit margin was mainly attributable to the increase in gross profit margin for non-patented products. Our gross profit margin for patented products decreased by approximately 2.0 percentage points from approximately 63.1% in FYE2007 to approximately 61.1% in FYE2008 due mainly to the decrease in the ASP of our plastic tape printer from approximately RMB336 in FYE2007 to approximately RMB316 in FYE2008. As stated earlier, the reduction in ASP was a strategy to deepen our market penetration.

Our gross profit margin for non-patented products has increased by approximately 0.6 percentage points from approximately 42.5% in FYE2007 to approximately 43.1% in FYE2008 due to the launch of our special formulated ink for plastic tape printers.

Other income

Other income increased by approximately RMB3.8 million or 170.7% from approximately RMB2.3 million in FYE2007 to approximately RMB6.1 million in FYE2008. This was due mainly to an increase in interest income of approximately RMB0.9 million in line with increased cash and bank balances during FYE2008, one-off gain on sales of raw material of RMB0.7 million and exchange gain of RMB2.2 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB42.8 million or 443.8% from approximately RMB9.6 million in FYE2007 to approximately RMB52.5 million in FYE2008. The increase was due mainly to an increase in a) shipping and custom fees of approximately RMB7.2 million which was in line with our increase in revenue, b) an increase of approximately RMB33.7 million in entertainment, exhibition and advertising, in line with our marketing strategy to increase our revenue, such as placing 78 billboards in 24 provinces in China, participating in China import and export fair, such as Canton Fair and c) amortization of approximately RMB1.3 million for the renovation of 52 shop-in-shops which were established in 2008 to penetrate the China market.

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6 FINANCIAL INFORMATION (Cont'd)

Administrative expenses

Administrative expenses increased by approximately RMB21.0 million or 167.8% from approximately RMB12.5 million in FYE2007 to approximately RMB33.5 million in FYE2008. The increase was due mainly to (a) increase in staff costs of RMB3.0 million which was in line with the increase in headcounts and (b) expenses of approximately RMB23.8 million attributable to corporate exercises undertaken by the Company in 2008.

Other Expenses

Other expenses of RMB2.0 million mainly related to the loss on disposal of fixed assets in November and December 2008.

Finance costs

Finance costs increased by approximately RMB6.9 million or 196.8% from approximately RMB3.5 million in FYE2007 to approximately RMB10.4 million in FYE2008. This was due to an increase in interest expenses of our short-term bank borrowings of RMB0.3 million and RMB6.6 million payment of our convertible loan at the weighted average effective interest rate of 6.8%. The convertible loan has been fully repaid in December 2008. The weighted average effective interest rates on bank borrowings for FYE2007 and FYE2008 were 7.82% and 8.43%, respectively.

Profit before taxation

Our profit before taxation increased by approximately RMB101.2 million or 43.7% from approximately RMB231.7 million in FYE2007 to approximately RMB332.9 million in FYE2008, due mainly to the increase in our gross profit of approximately RMB170.1 million that was partially offset by the increase in the aggregation of selling and distribution expenses, administrative expenses, finance costs and other expenses of RMB72.7 million and also the increase of other income of approximately RMB3.8 million due to increase in interest income, foreign exchange gain and also one-off sale of raw materials.

Income tax expenses

Our income tax expenses were approximately RMB16.4 million and RMB70.8 million in FYE2007 and FYE2008, respectively, representing an effective tax rate of 7.1% and 21.3%, respectively. In FYE2008, our profits before tax derived from Sakura Plastic and Sakura Stationery were subject to income tax rate of 25.0%, whilst Ruiyuan's profit before tax was subject to income tax rate of 12.5%. The lower effective tax rate for FYE2007 is explained in the ensuing paragraphs.

In accordance with the Income Tax Law, Sakura Plastic and Sakura Stationery were entitled to 50% reduction in enterprise income tax and full exemption from the local income tax, so long as more than 70.0% of each of their revenues was derived from sales to overseas distributors. Accordingly, Sakura Plastic and Sakura Stationery were subject to enterprise income tax of 12.0% for FYE2007.

6 FINANCIAL INFORMATION (Cont'd)

In accordance with the New Income Tax Laws, Sakura Plastic and Sakura Stationery will be subject to enterprise income tax of 25.0% with effect from 1 January 2008.

On 16 February 2006, Ruiyuan was incorporated as a WFOE. In accordance with the Tax Law, Ruiyuan was entitled to full exemption from enterprise income tax for the first two profit-making years and a 50.0% reduction in enterprise income tax for the next three years. The first profit-making year commenced in FYE2006. Accordingly, Ruiyuan was exempted from enterprise and local income tax in FYE2006 and in FYE2007.

