Note:-

* *Subsequent to the Share Split and cancellation of treasury shares, repayment to WWD Ruby and Issuance of Shares to LHY.*

Save as disclosed in Section 6.13.2, our Board is not aware of any contingent liabilities as at 31 July 2011 which has become enforceable or is likely to become enforceable, which in the opinion of our Directors, will or may substantially affect the ability of our Group to meet our obligations as and when they fall due.

6.5 LIQUIDITY AND CAPITAL RESOURCES

6.5.1 Working Capital

Our Group's principal source of liquidity for financing our operations is through a combination of cash generated from our operations and various credit facilities from the financial institutions. As at 31 December 2010, our Group has deposits, cash and bank balances of RMB902.7 million and bank borrowings of RMB49.1 million, whereas as at 31 July 2011, our Group has deposits, cash and bank balances of RMB1,109 million and bank borrowings of RMB51.6 million

Our Directors are of the opinion that after taking into account our cash flow position, banking facilities available and net proceeds from the Public Issue, our Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

6.5.2 Cash Flow

The combined statements of cash flows of our Group for FYE2010 and FPE2011 are as follows:

	FYE2010		FPE2011	
	RMB'000	RM'000	RMB'000	RM'000
Net cash generated from operating activities	352,033	167,393	218,376	101,261
Net cash used in investing activities	(60,703)	(28,864)	(14,056)	(6,518)
Net cash (used in)/ from financing activities	(208)	(98)	2,500	1,159
Effect of foreign exchange translation	-	(3,437)	-	(559)
Net increase in cash and cash equivalents	291,122	134,994	206,820	95,343
Cash and cash equivalent at the beginning of the financial year/ period	611,545	283,573	902,663	416,129

	FYE2010		FPE2011	
	RMB'000	RM'000	RMB'000	RM'000
Effect on exchange rate on cash and bank balances on opening balances	(4)	(2)	(8)	(4)
Cash and cash equivalent at the end of the financial year/ period	902,663	418,565	1,109,475	511,468

As at 31 July 2011, our Group has cash and cash equivalents amounting to RMB1,109 million. In addition to financing our Group's general working capital requirements and day-to-day operations, we intend to utilise our existing cash balances for the following:-

(i) Payment for the construction of the additional two (2) new buildings on the New Plant (as detailed in Section 5.6 of this Prospectus) amounting to approximately RMB100.0 million;

(ii) Payment of a minimum of 20% dividend based on our Group's net profit distributable to our shareholders with respect to FYE 2012 onwards post-Listing;

(iii) Payment for the unpaid capital contribution in Ruiyuan amounting to RMB36.1 million;

(iv) Payment for the unpaid expenditure in Sakura Stationery amounting to RMB3.9 million in relation to the advertisement expenses; and

(v) Other expenses to be incurred for the set up of shop-in-shop and R&D expenditures for the development of innovative and new products.

Approximately 99.98% of our cash and cash equivalents as at 31 July 2011 are held in RMB, while the remaining balance are held in USD and HKD. Save as disclosed in Annexure B of this Prospectus, there is no legal, financial or economic restriction on the ability for our subsidiary companies to transfer funds to us in the form of cash dividends, loans or advances pertaining to policies on foreign investments and repatriations of profits applicable to the PRC, Bermuda and BVI respectively. This is not expected to have an impact on the ability of the Group to meet its cash obligations.

Net cash generated from operating activities

Net cash generated from operating activities was approximately RMB218.4 million. This comprised operating profit before working capital changes of approximately RMB377.3 million adjusted for net working capital outflow of RMB40.9 million, income tax expenses of approximately RMB115.7 million, interest expenses of approximately RMB4.6 million and interest income of approximately RMB2.2 million.

6 FINANCIAL INFORMATION *(Cont'd)*

The net working capital outflow was due mainly to (a) an increase in trade and other receivables of approximately RMB42.4 million which was due mainly to the increase in trade receivables in line with our increase in revenue; (b) an increase in inventories of approximately RMB7.6 million which is in line with our increase in sales order.

This was offset by an increase in trade payables of approximately RMB11.5 million which was in line with the increase in our purchases of raw materials to meet future sales requirements and a decrease in other payables and accruals of approximately RMB2.3 million due mainly to decrease in advance from customers and accrued expenses.

Net cash used in investing activities

Net cash used in investing activities of approximately RMB14.1 million was mainly due to the purchase of property, plant and equipment and purchase of land use rights.

Net cash generated from financing activities

Net cash generated from financing activities of approximately RMB2.5 million was due to new bank loans of RMB35.1 million obtained from the Agricultural Bank of China and was partially offset by repayment of bank loans of RMB32.6 million

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6 FINANCIAL INFORMATION *(Cont'd)*

6.6 BORROWINGS

As at the FPE2011, save as disclosed below, our Group does not have any other short term or long term interest bearing borrowings or foreign denominated borrowings:-

	USD'000	RMB'000	RM'000
Short term:-			
Interest Bearing for the FPE2011			
Secured Bank Loan	-	51,600	23,788
Convertible Bonds	15,810	101,816	46,937
	15,810	153,416	70,725
Total Interest Bearing Borrowings	15,810	153,416	70,725
Shareholders' Equity (for the FPE2011)		1,544,799	716,761
▪ Gearing Ratio (%)	-	9.9	9.9
Total Interest Bearing Borrowings *	-	51,600	23,788
Shareholders' Equity (before Public Issue and utilisation of proceeds *)	-	1,656,615	763,698
▪ Gearing Ratio (%)	-	3.1	3.1
Shareholders' Equity (after the IPO and utilisation of proceeds)	-	1,819,738	838,898
▪ Gearing Ratio (%)	-	2.8	2.8

Note:-

* *Subsequent to the Share Split and cancellation of treasury shares, Repayment to WWD Ruby and Issuance of Shares to LHY.*

For the FPE2011, non-interest bearing shareholder loan of RMB71.7 million (equivalent to RM33.1 million) is repayable on demand. Further details of the shareholder loan are set out in Section 14.8 of this Prospectus.

6 FINANCIAL INFORMATION *(Cont'd)*

Our Group has not defaulted on payments of either interest and/or principal sums in respect of our bank borrowings and convertible bonds coupon payments throughout the Review Periods thereof until 31 July 2011.

With respect to the USD20 million Convertible Bonds in our Company issued to WWD Ruby in December 2008, amongst others, the terms and conditions of the Convertible Bonds provide that the convertible bonds holder can require our Company to redeem the Convertible Bonds in the event the RTO is not achieved on or before 31 August 2009. On account of the termination of the RTO, WWD Ruby, being the holder of USD20 million Convertible Bonds issued a redemption notice to our Company requiring redemption of the Convertible Bonds on or before 7 December 2009. On 7 December 2009, both our Company and WWD Ruby in acknowledgement that redemption of the Convertible Bonds would not happen on 7 December 2009 entered into a standstill agreement by way of a letter whereby WWD Ruby agreed not to exercise its rights under the Convertible Bonds up to and including 7 March 2010 ("**Standstill Agreement**"). The Standstill Agreement was extended to 8 December 2010 pursuant to the Consent Deed.

On 9 July 2010, pursuant to the Consent Deed, our Company redeemed USD10 million of the Convertible Bonds from WWD Ruby. Pursuant to the Amendment Deed, the maturity date of the remaining USD10 million Convertible Bonds ("**Remaining Bonds**") was extended from 8 December 2010 to 8 March 2011. The Further Amendment Deed sets the listing deadline at 30 June 2011 and accordingly, the maturity date for the Remaining Bonds was further extended to 30 June 2011. An integral component of the Consent Deed, Amendment Deed and Further Amendment Deed includes, inter-alia, the conversion of the Remaining Bonds into 50,115,500 Shares upon our Company meeting certain conditions for the Listing on or before 8 June 2011.

As at 31 July 2011, our Group's remaining Convertible Bonds of USD10 million issued to WWD Ruby were paid half yearly coupon at an interest rate of 9% per annum on the outstanding balance. The remaining Convertible Bonds of WWD Ruby have been fully redeemed by our Company on 22 August 2011 a redemption price of USD15.81 million. In conjunction with the said redemption of remaining Convertible Bonds, on 17 August 2011, the 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 convertible loan were converted into 49,926,316 Shares on 14 November 2011.

6.7 BREACH OF TERMS AND CONDITIONS OR COVENANTS ASSOCIATED WITH CREDIT ARRANGEMENT / BANK LOAN

Save as disclosed in Section 6.6 of this Prospectus as at the LPD, neither we nor any of our subsidiaries are in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial position and results or business operations, or the investments by holders of securities in our Company.

6.8 IMPACT OF FOREIGN EXCHANGE, INTEREST RATES, INFLATION AND COMMODITY PRICES

Our Group is exposed to foreign currency risk but is mitigated to a certain extent as our overseas sales transacted in USD provides the same foreign currency earnings to pay for the purchases denominated in USD. This would therefore provide a certain extent of natural hedge against USD fluctuations. In this respect, please refer to Section 4 of this Prospectus for discussions on our foreign currency risk.

As at 31 July 2011, our Group's interest bearing bank borrowings amounted to RMB51.6 million. All our Group's borrowings are dependent on interest rate. The weighted average effective interest rate of our bank borrowings over the Review Periods are 7.82%, 8.34%, 7.14%, 5.91% and 5.75% for FYE2007, FYE2008, FYE2009, FYE2010 and FPE2011, respectively.

As at 31 July 2011, our Group's remaining Convertible Bonds of USD10 million issued to WWD Ruby were paid half yearly coupon at an interest rate of 9% per annum on the outstanding balance. The remaining Convertible Bonds of WWD Ruby have been fully redeemed by the Company on 22 August 2011 a redemption price of USD15.81 million. In conjunction with the said redemption of remaining Convertible 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 convertible loan were converted into 49,926,316 Shares on 14 November 2011.

Fluctuations in commodity prices may affect PP sheet cost such as PP prices which directly affect the costs of the 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 PP resins are a by-product of crude oil and are thus traded globally as a commodity, our customers are able to accept our revised selling price as a result of material price fluctuation. Our Group constantly review and monitor our plastic stationery product prices, and adjusts our product prices accordingly, if circumstances require.

There is no material impact to our Group arising from inflation on our historical profit during the Review Periods.

6.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There is no government, economic, fiscal and monetary policies or factors that have materially impacted our historical profits during the Review Periods.

6 FINANCIAL INFORMATION *(Cont'd)*

6.10 FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

We have been financing our operations through internally cash generated funds, shareholders' loans from our Executive Director, Chan Fung @ Kwan Wing Yin, short term bank borrowings, Convertible Bonds and convertible loan from LHY.

We had on 8 December 2008 issued USD20 million convertible bonds to WWD Ruby pursuant to the Subscription Agreement dated 4 December 2008. Convertible Bonds issued to WWD Ruby are paid half yearly coupon at an interest rate of 9% p.a. on the convertible bond outstanding. On 9 July 2010, our Company redeemed USD10 million Convertible Bonds from WWD Ruby. The remaining USD10 million Convertible Bonds were fully redeemed on 22 August 2011 by the Company. In conjunction with the said redemption of remaining Convertible 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 convertible loan was converted into 49,926,316 Shares on 14 November 2011.

We have short-term bank borrowings facilities available to our Group. Our short-term bank borrowing consists of one revolving term loan which is used for working capital purposes. The interest rate for our short-term bank borrowings is currently at a rate that ranges from approximately 5.3% to 6.1% per annum.

We conduct our operations in RMB and also USD for overseas sales and purchase. As such, we are susceptible to fluctuations in foreign exchange rates especially since the unpegging of RMB against USD on 19 June 2010.

As at 31 July 2011, approximately 99.98% of our cash and cash equivalents are held in RMB, while the remaining balance are held in USD and HKD.

The foreign exchange risk is mitigated to a certain extent as our overseas sales transacted in USD provide the same foreign currency earnings to pay for the purchases denominated in USD. This would therefore provide a certain extent of natural hedge against USD fluctuations. Notwithstanding this, we will continue to monitor the fluctuation of foreign currency and if required, we will enter into foreign currency swaps to hedge against fluctuation of foreign currency.

As at the LPD, we do not have a formal foreign currency hedging policy and neither have we entered into any currency forward or derivative contracts in an effort to minimize our exposure in foreign currency risk. Our Directors will continue to monitor our foreign exchange exposure in the future and will consider formalizing our hedging policy to manage our exposure should the need arise.

6.11 KEY FINANCIAL RATIOS

The table below sets out the key financial ratios of our Group for the Review Periods which have been prepared for illustrative purposes only based on our consolidated audited financial statements:-

	FYE2007	FYE2008	FYE2009	FYE2010	FPE2011[4]
Trade receivables turnover days[1]	47	52	75	80	81
Trade payables turnover days[2]	24	24	28	28	28
Inventories turnover days[3]	12	12	11	13	16
Current ratio (times)[4]	1.9	3.0	2.4	4.1	4.7
Gearing ratio (times)[5]	0.5	0.3	0.2	0.1	0.1

Notes:-

(1) *Trade receivables turnover days = (Average Trade Receivables / Revenue) x 365 days*
(2) *Trade payables turnover days = (Average Trade Payables / Cost of Sales) x 365 days*
(3) *Inventories turnover days = (Average Inventories / Cost of Sales) x 365*
(4) *Based on annualised revenue and cost of sale for the FPE2011*
(5) *Based on interest bearing borrowings, convertible bonds and amount due to shareholder*

Trade receivables turnover

The credit terms we extend to our customers ranges from 30 days to 180 days.

For the Review Periods, we did not provide any allowance for doubtful trade debts or write-off any bad debts.

Our trade receivables turnover increased from 47 days in FYE2007 to 52 days in FYE2008 to 75 days in FYE2009 and further to 80 days in FYE2010 and 81 days in FPE2011. The increase in our customers' credit period in FYE2008 and FYE2009 was due mainly to the extended credit period given to certain customers since the last quarter of 2008 due to the global financial crisis. We are of the view that such extended credit period, which was given after due consideration of the credit history of such customers, would ease the cash flow burden of such customers and strengthen our amicable relationship with such customers.

However, notwithstanding the higher trade receivables turnover days in FYE2008, FYE2009, FYE2010 and FPE2011, the trade receivables turnover is still within our maximum credit period of up to 180 days given to the customers. The slight increase in trade receivables turnover period by six (6) days in the FYE2010 was in line with the increase in sales generated together with further credit period given to our customers during the financial year.

6 FINANCIAL INFORMATION *(Cont'd)*

As at 31 July 2011, the trade receivables of our Group amounted to approximately RMB395.1 million which can be analysed as follows:-

	Within standard credit period*				
	0 – 30 days RMB'000	**31 – 60 days RMB'000**	**61 - 90 days RMB'000**	**> 90days RMB'000**	**Total RMB'000**
Trade receivables	150,380	133,325	111,345	-	395,050
Less: Allowance for doubtful debts	-	-	-	-	-
Net trade receivables	150,380	133,325	111,345	-	395,050
% of total trade receivables	38.1%	33.7%	28.2%	-	100.0%

* after date of invoice

As at LPD, all of the outstanding trade receivables of approximately RMB395.1 million as at FPE2011 have been fully collected.

Trade payables turnover

The credit terms extended by our suppliers to our Group ranges from 30 days to 60 days.

During the Review Periods, we have been able to settle our suppliers within the stipulated credit period.

As at 31 July 2011, the trade payables of our Group amounted to approximately RMB74.9 million which can be analysed as follows:-

	Within standard credit period*		
	0 – 30 days RMB'000	**31 – 60 days RMB'000**	**Total RMB'000**
Trade payables	74,923	-	74,923
% of total trade payables	100.0%	-	100.0%

* after date of invoices

6 FINANCIAL INFORMATION *(Cont'd)*

Inventories turnover

Inventory from our supplier are only stored in our warehouse for an average of 13 days over the Review Periods as we only purchase the quantity required from our supplies as and when our customers places an order. As such, inventory are only stored in our warehouse for a short period of time.

During the Review Periods, we did not experience any inventory obsolescence or inventories written off.

Our inventory turnover days has remained relatively low and constant during the Review Periods as we are able to implement a "just-in-time" inventory management policy, where raw materials are only ordered based on sales order received.

Current ratio

Our current ratio of 3.0 times in FYE2008 as compared to 1.9 times in FYE2007 was mainly due to the increase in trade receivables arising from the extended credit period given to certain customers since the last quarter of FYE2008 as well as the conversion of the convertible loans into shares. These shares were subsequently repurchased by our Company and retained as treasury shares.