GFE Law Office, the Legal Advisers to the Company in relation to Chinese Law, have advised that according to the specific rules for the implementation of the New Tax Laws, the tax rate applicable to Ruiyuan for FYE2008 to FYE2010 would be a 50.0% reduction from the uniform tax rate of 25.0% which takes effect from 1 January 2008.

6.3.2 FYE2009 vs FYE2008

Revenue

Our revenue increased by approximately RMB221.8 million or 25.9%, from approximately RMB857.8 million in FYE2008 to approximately RMB1,079.6 million in FYE2009. This was due to the increase in revenue from patented products of RMB38.6 million or approximately 12.6% and an increase in revenue from non-patented products of RMB183.2 million or approximately 33.2%.

The increase in revenue from patented products was mainly attributed to an increase of revenue of approximately RMB31.1 million from our plastic tape printer in FYE2009. In FYE2009, we sold a total of approximately 1,033,180 units of plastic tape printers compared to 889,400 units in FYE2008, an increase of 16.2% in terms of units sold. The ASP for the plastic tape printer decreased from approximately RMB316 in FYE2008 to RMB302 in FYE2009 in line with our strategy to further deepen our market penetration.

The increase in revenue from our non-patented products was mainly attributed to the increase in revenue from our filing and storage products and ink of approximately RMB172.3 million and RMB10.9 million respectively. The increase was in line with our increased marketing and advertising efforts including setting up shops-in-shops and participating in trade shows as well as the launch of new improved products annually that expanded our range of products. In FYE2009, we sold a total of 1,203,000 bottles of ink compared to 823,000 bottles in FYE2008.

Geographically, our revenue increased across from all regions. Specifically, our revenue increased by RMB50.8 million from sales in China or approximately 17.6%, RMB90.0 million or approximately 37.1% from sales in Asia (excluding China), RMB34.6 million or approximately 26.9% from sales in Europe, RMB30.7 million or approximately 21.1% from sales in America and RMB15.5 million or approximately 29.8% from sales in other region. Revenue attributed by our existing customers in Asia (excluding China) contributed approximately 67.2% of the increased in total revenue from Asia (excluding China) due to favourable demand for our plastic stationery products.

6 FINANCIAL INFORMATION (Cont'd)

Cost of sales and gross profit margin

Our gross profit increased by approximately RMB96.2 million or 22.6% from approximately RMB425.2 million in FYE2008 to approximately RMB521.4 million in FYE2009. The increase in the gross profit was in line with the increase in our revenue.

Our cost of sales increased by approximately RMB125.6 million or 29.0% from approximately RMB432.6 million in FYE2008 to approximately RMB558.2 million in FYE2009. The increase in cost was in line with the increase in our revenue. The increase in manufacturing overheads was mainly due to utility and depreciation related to the acquisition of machineries to expand our production capacity in line with our production requirement. Manufacturing overheads as a proportion to our revenue was approximately 4.7% in FYE2009 as compared to 3.5% in FYE2008.

Our gross profit margin decreased slightly by approximately 1.3 percentage points from approximately 49.6% in FYE2008 to approximately 48.3% in FYE2009. The slight decrease in our gross profit margin was mainly attributable to the decrease in gross profit margin for patented and non-patented products. Our gross profit margin for patented products decreased by approximately 0.2 percentage point from approximately 61.1% in FYE2008 to approximately 60.9% in FYE2009 due to decreased ASP of our plastic tape printers.

Our gross profit margin for non-patented products decreased by approximately 0.7 percentage point from approximately 43.1% in FYE2008 to approximately 42.4% in FYE2009 mainly due to higher manufacturing overheads like utility and depreciation.

Other income

Other income decreased by approximately RMB4.2 million or 68.7% from approximately RMB6.1 million in FYE2008 to approximately RMB1.9 million in FYE2009. This was due mainly to a decrease in interest income of approximately RMB1.2 million attributable to the drop in effective interest rate for RMB cash balances held in bank of 0.72% in January 2008 to 0.36% in November 2008 which remain the same for FYE2009 and no exchange gain and one-off sales of other material in FYE2009 as compared to the previous financial year.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB15.9 million or 30.3% from approximately RMB52.5 million in FYE2008 to approximately RMB68.3 million in FYE2009. The increase was due mainly to an increase in shipping and custom fees of approximately RMB7.7 million or approximately 53.7% which was in line with our increase revenue, an increase of approximately RMB6.7 million in travelling, entertainment and advertising and promotion activities, in line with our marketing strategy to increase our revenue and amortization of approximately RMB1.2 million for the renovation of 52 shop-in-shops.