On the other hand, our lower current ratio of 2.4 times in FYE2009 was mainly due to the Convertible Bonds of USD20.0 million issued to WWD Ruby was reclassified to current liabilities due to the maturity date of less than twelve (12) months. Our current ratio increased to 4.1 times and 4.7 times in FYE2010 and FPE2011 respectively mainly due to the increase in our trade receivables and cash and bank balances in line with the increase in our Group's revenue and profit from operation.

Gearing Ratio

The decrease in our gearing ratio from 0.5 times in FYE2007 to 0.3 times in FYE2008 was mainly due to the conversion of the convertible loans amounting to RMB95.0 million into Shares and increase in our Group's profit despite it was offset by the issuance of the USD20.0 million Convertible Bond to WWD Ruby in December 2008.

Our gearing ratio decreased from 0.2 times in FYE2009 to 0.1 times in FYE2010 and FPE2011 mainly due to partial redemption of USD10 million of the Convertible Bonds from WWD Ruby.

6.12 CAPITAL EXPENDITURE AND MATERIAL DIVESTITURES

6.12.1 Capital Expenditure

(a) Historical Capital Expenditure

Our Group's capital expenditures for the Review Periods are as follow: -

	FYE2007		FYE2008		FYE2009		FYE2010		FPE2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Construction in progress	-	-	83,056	42,134	28,721	14,317	40,872	18,952	7,378	3,401
Plant & machinery	4,658	2,109	76,108	38,611	16,344	8,148	36,037	16,711	168	77
Furniture, fixtures and office equipment	69	31	97	49	2	1	1,027	476	178	82
Motor vehicles	-	-	361	183	-	-	-	-	-	-
Land use rights	-	-	608	308	-	-	-	-	13,333	6,147
Total	**4,727**	**2,140**	**160,230**	81,285	**45,067**	**22,466**	**77,936**	36,139	**21,057**	**9,707**

For the financial years/period under the Review Periods, our Group's capital expenditure was concentrated primarily on the construction of the New Plant and the purchases of new machinery, furniture, fixtures and office equipment.

Save as disclosed above, to the best of our Board knowledge, there are no other material capital expenditure incurred by our Group (including interest in other corporation) since the beginning of the Review Periods and up to the date of this Prospectus.

(b) Capital Expenditure In-Progress

Save as disclosed in Section 6.13 "Material Capital Commitment, Material Contingent Liabilities and Material Litigation", there are no other capital expenditure in progress.

6.12.2 Material Divestiture

To the best of our Board knowledge, there are no material divestitures (including interests in other corporations), since the beginning of the Review Periods and up to the date of this Prospectus.

6 FINANCIAL INFORMATION *(Cont'd)*

6.13 MATERIAL CAPITAL COMMITMENT, MATERIAL CONTINGENT LIABILITIES AND MATERIAL LITIGATION

6.13.1 Material Commitment

As at 31 July 2011, our Group's material commitments for capital expenditure are as follows:

	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan [1]	36,075	16,610
Machineries[2]	55,952	25,794
Construction cost for the New Plant [2]	92,642	42,708
Others [3]	3,850	1,774
Total	**188,519**	**86,886**

Notes:

(1) The unpaid capital contribution in Ruiyuan denominated in USD i.e. USD5.6 million and is translated to RMB and RM at the exchange rates as at 31 July 2011 of USD1: RMB6.442 and USD1: RM2.966.

(2) Our Group has unpaid capital expenditure in Sakura Plastics, Ruiyuan and Sakura Stationery of an amount of approximately RMB155.9 million for the construction of the two (2) additional new buildings on the New Plant Land and for purchase of machineries.

(3) Our Group has unpaid expenditure in Sakura Stationery of an amount of approximately RMB3.9 million in relation to the advertisement expenses.

Please refer to Annexure C for more details of our Group's commitments.

Save for the purchase of machineries which will be financed by the proceeds from our IPO, the above material commitment would be financed by our internally generated funds.

As at 31 July 2011, our total loan facilities (i.e. term loan) available are RMB51.6 million, which has been utilised. Coupled with our healthy cash flows from operating activities, our Directors expect that we should have the necessary funds available to fund the abovementioned material capital commitments.

6.13.2 Material Contingent Liabilities

As at the LPD, saved as disclosed below, our Directors are not aware of any material contingent liabilities incurred by the Company, which upon becoming enforceable, may have a material impact on our profit or net assets.

(i) On 14 June 2010, our Company, our Promoters and LTH entered into the Investment Agreement through which LTH invested RM36,338,477.40 in cash for 26,332,230 SGD0.002 Shares, subject to the terms and conditions of the Investment Agreement.

The number of Shares issued to LTH is calculated based on a 20% discount to an indicative IPO Price. In the event the actual IPO Price is less than the indicative IPO Price as provided in the Investment Agreement, then our Company shall issue to LTH additional Shares ("**Additional Shares**") to be derived based on a formula as provided 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. Subsequent to the Transfer of Additional Shares to LTH, 980,600 treasury shares remain in our Company.

Pursuant to the Investment Agreement (as amended by the subsequent supplemental agreements/deed), 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. In the event that Listing does not occur on or before 15 March 2012, LTH has 30 working days to exercise its put option. Pursuant to the LTH Second Supplemental Agreement, the put option price is adjusted to RM38,685,337.40.

In the event that Listing does not occur on or before 15 March 2012, LTH will have a right to exercise the LTH Put Option. The above may have an effect on our Group's cashflow upon being enforceable.

Further details of the agreements and transactions disclosed above are set out in Section 14.8 of the prospectus.

6.13.3 Material Litigation

As at the LPD, neither we nor our China Subsidiaries are engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence which will have a material effect on our financial performance and position and our Company and Directors have no knowledge of any proceedings pending or threatened against our Company or any fact likely to give rise to any proceedings which might materially and adversely affect our position or business of our Company.

6.14 OFF-BALANCE SHEET ARRANGEMENTS

Our Group does not have any off-balance sheet arrangements which are reasonably likely to have a current or future material effect on our financial condition, change in financial condition, revenues or expenses, results of operations, capital expenditures or capital resources.

6.15 EFFECTS ON INFLATION

Our Directors are of the view that inflation does not have a material impact on our business, financial condition or results of operation of our Group. However, in the future, any increase in inflation rate may affect our operations and performance if we are not able to fully offset the higher costs of services through higher selling price of our products. Our failure or inability to do so may adversely affect our business, financial performance and results of operations.

6.16 TREND INFORMATION

6.16.1 Business and Financial Prospect

For the industry outlook and prospects and our Group's prospects and future plans, please refer to Sections 9 and 5.21 of this Prospectus respectively.

For the Review Periods up to the LPD, our Directors have observed the following trends based on the sales and operations of our Group:

(i) Our Directors expect our sales and production to increase as a result of our increasing branding efforts, sales and marketing activities and continuing focus on product development and innovation to provide a greater range of plastic stationery products to our customers. We also expect to launch our patented products, anti-tempering plastic envelopes and second generation plastic tape printers to contribute to the growth of our revenue.

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

(iii) PP materials are a key component of our cost of materials. PP materials, being a by-product of crude oil, are affected by the demand for and supply of PP materials, as well as crude oil prices. Barring any unforeseen circumstances, our Directors believe that notwithstanding the fluctuating price of crude oil and therefore PP, we are able to pass on substantially the increase in cost, if any, to

6 FINANCIAL INFORMATION *(Cont'd)*

our customers. Furthermore, coupled with the continuous improvements and streamlining of our production process, including recycling residual PP materials from our production. Any increase in the cost of PP, could be offset to a certain extent by the savings from our production process.

(iv) Our Group's inventory of approximately RMB43.5 million comprises raw materials, work-in-progress and finished goods in the composition of 51.1%, 21.1% and 27.8% respectively for the FPE2011. Our inventory turnover period has been sustaining at an average of 13 days over the Review Periods.

(v) Currently we have eleven (11) patents, including, amongst others our plastic tape printer which is our main proprietary and patented product. In the event that our patents expire and due to unforeseen circumstances it is not renewable our patented products may face threat from other manufacturers producing similar products which will in turn affect our revenue growth. However, our Company intends to improve on our existing products and where applicable to apply for new patents for these products.

(vi) Currently, our revenue is generally denominated in USD and RMB. Save for the material costs for PP granules which are in USD, our cost and operating overheads are generally denominated in RMB. As such, we will be exposed to any fluctuation between USD and RMB.