6 FINANCIAL INFORMATION (Cont'd)

Administrative expenses

Administrative expenses decreased by approximately RMB6.1 million or 18.3% from approximately RMB33.5 million in FYE2008 to approximately RMB27.4 million in FYE2009. The decrease was due mainly to a) a decrease of professional expenses relating to the previous corporate exercise by approximately RMB10.4 million. It was partially offset by the increase in salaries which mainly relates to service agreement of the executive directors commencing 1 January 2009 of approximately RMB3.5 million and R&D expenses relating to the second generation plastic tape printers that we intend to launch in the fourth (4th) quarter of FYE2010 or the first (1st) quarter of FYE2011 of approximately RMB5.1 million.

Finance costs

Finance costs increased by approximately RMB5.9 million or 56.2% from approximately RMB10.4 million in FYE2008 to approximately RMB16.3 million in FYE2009. The interest expense incurred in FYE2008 was in relation to the convertible loan which was fully repaid in December 2008. For FYE2009, our interest expense was in relation to our coupon payment on the convertible bond issued to WWD Ruby of approximately RMB12.3 million. Although the weighted average effective interest rate has decreased from 8.43% in FYE2008 to 7.14% in FYE2009, our bank loan has increased from RMB45.0 million in FYE2008 to RMB56.5 million in FYE2009, which resulted in an increase in total finance costs.

Profit before taxation

Our profit before taxation increased by approximately RMB78.4 million or 23.6% from approximately RMB332.9 million in FYE2008 to approximately RMB411.3 million in FYE2009, due mainly to the increase in our gross profit of approximately RMB96.2 million that was partially offset by the net increase in the aggregation of selling and distribution expenses, administrative expenses, finance costs and other expenses of RMB13.6 million and also decrease in other income of approximately RMB4.2 million.

Income tax expenses

Our income tax expenses were approximately RMB70.8 million and RMB84.3 million in FYE2008 and FYE2009, respectively, representing an effective tax rate of approximately 21.3% and 20.5%, respectively. In FYE2009, our profits before tax derived from Sakura Plastic and Sakura Stationery were subject to income tax rate of 25.0%, whilst Ruiyuan's profit before tax was subject to income tax rate of 12.5%.

In accordance with the New Tax Laws, Sakura Plastic and Sakura Stationery will be subject to enterprise income tax of 25.0% with effect from 1 January 2008.

6 FINANCIAL INFORMATION (Cont'd)

GFE Law Office, the Legal Advisers to the Company in relation to Chinese Law, have advised that according to the specific rules for the implementation of the New Tax Laws, the tax rate applicable to Ruiyuan for FYE2008 to FYE2010 would be a 50% reduction from the uniform tax rate of 25.0% which takes effect from 1 January 2008.

6.3.3 FYE2010 vs FYE2009

Revenue

Our revenue increased by approximately RMB329.2 million or 30.5%, from approximately RMB1,079.6 million in FYE2009 to approximately RMB1,408.8 million in FYE2010. This was due to the increase in revenue from patented products of RMB51.6 million or approximately 14.9% and an increase in revenue from non-patented products of RMB277.6 million or approximately 37.8%.

The increase in revenue from patented products was mainly attributed to an increase of revenue of approximately RMB46.0 million from our plastic tape printer in FYE2010. In FYE2010, we sold a total of 1,189,815 units of plastic tape printers as compared to 1,033,180 units in FYE2009, representing an increase of 15.2% in terms of units sold. The ASP for the plastic tape printer has remained around RMB302 and RMB301 for FYE2009 and FYE2010 respectively. Going forward, our management will monitor the selling price of our plastic tape printers.

The increase in revenue from our non-patented products was mainly attributed to the increase in revenue from our filing and storage products of approximately RMB264.7 million. The increase was in line with our increased marketing and advertising efforts and increase in orders for our products from our existing customers. In FYE2010, we sold a total of 1,637,523 bottles of ink as compared to a 1,203,000 bottles in FYE2009. Resulting from this, our revenue from ink increased by approximately RMB12.9 million from RMB48.7 million in FYE 2009 to RMB61.6 million in FYE2010.

Geographically, our revenue increased across from all regions. Specifically, our revenue increased by RMB47.4 million or approximately 14.0% from sales to China, RMB138.3 million or approximately 41.6% from sales to Asia (excluding China), RMB64.0 million or approximately 39.1% for sales to Europe, RMB51.8 million or approximately 29.4% from sales to America and RMB27.8 million or approximately 41.1% from sales to other regions. Approximately 96.5% of the increase in the revenue for FYE2010 was contributed by our existing customers in FYE2009.

Cost of sales and gross profit margin

Our gross profit increased by approximately RMB123.2 million or 23.6% from approximately RMB521.4 million in FYE2009 to approximately RMB644.6 million in FYE2010. The increase in our gross profit was in line with the increase in our revenue.

Our cost of sales increased by approximately RMB205.9 million or 36.9% from approximately RMB558.2 million in FYE2009 to approximately RMB764.1 million in FYE2010. The increase in cost was in line with the increase in our revenue. The increase in manufacturing overheads was mainly due to higher utility and depreciation charge which is in line with our production requirement. Manufacturing overheads as a proportion to our revenue was approximately 4.9% in FYE2010 as compared to 4.7% in FYE2009.

6 FINANCIAL INFORMATION (Cont'd)

Our gross profit margin decreased by 2.5 percentage points from approximately 48.3% in FYE2009 to approximately 45.8% in FYE2010. The decrease in our gross profit margin was mainly attributable to the decrease in gross profit margin for patented and non-patented products. Our gross profit margin for patented products decreased by approximately 1.4 percentage point from approximately 60.9% in FYE2009 to approximately 59.5% in FYE2010, while our gross profit margin for non-patented products decreased by approximately 2.0 percentage point from approximately 42.4% in FYE2009 to approximately 40.4% in FYE2010 mainly due to higher PP materials cost and the time lag of approximately one (1) month in passing such increase in cost to our customers and also the different product mix purchased by our customers.

Other income

Other income increased by approximately RMB0.9 million or 47.4% from approximately RMB1.9 million in FYE2009 to approximately RMB2.8 million in FYE2010 mainly due to the increase in the cash and bank balances of our Group from RMB611.5 million as at FYE2009 to RMB902.7 million as at FYE2010.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB15.8 million or 23.1% from approximately RMB68.3 million in FYE2009 to approximately RMB52.5 million in FYE2010. The decrease was mainly due to reduction of approximately RMB20.4 million or 59.2% in the advertisement expenses incurred as the contracts for the advertisement on 78 billboards in 24 provinces in China and the advertisement billboards in 21 PRC airports have ended by the fourth quarter of FYE2009.

Administrative expenses

Administrative expenses increased by approximately RMB14.5 million or 52.9% from approximately RMB27.4 million in FYE2009 to approximately RM41.9 million in FYE2010. The increase was mainly due to the increase in exchange difference of approximately RMB6.6 million and R&D expenses of approximately RMB14.0 million in respect of the product design expenditure for our second generation plastic tape printer. The increase was partially off set by the decrease in professional fees which was attributable to our previous corporate exercise undertaken in FYE2009.

Finance costs

Finance costs increased by approximately RMB17.9 million or 109.8% from approximately RMB16.3 million in FYE2009 to approximately RMB34.2 million in FYE2010. This was due to the interest expenses and redemption premium paid on the partial redemption of USD10 million of the Convertible Bonds from WWD Ruby of approximately RMB30.9 million.

6 FINANCIAL INFORMATION (Cont'd)

Profit before taxation

Our profit before taxation increased by approximately RMB107.4 million or 26.1% from approximately RMB411.3 million in FYE2009 to approximately RMB518.7 million in FYE2010 mainly due to the increase in our gross profit and other income of approximately RMB123.3 million and RMB0.9 million respectively that was partially offset by the net increase in the aggregation of selling and distribution expenses, administrative expenses, finance costs and other expenses of approximately RMB16.8 million.

Income tax expenses

Our income tax expenses were approximately RMB84.3 million and RMB121.1 million in FYE2009 and FYE2010, respectively, representing an effective tax rate of approximately 20.5% and 23.3%, respectively. The increase in income tax expenses mainly due to deferred tax expense in FYE2010.

6.3.4 FPE2010 vs FPE2011

Revenue

Revenue increased by approximately RMB202.4 million or 26.3%, from approximately RMB770.3 million in FPE2010 to approximately RMB972.7 million in FPE2011. This was due to the increase in revenue from patented products of RMB38.1 million or approximately 17.2% and an increase in revenue from non-patented products of RMB164.3 million or approximately 30.0%.