(vii) Based on the above, barring any unforeseen circumstances, our Directors are not aware of any circumstances which would result in significant decline of our gross profit margins, and expect our gross profit margins to remain relatively stable in the near future. Our Group has not entered into any contracts which we are highly dependent upon as the order placed by our customers is via purchase orders. Orders placed are via the execution of purchase orders after the pricing having been agreed upon. Orders by our customers will be delivered between one (1) month to a month and a half month from the date of order placed by customers.

Save as disclosed above and in Section 4, "Risk Factors", Section 6.2, "Management's Discussion and Analysis of Financial Condition and Results of Operations", Section 5.21, "Future Products, Future Plans, Business Strategies and Prospects" of this Prospectus and barring any unforeseen circumstances, our Directors believe that there are no other significant known recent trends in production, sales and inventory, and in the costs and selling prices of our products, or other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenue, profitability, liquidity, or capital resources, or that would cause financial information disclosed in this Prospectus to be not indicative of our future operating results or financial conditions.

6.16.2 Factors Affecting the Financial Condition of our Group

As at the LPD, to the best of our Group's knowledge and belief, our conditions and operations have not been and are not expected to be affected by any of the following:-

(a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those disclosed in this section, Section 4, "Risk Factor" and Section 5, "Information on our Group" of this Prospectus;

(b) material commitment for capital expenditure, as set out in Section 6.13 of this Prospectus;

(c) unusual, infrequent events or transactions or any significant economic changes that have resulted in a material impact on our Group's revenue and/or profits, save for those that have been disclosed in this section, Section 4, "Risk Factor" and Section 5, "Information on our Group" of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those disclosed in this section, Sections 4 and 5 of this Prospectus; and

(e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 4, Risk Factor of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the plastic stationery industry in the PRC and overseas market as set out in Section 9, "Industry Overview" of this Prospectus, our Group's competitive advantages as set out in Section 5.12, "Our Competitive Strengths and Advantages" of this Prospectus.

6.17 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 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.

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(PREPARED FOR INCLUSION IN THE PROSPECTUS)

Date: 6 January 2012

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

SJ Grant Thornton (AF:0737)
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Dear Sirs,

CHINA STATIONERY LIMITED AND ITS SUBSIDIARY COMPANIES
ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by us, an approved company auditor, for inclusion in this Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of China Stationery Limited ("China Stationery" or "the Company") on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") which includes, amongst others, the following:

(i) **Public Issue**

Public Issue of 90,000,000 new ordinary shares of SGD0.001 in China Stationery ("Public Issue Shares"), representing approximately 7.5% of the enlarged issued and paid-up share capital of China Stationery, at an issue price of RM0.95 per ordinary share ("IPO Price"), payable in full on application, and will be allocated and allotted in the following manner:-

(a) Malaysian public via balloting

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

(b) Selected investors via private placement

30,000,000 Public Issue Shares, representing approximately 2.5% of the enlarged issued and paid-up share capital of China Stationery, will be made available by way of private placement to selected investors.

Chartered Accountants
Member firm of Grant Thornton International Ltd

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1. **INTRODUCTION (CONT'D)**

(ii) **Offer for Sale**

Offer for Sale of 133,000,000 ordinary shares ("Offer Shares") representing approximately 11.2% of the enlarged issued and paid-up share capital, to potential selected investors to be identified by way of private placement at an offer price of RM0.95 per ordinary share.

(iii) **Listing and Quotation on the Main Market of Bursa Securities**

In conjunction with the Listing Scheme (as defined in Section 2.1.1), China Stationery seeks a listing and quotation of its entire enlarged issued and paid-up share capital comprising 1,192,590,776 ordinary shares on Main Market of Bursa Securities.

2. **GENERAL INFORMATION**

2.1 **Background**

China Stationery was incorporated in Bermuda under the Bermuda Companies Act, 1981 on 14 August 2007 as an exempted company limited by shares under the name of China Stationery Limited. On 26 October 2009, China Stationery Limited was registered in Malaysia as a foreign company.

2.1.1 **Listing Scheme**

As an integral part of the listing and quotation of its entire enlarged issued and paid-up share capital, China Stationery has undertaken / will undertake the listing scheme which involves the following:-

(i) **Share Split and Cancellation of Treasury Shares**

Subdivision of 1 existing ordinary share of SGD0.002 each and 1 existing treasury share of China Stationery into 2 new ordinary shares of SGD0.001 each and 2 new treasury shares respectively of China Stationery which completed on 2 November 2011.

Cancellation of the entire 2,735,540 treasury shares pursuant to section 42B(7) of the Companies Act 1981 of Bermuda (as amended) which completed on 6 January 2012.

(ii) **Repayment to WWD Ruby Limited ("WWD Ruby") and Issuance of Shares to Liu Han Yun ("LHY")**

Repayment to WWD Ruby dated 22 August 2011 arising from the redemption of the remaining USD10 million Convertible Bonds held by WWD Ruby and in accordance with the redemption mechanism stated in the terms and conditions of the Convertible Bond issued on 8 December 2008.

Issuance of 49,926,316 new ordinary shares of SGD0.001 each in China Stationery to LHY as a result of the conversation of the USD15.81 million convertible loan

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2. GENERAL INFORMATION (CONT'D)

2.1.1 Listing Scbeme (Cont'd)

(iii) **Public Issue**

Public Issue of 90,000,000 Public Issue Shares, representing approximately 7.5% of the enlarged issued and paid-up share capital of China Stationery, at IPO Price, payable in full on application, and will be allocated and allotted in the following manner:-

(a) Malaysian public via balloting

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

(b) Selected investors via private placement

30,000,000 Public Issue Shares, representing approximately 2.5% of the enlarged issued and paid-up share capital of China Stationery, will be made available by way of private placement to selected investors.

(iv) **Offer for Sale**

Offer for Sale of 133,000,000 ordinary shares ("Offer Shares") representing approximately 11.2% of the enlarged issued and paid-up share capital, to potential selected investors to be identified by way of private placement at an offer price of RM0.95 per ordinary share.

(v) **Utilisation of Proceeds from Public Issue**

China Stationery seeks a listing and quotation of its entire enlarged issued and paid-up share capital comprising 1,192,590,776 ordinary shares on the Main Market of Bursa Securities ("Listing").

The gross proceeds arising from the Public Issue amounting to RMB185,466,000 (RM85,500,000) are expected to be fully utilised for the core business of China Stationery Group in the following manner:

	RMB'000	RM'000
Advertising and promotion activities	23,377	10,777
Purchase of machineries	63,813	29,418
Purchase of machineries for research and development department	54,241	25,005
Working capital	21,692	10,000
Estimated listing expenses	22,343	10,300
	185,466	85,500

The listing expenses are estimated at RMB22,343,000 (RM10,300,000) and will be set off against the share premium account and profit or loss account.

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2. GENERAL INFORMATION (CONT'D)

2.2 Share capital

The changes in the Company's authorised share capital since its date of incorporation and up to the date of this report were as follows:

Date of Creation	Par Value	Value	← Cumulative Total →	
				Number of Ordinary
	SGD	SGD'000	SGD'000	Shares'000
14 August 2007	1.00	20	20	20
17 September 2007	1.00	9,980	10,000	10,000
17 September 2007	0.002	-	10,000	5,000,000
2 November 2011	0.001	-	10,000	10,000,000

The changes in the Company's issued and paid-up share capital since its date of incorporation and up to the date of this report were as follows:-

Date of Allotment	Par Value	Value	Consideration	← Cumulative Total →	
					Number of Ordinary
	SGD	SGD'000		SGD'000	Shares'000
15 August 2007	1.00	@	Issued, nil paid	@	@
17 September 2007	1.00	1,000	Acquisition of subsidiary companies	1,000	1,000
17 September 2007	0.002	-	Share split	1,000	500,000
4 April 2008	0.002	158	Conversion of convertible loan	1,158	578,992
27 January 2010	0.002	(103)	Cancellation of treasury shares	1,055	527,700
2 November 2011	0.001	-	Share split	1,055	1,055,400
14 November 2011	0.001	50	Conversion of convertible loan	1,105	1,105,326
6 January 2012	0.001	(2)	Cancellation of treasury shares	1,103	1,102,590

@ Less than SGD1,000

2.3 Principal activity

The Company's principal activity is investment holding.