The increase in revenue from patented products was mainly attributed to an increase of revenue of approximately RMB45.0 million from our plastic tape printer in FPE2011. In FPE2011, we sold a total of approximately 817,920 units of plastic tape printers compared to 659,770 units in FPE2010 an increase of 24.0% in terms of units sold. The ASP for the plastic tape printer decrease slightly from approximately RMB302 in FPE2010 to RMB299 in FPE2011. Going forward our management will monitor the selling price for our plastic tape printers.

The increased in revenue from our non-patented products was mainly attributed to the increased in revenue from our filing and storage products of approximately RMB142.4 million. The increase was in line with our increased marketing and advertising efforts and increase orders for our products from our existing customers. In FPE2011, we sold a total of 1,388,700 bottles of ink compared to a 785,471 bottles in FPE2010. Our revenue from ink increased by approximately RMB21.9 million in FPE2011 compared with FPE2010.

Geographically, revenue increased across from all regions. Specifically, our revenue increased by RMB63.2 million from sales in China or approximately 29.9% and increased by RMB63.5 million or approximately 24.7% from sales in Asia (excluding China), RMB31.5 million or approximately 25.5% for sales to Europe, RMB28.9 million or approximately 23.0% from sales in America and RMB15.3 million or approximately 29.2% from sales in other regions. 97.7% of the increase in the revenue for FPE2011 was contributed by existing customers in FPE2010.

6 FINANCIAL INFORMATION (Cont'd)

Cost of sales and gross profit margin

Our gross profit increased by approximately RMB90.0 million or 25.7% from approximately RMB350.6 million in FPE2010 to approximately RMB440.6 million in FPE2011. The increase in the gross profit was in line with the increase in our revenue.

Our cost of sales increased by approximately RMB112.3 million or 26.8% from approximately RMB419.8 million in FPE2010 to approximately RMB532.1 million in FPE2011. The increase in cost was in line with the increase in our revenue. The increase in manufacturing overheads was mainly due to utility and depreciation which is in line with our production requirement. Manufacturing overheads as a proportion to our revenue was approximately 5.0% in FPE2010 decrease to 4.9% in FPE2011.

Our gross profit margins remain fairly consistent at approximately 45.5% and 45.3% for FPE2011 and FPE2010. Our gross profit margin for patented products decrease by approximately 1.5 percentage point from approximately 59.8% in FPE2010 to approximately 58.3% in FPE2011 due to the decrease in ASP of our plastic tape printer from RMB302 in FPE2010 to RMB299 in FPE2011, while our gross profit margin for non-patented products increased by approximately 0.8 percentage point from approximately 39.8% in FPE2010 to approximately 40.6% in FPE2011 mainly due to our proprietary know-how in-house PP manufacturing capabilities, our ability to continuously develop new innovative products and also the different product mix purchased by our customers.

Other income

Other income increased by approximately RMB0.9 million or 67.0% from approximately RMB1.3 million in FPE2010 to approximately RMB2.2 million in FPE2011. This was mainly due to interest income from higher bank balances of our Group.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB36.6 million or 173.2% from approximately RMB21.1 million in FPE2010 to approximately RMB57.8 million in FPE2011. The increased was mainly due to a increased in advertisement expenses of approximately RMB34.6 million or approximately 1943.2% as the set up of advertisement billboards at the Hanjiang District, Putian, Fujian Province in China was for the period 1 April 2010 to 31 December 2015 and along 3 expressways at Beijing to Shenyang, Fujian to Beijing and Lian Jiang, Fuzhou commenced from 18 November 2010 to 17 January 2011.

6 FINANCIAL INFORMATION (Cont'd)

Administrative expenses

Administrative expenses increased by approximately RMB0.6 million or 2.9% from approximately RMB19.2 million in FPE2010 to approximately RMB19.8 million in FPE2011. The increase was mainly due to the exchange rate difference and depreciation offset by lower R&D expenses. Exchange rate difference increased by approximately RMB5.9 million or 544.7% from approximately RMB1.1 million in FPE2010 to approximately RMB7.0 million in FPE2011 due to the relaxation of the peg of RMB against USD since 19 June 2010. Depreciation increased by approximately RMB1.9 million or 1572% from 0.1 million in FPE2010 to approximately RMB2.1 million in FPE2011 in line with the completion of two buildings and the dormitory and cafeteria in the New Plant. No R&D expenses were incurred in FPE2011 as compared to approximately RMB9.6 million in FPE2010.