The subsidiary companies are as follows:

Name of Company	Effective Ownership	Principal Activities	Date and Place of Incorporation
Campus Developments Limited ("Campus")	100%	Investment holding	3 December 2002 British Virgin Islands ("BVI")
Sunwealth Group Limited ("Sunwealth")	100%	Investment holding	22 February 2005 BVI

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2. **GENERAL INFORMATION (CONT'D)**

2.3 **Principal activity (Cont'd)**

The subsidiary companies are as follows (Cont'd):-

Name of Company	Effective Ownership	Principal Activities	Date and Place of Incorporation
Sakura (Fujian) Packaging & Stationery Co., Ltd. ("Sakura Stationery")	100%	Production and sale of plastic stationery	15 July 1991 People's Republic of China ("PRC")
Sakura (Fujian) Plastic Enterprise Co., Ltd. ("Sakura Plastic")	100%	Research and development and production of PP[1] sheets	5 November 1993 PRC
Ruiyuan (Fujian) Enterprise Co., Ltd. ("Ruiyuan")	100%	Production and sale of plastic tape printer and ink	16 February 2006 PRC

China Stationery, Campus, Sunwealth, Sakura Stationery, Sakura Plastic and Ruiyuan are collectively referred to as "China Stationery Group".

Sakura Plastic and Sakura Stationery are wholly-owned subsidiary companies of Campus and Ruiyuan is a wholly-owned subsidiary company of Sunwealth.

2.4 **Share capital history of subsidiary companies**

CAMPUS

The changes in the Campus's authorised share capital since its date of incorporation and up to the date of this report were as follows:

Date of Creation	Par Value	Value	← Cumulative Total →	
	USD	USD'000	USD'000	Number of Ordinary Shares'000
3 December 2002	1.00	50	50	50
14 August 2008	1.00	818	868	868

[1]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 uncolored but not completely transparent as certain other plastics can be made. It can also be made opaque and/or have many kinds of colours.

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2. GENERAL INFORMATION (CONT'D)

2.4 **Share capital history of subsidiary companies (Cont'd)**

CAMPUS (CONT'D)

The change in the Campus's issued and paid-up share capital since its date of incorporation and up to the date of this report were as follows:

Date of Allotment	Par Value	Value	Consideration	← Cumulative Total →	
	USD	USD'000		USD'000	Number of Ordinary Shares'000
27 December 2002	1.00	50	Cash	50	50

SUNWEALTH

The changes in the Sunwealth's authorised share capital since its date of incorporation and up to the date of this report were as follows:

Date of Creation	Par Value	Value	← Cumulative Total →	
	USD	USD'000	USD'000	Number of Ordinary Shares'000
22 February 2005	1.00	50	50	50
14 August 2007	1.00	82	132	132

The change in the Sunwealth's issued and paid-up share capital since its date of incorporation and up to the date of this report were as follows:

Date of Allotment	Par Value	Value	Consideration	← Cumulative Total →	
	USD	USD'000		USD'000	Number of Ordinary Shares'000
28 February 2005	1.00	@	Cash	@	@
28 December 2005	1.00	50	Cash	50	50

@ Less than USD1,000

SAKURA STATIONERY

The present registered capital of Sakura Stationery is USD3,800,000 and the paid-up capital is USD3,800,000.

The contributions to the Sakura Stationery's paid-up capital since its date of incorporation and up to the date of report were as below:

Date of Contribution	Value USD'000	Consideration	Cumulative Total USD'000
18 March 1992	1,370	Cash and facility	1,370
16 February 1993	437	Cash, facility and vehicle	1,807
4 December 1993	277	Facility and vehicle	2,084
11 February 1995	1,067	Cash	3,151
21 March 1997	435	Cash	3,586
23 June 1997	214	Cash	3,800

2. GENERAL INFORMATION (CONT'D)

2.4 Share capital history of subsidiary companies (Cont'd)

SAKURA PLASTIC

The present registered capital of Sakura Plastic is USD10,000,000 and the paid-up capital is USD10,000,000.

The contributions to Sakura Plastic's paid-up capital since its date of incorporation and up to the date of this report were as below:

Date of Contribution	Value USD'000	Consideration	Cumulative Total USD'000
16 April 1998	2,806	Facility	2,806
12 December 2002	2,194	Cash	5,000
19 June 2008	999	Cash	5,999
24 March 2009	1,483	Cash	7,482
30 March 2009	979	Cash	8,461
19 May 2009	553	Cash	9,014
23 December 2010	986	Cash	10,000

RUIYUAN

The present registered capital of Ruiyuan is USD10,000,000 and the paid-up is USD4,400,000.

The contributions to Ruiyuan's paid-up capital since its date of incorporation and up to the date of this report were as below:

Date of Contribution	Value USD'000	Consideration	Cumulative Total USD'000
26 July 2006	775	Cash	775
3 September 2007	97	Cash	872
4 May 2009	605	Cash	1,477
8 May 2009	946	Cash	2,423
15 May 2009	577	Cash	3,000
2 August 2010	1,400	Cash	4,400

The outstanding registered capital of USD5,600,000 will be paid up before 4 August 2012.

3. FINANCIAL STATEMENTS AND AUDITORS

Foo Kon Tan Grant Thornton LLP (Grant Thornton Singapore) had performed a special audit in accordance with International Standards on Auditing on the China Stationery Group's combined statements of financial position, combined statements of comprehensive income, combined statements of changes in equity, combined statements of cash flows, a summary of significant accounting policies and other explanatory notes ("Audited Combined Financial Statements") and these reports were prepared in accordance with International Financial Reporting Standards for Financial Years Ended ("FYE") 31 December 2007, 2008, 2009 and 2010 and the Financial Period Ended ("FPE") 31 July 2011.

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3. **FINANCIAL STATEMENTS AND AUDITORS (CONT'D)**

The Audited Combined Financial Statements were reported without any audit qualification for FYE 2007, 2008, 2009, 2010 and FPE 2011.

The financial year end adopted by China Stationery Group is 31 December.

The auditors' reports on the Audited Combined Financial Statements for FYE 2007, 2008, 2009, 2010 and FPE 2011 are disclosed in Annexure C of the Prospectus.

SJ Grant Thornton (Grant Thornton Malaysia) had performed an independent audit procedure by reviewing working papers of Grant Thornton Singapore in accordance with International Standards on Auditing - AI 600 – Special Considerations – Audits of Group Financial Statements (Including The Work of Component Auditors) in order to obtain sufficient appropriate audit evidence, that the work of Grant Thornton Singapore is adequate.

Grant Thornton Malaysia had also performed the following additional independent audit procedures:

(i) Conduct interview and email questionnaire with customers and suppliers of the China Stationery Group on sampling basis;

(ii) Verify subsequent collections and payments for trade receivables and trade payables respectively for the China Stationery Group after FPE;

(iii) Obtain tax declaration letters from local tax authorities; and

(iv) Factory site visit and physical sighting of the property, plant and equipment on sampling basis.

4. **CONVERSION RATE**

In preparing this report, the Group has converted all figures stated in Renminbi ("RMB") into Ringgit Malaysia ("RM") based on the following exchange rates:

	FYE 2007 RM	**FYE 2008 RM**	**FYE 2009 RM**	**FYE 2010 RM**	**FPE 2010 RM**	**FPE 2011 RM**
Statements of comprehensive income based on average rates for the relevant years/periods RMB	0.4517	0.4819	0.5153	0.4755	0.4826	0.4637
Statements of financial position based on closing rates at the respective reporting dates RMB	0.4528	0.5073	0.4985	0.4637	0.4705	0.4610

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4. CONVERSION RATE (CONT'D)

The functional currency and presentation currency for Audited Combined Financial Statements are both in RMB. RM is neither the functional currency nor presentation currency.

The translation from RMB into RM in this report is to comply with the requirements of Prospectus Guidelines – Paragraph 13.12 where all financial statements prepared in currency other than RM must be translated into RM.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES - POLICIES

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

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

As at 31 December 2007, 2008, 2009, 2010 and 31 July 2011, the Group's financial instruments mainly comprise cash and bank balances, trade and other receivables, trade payables, accrued liabilities and other payables, amount due to a shareholder, convertible bonds and bank borrowings.

(i) Interest rate risk

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

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

	Weighted Average Effective Interest Rate	Variable Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	%	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
31 December 2007									
Financial Assets									
Cash and bank balances	0.73	337,732	152,925	-	-	17	8	337,749	152,933
Trade and other receivables	-	-	-	-	-	105,870	47,938	105,870	47,938
		337,732	152,925	-	-	105,887	47,946	443,619	200,871
Financial Liabilities									
Bank borrowings	7.82	-	-	45,000	20,376	-	-	45,000	20,376
Amount due to a shareholder	-	-	-	-	-	71,746	32,487	71,746	32,487
Trade and other payables	6.00	-	-	95,015	43,023	29,115	13,183	124,130	56,206
		-	-	140,015	63,399	100,861	45,670	240,876	109,069

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(i) Interest rate risk (Cont'd)

	Weighted Average Effective Interest Rate	Variable Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	%	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
31 December 2008									
Financial Assets									
Cash and bank balances	0.69	367,713	186,541	-	-	45	23	367,758	186,564
Trade and other receivables	-	-	-	-	-	246,423	125,010	246,423	125,010
		367,713	186,541	-	-	246,468	125,033	614,181	311,574
Financial Liabilities									
Bank borrowings	8.43	-	-	45,000	22,829	-	-	45,000	22,829
Convertible bonds	9.00	-	-	137,018	69,509	-	-	137,018	69,509
Amount due to a shareholder	-	-	-	-	-	71,746	36,397	71,746	36,397
Trade and other payables	-	-	-	-	-	49,734	25,230	49,734	25,230
		-	-	182,018	92,338	121,480	61,627	303,498	153,965
31 December 2009									
Financial Assets									
Cash and bank balances	0.36	611,520	304,843	-	-	25	12	611,545	304,855
Trade and other receivables	-	-	-	-	-	352,993	175,967	352,993	175,967
		611,520	304,843	-	-	353,018	175,979	964,538	480,822
Financial Liabilities									
Bank borrowings	7.14	-	-	56,500	28,165	-	-	56,500	28,165
Convertible bonds	9.00	-	-	137,018	68,303	-	-	137,018	68,303
Amount due to a shareholder	-	-	-	-	-	71,746	35,765	71,746	35,765
Trade and other payables	-	-	-	-	-	61,158	30,487	61,158	30,487
		-	-	193,518	96,468	132,904	66,252	326,422	162,720
31 December 2010									
Financial Assets									
Cash and bank balances	0.36	902,626	418,548	-	-	37	17	902,663	418,565
Trade and other receivables	-	-	-	-	-	410,235	190,226	410,235	190,226
		902,626	418,548	-	-	410,272	190,243	1,312,898	608,791
Financial Liabilities									
Bank borrowings	5.91	-	-	49,100	22,768	-	-	49,100	22,768
Convertible bonds	9.00	-	-	68,509	31,768	-	-	68,509	31,768
Amount due to a shareholder	-	-	-	-	-	71,746	33,269	71,746	33,269
Trade and other payables	-	-	-	-	-	79,621	36,920	79,621	36,919
		-	-	117,609	54,536	151,367	70,189	268,976	124,724

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5. **FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)**

(i) **Interest rate risk (Cont'd)**

	Weighted Average Effective Interest Rate	Variable Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	%	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
31 July 2011									
Financial Assets									
Cash and bank balances	0.47	1,109,434	511,449	-	-	41	19	1,109,475	511,468
Trade and other receivables	-	-	-	-	-	403,199	185,875	403,199	185,875
		1,109,434	511,449	-	-	403,240	185,894	1,512,674	697,343
Financial Liabilities									
Bank borrowings	5.75	-	-	51,600	23,788	-	-	51,600	23,788
Convertible bonds	9.00	-	-	101,816	46.937	-	-	101,816	46,937
Amount due to a shareholder	-	-	-	-	-	71,746	33,075	71,746	33,075
Trade and other payables	-	-	-	-	-	87,425	40,303	87,425	40,303
		-	-	153,416	70,725	159.171	73.378	312,587	144,103

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

The Group's interest rate risk in primarily related to its fixed rate bank borrowings which are subject to negotiation on an annual basis. The Group currently does not use any derivative contract to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at reporting date would not affect profit and loss.

Cash flow sensitivity analysis for variable rate instruments

For variable rate financial assets, the Group has determined that the carrying amounts of bank deposits based on their notional amounts, reasonably approximate their fair value because these are mostly short term in nature or are repriced frequently. Below is the table which shows the impact on the interest income, using 100 basis points:

	Basis Point	31 December 2007		31 December 2008		31 December 2009		31 December 2010		31 July 2011	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Interest income											
Increase in interest rate	100	3,377	1,525	3,677	1,772	6,115	3,151	9,026	4,292	11,094	5,144
(Decrease) in interest rate	(100)	(3,377)	(1,525)	(3,677)	(1,772)	(6,115)	(3,151)	(9,026)	(4,292)	(11,094)	(5,144)

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group carries out its business in the PRC and most of the transactions are denominated in United States Dollars ("USD"), Hong Kong Dollars ("HKD") and RMB in FYE 2008. In FYE 2007, 2009, 2010 and FPE 2011, most of the transactions are denominated in USD and RMB. The Group monitors its foreign currency exposure closely and where necessary, considers hedging significant foreign currency exposure.

The Group's currency exposure is as follows:

31 December 2007

	RMB RMB'000	USD RMB'000	HKD RMB'000	SGD RMB'000	Total RMB'000
Financial Assets					
Cash and bank balances	332,105	410	5,234	-	337,749
Trade and other receivables	18,077	59,217	26,151	2,425	105,870
	350,182	59,627	31,385	2,425	443,619
Financial Liabilities					
Bank borrowings	(45,000)	-	-	-	(45,000)
Amount due to a shareholder	(71,746)	-	-	-	(71,746)
Trade and other payables	(21,024)	(8,077)	-	(95,029)	(124,130)
	(137,770)	(8,077)	-	(95,029)	(240,876)
Less: Net financial assets and (financial liabilities) denominated in functional currency	212,412	-	-	-	212,412
Net currency exposure on financial assets and (financial liabilities)	-	51,550	31,385	(92,604)	(9,669)

	RMB RM'000	USD RM'000	HKD RM'000	SGD RM'000	Total RM'000
Financial Assets					
Cash and bank balances	150,377	186	2,370	-	152,933
Trade and other receivables	8,186	26,813	11,841	1,098	47,938
	158,563	26,999	14,211	1,098	200,871
Financial Liabilities					
Bank borrowings	(20,376)	-	-	-	(20,376)
Amount due to a shareholder	(32,487)	-	-	-	(32,487)
Trade and other payables	(9,520)	(3,657)	-	(43,029)	(56,206)
	(62,383)	(3,657)	-	(43,029)	(109,069)
Less: Net financial assets and (financial liabilities) denominated in functional currency	96,180	-	-	-	96,180
Net currency exposure on financial assets and (financial liabilities)	-	23,342	14,211	(41,931)	(4,378)

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(ii) Foreign currency risk (Cont'd)

The Group's currency exposure is as follows (Cont'd):

31 December 2008

	RMB RMB'000	USD RMB'000	HKD RMB'000	SGD RMB'000	Total RMB'000
Financial Assets					
Cash and bank balances	367,111	36	611	-	367,758
Trade and other receivables	142,003	104,420	-	-	246,423
	509,114	104,456	611	-	614,181
Financial Liabilities					
Bank borrowings	(45,000)	-	-	-	(45,000)
Convertible bonds	-	(137,018)	-	-	(137,018)
Amount due to a shareholder	(71,746)	-	-	-	(71,746)
Trade and other payables	(40,479)	(8,154)	(141)	(960)	(49,734)
	(157,225)	(145,172)	(141)	(960)	(303,498)
Less: Net financial assets and (financial liabilities) denominated in functional currency	351,889	-	-	-	351,889
Net currency exposure on financial assets and (financial liabilities)	-	(40,716)	470	(960)	(41,206)

	RMB RM'000	USD RM'000	HKD RM'000	SGD RM'000	Total RM'000
Financial Assets					
Cash and bank balances	186,236	18	310	-	186,564
Trade and other receivables	72,038	52,972	-	-	125,010
	258,274	52,990	310	-	311,574
Financial Liabilities					
Bank borrowings	(22,829)	-	-	-	(22,829)
Convertible bonds	-	(69,509)	-	-	(69,509)
Amount due to a shareholder	(36,397)	-	-	-	(36,397)
Trade and other payables	(20,534)	(4,137)	(72)	(487)	(25,230)
	(79,760)	(73,646)	(72)	(487)	(153,965)
Less: Net financial assets and (financial liabilities) denominated in functional currency	178,514	-	-	-	178,514
Net currency exposure on financial assets and (financial liabilities)	-	(20,656)	238	(487)	(20,905)