Finance costs

Finance costs increased by approximately RMB8.0 million or 27.0% from approximately RMB29.9 million in FPE2010 to approximately RMB37.9 million in FPE2011. This was due to the higher interest expenses payable on the Convertible Bonds from WWD Ruby. In December 2008, our Company issued USD20.0 million Convertible Bonds to WWD Ruby and on 9 July 2010, our Company completed the partial redemption of USD10.0 million of the Convertible Bonds.

Profit before taxation

Our profit before taxation increased by approximately RMB45.8 million or 16.3% from approximately RMB281.6 million in FPE2010 to approximately RMB327.4 million in FPE2011, mainly due to the increase in our gross profit and other income of approximately RMB90.1 million and RMB0.9 million respectively that was partially offset by the net increase in the aggregation of selling and distribution expenses, administrative expenses and finance costs of approximately RMB45.2 million.

Income tax expenses

Our income tax expenses were approximately RMB69.8 million and RMB99.0 million in FPE2010 and FPE2011, respectively, representing an effective tax rate of approximately 24.8% and 30.2%, respectively. The increase in income tax expenses mainly due to Ruiyuan had fully utilised the 50% reduction in state income tax on FYE 2010.

6 FINANCIAL INFORMATION (Cont'd)

6.3.5 We set out below further details about VAT of our Group

VAT

For sales in China and corresponding purchases

Our sales in China are subject to VAT of 17.0% of sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as "Other receivables" or "Other payables" respectively in the statement of financial position.

For sales to overseas distributors and corresponding purchases

Our sales to overseas distributors are not subject to VAT. The corresponding purchases are subject to VAT of 17.0%. We enjoyed export tax rebate over the Review Periods as set out below:-

Description	FYE2007	FYE2008	FYE2009	FYE2010	FPE2010	FPE2011
Sakura Stationery (for plastic folders)	1 January 2007 to 30 June 2007: 11.0% 1 July 2007 to 31 December 2007: 5.0%	1 January 2008 to 31 October 2008: 5.0% 1 November 2008 to 31 December 2008: 9.0%	1 January 2009 to 31 March 2009: 9.0% 1 April 2009 to 31 May 2009: 11.0% 1 June 2009 to 31 December 2009: 13.0%	1 January 2010 to 31 December 2010: 13.0%	1 January 2010 to 31 July 2010: 13.0%	1 January 2011 to 31 July 2011: 13.0%
Ruiyuan (for plastic tape printer)	1 January 2007 to 30 June 2007: 13.0% 1 July 2007 to 31 December 2007: 11.0%	1 January 2008 to 30 November 2008: 11.0% 1 December 2008 to 31 December 2008: 13.0%	1 January 2009 to 31 December 2009: 13.0%	1 January 2010 to 31 December 2010: 13.0%	1 January 2010 to 31 July 2010: 13.0%	1 January 2011 to 31 July 2011: 13.0%

6 FINANCIAL INFORMATION (Cont'd)

The export tax rebate will be set off against the VAT for corresponding purchases. The portion of VAT not recovered will form part of our cost of sales. The net amount of VAT recoverable from, or payable to, the tax authority is included as "Other receivables" or "Other payables" respectively in the statement of financial position.

6.4 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Reporting Accountants' Letter on Proforma Consolidated Financial Information and Accountants' Report set out in Section 8 and Section 7 of this Prospectus, respectively.

The table below sets out the cash and cash equivalents as well as capitalisation and indebtedness of our Group:

- (i) based on our proforma consolidated statement of financial position as at 31 July 2011; and
- (ii) as adjusted for the net proceeds from the Public Issue and intended use of the proceeds from the Public Issue.

	As at 31 July 2011		Proforma Group As at 31 July 2011 Before IPO and Utilisation of Proceeds*		Proforma Group As at 31 July 2011 After IPO and Utilisation of Proceeds	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cash and cash equivalents	1,109,475	511,468	1,109,475	511,468	1,154,544	532,245
Indebtedness						
<i>Current</i>						
- Bank loans (secured and guaranteed)	51,600	23,788	51,600	23,788	51,600	23,788
- Amount due to shareholders	71,746	33,075	71,746	33,075	71,746	33,075
- Convertible Bond	101,816	46,937	-	-	-	-
Total indebtedness	225,162	103,800	123,346	56,863	123,346	56,863
Capitalisation						
Total shareholders' equity	1,554,799	716,761	1,656,615	763,698	1,819,738	838,898
Total capitalisation and indebtedness	1,779,961	820,561	1,779,961	820,561	1,943,084	895,761