31 December 2009

	RMB RMB'000	USD RMB'000	HKD RMB'000	SGD RMB'000	Total RMB'000
Financial Assets					
Cash and bank balances	611,428	55	62	-	611,545
Trade and other receivables	180,002	172,991	-	-	352,993
	791,430	173,046	62	-	964,538
Financial Liabilities					
Bank borrowings	(56,500)	-	-	-	(56,500)
Convertible bonds	-	(137,018)	-	-	(137,018)
Amount due to a shareholder	(71,746)	-	-	-	(71,746)
Trade and other payables	(43,507)	(16,703)	(37)	(911)	(61,158)
	(171,753)	(153,721)	(37)	(911)	(326,422)
Less: Net financial assets and (financial liabilities) denominated in functional currency	619,677	-	-	-	619,677
Net currency exposure on financial assets and (financial liabilities)	-	19,325	25	(911)	18,439

	RMB RM'000	USD RM'000	HKD RM'000	SGD RM'000	Total RM'000
Financial Assets					
Cash and bank balances	304,797	27	31	-	304,855
Trade and other receivables	89,731	86,236	-	-	175,967
	394,528	86,263	31	-	480,822
Financial Liabilities					
Bank borrowings	(28,165)	-	-	-	(28,165)
Convertible bonds	-	(68,303)	-	-	(68,303)
Amount due to a shareholder	(35,765)	-	-	-	(35,765)
Trade and other payables	(21,689)	(8,326)	(18)	(454)	(30,487)
	(85,619)	(76,629)	(18)	(454)	(162,720)
Less: Net financial assets and (financial liabilities) denominated in functional currency	308,909	-	-	-	308,909
Net currency exposure on financial assets and (financial liabilities)	-	9,634	13	(454)	9,193

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(ii) Foreign currency risk (Cont'd)

The Group's currency exposure is as follows (Cont'd):

31 December 2010

	RMB RMB'000	USD RMB'000	HKD RMB'000	SGD RMB'000	RM RMB'000	Total RMB'000
Financial Assets						
Cash and bank balances	902,561	62	40	-	-	902,663
Trade and other receivables	176,105	229,887	-	2,365	1,878	410,235
	1,078,666	229,949	40	2,365	1,878	1,312,898
Financial Liabilities						
Bank borrowings	(49,100)	-	-	-	-	(49,100)
Convertible bonds	-	(68,509)	-	-	-	(68,509)
Amount due to a shareholder	(71,746)	-	-	-	-	(71,746)
Trade and other payables	(59,171)	(20,430)	(17)	(3)	-	(79,621)
	(180,017)	(88,939)	(17)	(3)	-	(268,976)
Less: Net financial assets and (financial liabilities) denominated in functional currency	898,649	-	-	-	-	898,649
Net currency exposure on financial assets and (financial liabilities)	-	141,010	23	2,362	1,878	145,273

	RMB RM'000	USD RM'000	HKD RM'000	SGD RM'000	RM RM'000	Total RM'000
Financial Assets						
Cash and bank balances	418,517	29	19	-	-	418,565
Trade and other receivables	81,659	106,599	-	1,097	871	190,226
	500,176	106,628	19	1,097	871	608,791
Financial Liabilities						
Bank borrowings	(22,768)	-	-	-	-	(22,768)
Convertible bonds	-	(31,768)	-	-	-	(31,768)
Amount due to a shareholder	(33,269)	-	-	-	-	(33,269)
Trade and other payables	(27,437)	(9,473)	(8)	(1)	-	(36,919)
	(83,474)	(41,241)	(8)	(1)	-	(124,724)
Less: Net financial assets and (financial liabilities) denominated in functional currency	416,702	-	-	-	-	416,702
Net currency exposure on financial assets and (financial liabilities)	-	65,387	11	1,096	871	67,365

31 July 2011

	RMB RMB'000	USD RMB'000	HKD RMB'000	SGD RMB'000	RM RMB'000	Total RMB'000
Financial Assets						
Cash and bank balances	1,109,229	242	4	-	-	1,109,475
Trade and other receivables	142,998	254,659	-	2,990	2,552	403,199
	1,252,227	254,901	4	2,990	2,552	1,512,674
Financial Liabilities						
Bank borrowings	(51,600)	-	-	-	-	(51,600)
Convertible bonds	-	(101,816)	-	-	-	(101,816)
Amount due to a shareholder	(71,746)	-	-	-	-	(71,746)
Trade and other payables	(63,898)	(23,506)	(9)	(12)	-	(87,425)
	(187,244)	(125,322)	(9)	(12)	-	(312,587)
Less: Net financial assets and (financial liabilities) denominated in functional currency	1,064,983	-	-	-	-	1,064,983
Net currency exposure on financial assets and (financial liabilities)	-	129,579	(5)	2,978	2,552	135,104

	RMB RM'000	USD RM'000	HKD RM'000	SGD RM'000	RM RM'000	Total RM'000
Financial Assets						
Cash and bank balances	511,354	112	2	-	-	511,468
Trade and other receivables	65,922	117,398	-	1,378	1,177	185,875
	577,276	117,510	2	1,378	1,177	697,343
Financial Liabilities						
Bank borrowings	(23,788)	-	-	-	-	(23,788)
Convertible bonds	-	(46,937)	-	-	-	(46,937)
Amount due to a shareholder	(33,075)	-	-	-	-	(33,075)
Trade and other payables	(29,457)	(10,836)	(4)	(6)	-	(40,303)
	(86,320)	(57,773)	(4)	(6)	-	(144,103)
Less: Net financial assets and (financial liabilities) denominated in functional currency	490,956	-	-	-	-	490,956
Net currency exposure on financial assets and (financial liabilities)	-	59,737	(2)	1,372	1,177	62,284

5. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(ii) Foreign currency risk (Cont'd)

A 5% strengthening/(weakening) of the foreign currencies against the RMB for the FYE 31 December 2007, 2008, 2009, 2010 and FPE 31 July 2011 respectively would have had the following impact on the profit by the amounts shown below:

	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/07/2011
Strengthen/ Increase in profit					
-RMB'000	23,376	27,271	36,737	49,136	31,754
-RM'000	10,559	13,142	18,931	23,364	14,724

	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/07/2011
Weaken/ Decrease in profit					
-RMB'000	(8,113)	(9,187)	(13,415)	(17,146)	(10,807)
-RM'000	(3,665)	(4,427)	(6,913)	(8,153)	(5,011)

The exposures to foreign exchange risk vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of Group's exposure to foreign currency risk.

(iii) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The table below analyses the maturity profile of the financial liabilities of the Group based on contractual discounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year		Between 1 and 2 years		Between 2 and 3 years		Over 3 years	
31 December 2007	**RMB'000**	**RM'000**	**RMB'000**	**RM'000**	**RMB'000**	**RM'000**	**RMB'000**	**RM'000**
Financial Liabilities								
Bank borrowings	45,000	20,376	-	-	-	-	-	-
Amount due to a shareholder	71,746	32,487	-	-	-	-	-	-
Trade and other payables	124,130	56,206	-	-	-	-	-	-
	240,876	109,069	-	-	-	-	-	-

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(iii) Liquidity risk (Cont'd)

	Less than 1 year		Between 1 and 2 years		Between 2 and 3 years		Over 3 years	
31 December 2008	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial Liabilities								
Bank borrowings	45,000	22,829	-	-	-	-	-	-
Convertible bonds	-	-	137,018	69,509	-	-	-	-
Amount due to a shareholder	71,746	36,397	-	-	-	-	-	-
Trade and other payables	49,734	25,230	-	-	-	-	-	-
	166,480	84,456	137,018	69,509	-	-	-	-

	Less than 1 year		Between 1 and 2 years		Between 2 and 3 years		Over 3 years	
31 December 2009	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial Liabilities								
Bank borrowings	56,500	28,165	-	-	-	-	-	-
Convertible bonds	137,018	68,303	-	-	-	-	-	-
Amount due to a shareholder	71,746	35,765	-	-	-	-	-	-
Trade and other payables	61,158	30,487	-	-	-	-	-	-
	326,422	162,720	-	-	-	-	-	-

	Less than 1 year		Between 1 and 2 years		Between 2 and 3 years		Over 3 years	
31 December 2010	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial Liabilities								
Bank borrowings	49,100	22,768	-	-	-	-	-	-
Convertible bonds	68,509	31,768	-	-	-	-	-	-
Amount due to a shareholder	71,746	33,269	-	-	-	-	-	-
Trade and other payables	79,621	36,919	-	-	-	-	-	-
	268,976	124,724	-	-	-	-	-	-

	Less than 1 year		Between 1 and 2 years		Between 2 and 3 years		Over 3 years	
31 July 2011	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial Liabilities								
Bank borrowings	51,600	23,788	-	-	-	-	-	-
Convertible bonds	101,816	46,937	-	-	-	-	-	-
Amount due to a shareholder	71,746	33,075	-	-	-	-	-	-
Trade and other payables	87,425	40,303	-	-	-	-	-	-
	312,587	144,103	-	-	-	-	-	-

(iv) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The carrying amounts of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has significant concentration of credit risk as to three largest trade receivables as at 31 December 2007, 2008, 2009, 2010 and 31 July 2011 which represent approximately 38.0%, 15.0%, 12.8%, 9.9% and 9.4% of the total trade receivables respectively. The Group's cash is held with reputable financial institution, Agricultural Bank of China, Hanjiang Branch Xinhan Da Jie, Hangjiang Putian, Fujian. No other financial assets carry a significant exposure to credit risk.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The provision for impairment loss is based on a review of the expected collectibility of trade and other receivables.

5. **FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)**

(iv) **Credit risk (Cont'd)**

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial assets presented on the audited combined statements of financial position.

The Group's major class of financial assets are cash and bank balances and trade and other receivables.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially counterparties with good payment records with the Group.

Financial assets that are past due but not impaired

The aging analysis of trade receivables past due but not impaired is as follows:

	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM,000
Past due less than 3 months	-	-	376	191	-	-	-	-	-	-

There is no impairment loss recognised in the profit or loss for the reporting periods as all the receivables were subsequently received.

(v) **Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group does not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

(vi) **Fair value**

The fair value of the Group's financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at reporting date would be significantly different from the values that would eventually be received or settled.

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6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Statement of compliance

The Audited Combined Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related interpretations, and have been consistently applied throughout the FYE 31 December 2007, 2008, 2009, 2010 and for the FPE 31 July 2011.

6.2 Basis of preparation of Audited Combined Financial Statements

The Group has early adopted IFRSs and interpretations which are effective for accounting periods beginning on or after 1 January 2011 for the preparation of these Audited Combined Financial Statements of the Group since 1 January 2007. These Audited Combined Financial Statements are the first set of financial statements prepared in accordance with IFRS by the Group.

The accounting policies set out below have been applied consistently to all periods presented in these Audited Combined Financial Statements and in preparing opening IFRS statement of financial position as at 1 January 2007 for the purpose of the first set of IFRS financial statements. The accounting policies have been applied consistently by the Group.

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

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

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

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Basis of preparation of Audited Combined Financial Statements (Cont'd)

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

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

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

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

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

Significant accounting estimates and judgements

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

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6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.2 **Basis of preparation of Audited Combined Financial Statements (Cont'd)**

Significant accounting estimates and judgements (Cont'd)

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

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

Critical judgement made in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 20 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2007, 2008, 2009, 2010 and for the FPE 31 July 2011were RMB49,894,000 (RM22,592,000), RMB199,714,000 (RM101,315,000), RMB230,968,000 (RM115,138,000), RMB289,276,000 (RM134,137,000) and RMB283,016,000 (RM130,470,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Withholding tax on dividends

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

Key sources of estimation uncertainty

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

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Basis of preparation of Audited Combined Financial Statements (Cont'd)

Significant accounting estimates and judgements (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Income tax

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

Impairment of trade receivables

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

Impairment of property, plant and equipment

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

Impairment of inventories

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale, if any. Tbe net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

Subsidiaries and Audited Combined Financial Statements

(i) Subsidiaries

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

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

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6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.2 **Basis of preparation of Audited Combined Financial Statements (Cont'd)**

Subsidiaries and Audited Combined Financial Statements (Cont'd)

(i) Subsidiaries (Cont'd)

For acquisition of subsidiaries that is not under common control, the purchase method of accounting is adopted. The cost of such acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value on the date of the acquisition, irrespective of the extent of minority interest.

In preparing the Audited Combined Financial Statements, transactions, balances and unrealised gains on transactions between the combining entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred.

(ii) Basis of preparation under common control business combination

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

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

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

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

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Basis of preparation of Audited Combined Financial Statements (Cont'd)

Property, plant and equipment

(i) Recognition and Measurement

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

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.2 **Basis of preparation of Audited Combined Financial Statements (Cont'd)**

Property, plant and equipment (Cont'd)

(iv) Depreciation

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

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

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

Land use rights

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

Investment property

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

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

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

Impairment of non-financial assets

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

6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.2 **Basis of preparation of Audited Combined Financial Statements (Cont'd)**

Impairment of non-financial assets (Cont'd)

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

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

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

Financial assets

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

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

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

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

6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.2 **Basis of preparation of Audited Combined Financial Statements (Cont'd)**

Financial assets (Cont'd)

Trade and other receivables

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

Financial liabilities

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

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

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

Borrowings

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

Convertible bonds

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

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

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

6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.2 **Basis of preparation of Audited Combined Financial Statements (Cont'd)**

Inventories

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

Key management personnel

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

Provisions

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

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

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

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

Recognition of revenue

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

(i) Revenue is recognised when the products leave the warehouse. Prior to the products leaving the warehouse, the products undergo quality control checks by the Group's Quality Control Department and/or their customers' representatives. The Group generally does not accept returns of the goods arising from quality issues once the products leave the warehouse.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Basis of preparation of Audited Combined Financial Statements (Cont'd)

Recognition of revenue (Cont'd)

(ii) Interest income is recognised, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Research and development costs

Research costs are expensed as incurred, except for development costs which relates to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Income tax

Income tax for the year comprises current and deferred tax.

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

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

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

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

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

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Basis of preparation of Audited Combined Financial Statements (Cont'd)

Income tax (Cont'd)

Revenue, expenses and assets are recoginsed net of the amount of VAT except:

- where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

Retirement benefits scheme

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

Segment reporting

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

Cash and cash equivalents

For the purpose of the combined statements of cash flow, cash and cash equivalents comprise cash on hand and bank deposits.

6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.2 **Basis of preparation of Audited Combined Financial Statements (Cont'd)**

Operating leases

(a) When the Group is the lessee:

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

(i) Lessee-Operating leases

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

(ii) Lessee-Operating leases

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

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

Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Group is RMB. As such, the Audited Combined Financial Statements are presented in RMB.

(ii) Transactions and balances

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

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6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.2 **Basis of preparation of Audited Combined Financial Statements (Cont'd)**

Foreign currencies (Cont'd)

(ii) Transactions and balances (Cont'd)

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

(iii) Group companies

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

(1) assets and liabilities are translated at the closing rate at the reporting date;

(2) income and expenses are translated at average exchange rates for the years (unless this average exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using exchange rates at the dates of the transactions); and

(3) All resultant exchange differences are recognised in the currency translation reserve in equity.

Related parties

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

(i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Company/Group; (2) has an interest in the Company/Group that gives it significant influence over the Company/Group; or (3) has joint control over the Company/Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company/Group;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Basis of preparation of Audited Combined Financial Statements (Cont'd)

Share Capital and Treasury Shares

Ordinary shares are classified as equity.

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

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

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

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

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7. HISTORICAL FINANCIAL INFORMATION

(a) Summarised statements of comprehensive income

The following table sets out the summary of the financial results prepared based on the Audited Combined Financial Statements of China Stationery Group for the FYE 31 December 2007 to 2010, FPE 31 July 2010 and FPE 31 July 2011:

Years/Periods ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2010@		31/07/2011	
	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
Profit before depreciation, amortisation, interest expenses and taxation	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)
ɿrtisation	(37)	(17)	(47)	(23)	(48)	(25)	(50)	(24)	(29)	(14)	(139)	(64)
.ıce 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)
Profit before taxation but after depreciation, amortisation and interest expenses	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)
Profit after taxation	215,276	97,240	262,085	126,299	327,029	168,518	397,626	189,072	211,781	102,203	228,390	105,904
Gross profit margin (%)	49.42	49.42	49.57	49.57	48.30	48.30	45.76	45.76	45 51	45.51	45.30	45.30
Pre-tax profit margin (%)	44.89	44.89	38.81	38.81	38.10	38.10	36.82	36.82	36.55	36.55	33.66	33.66
Profit after tax margin (%)	41.70	41.70	30.55	30.55	30.29	30 29	28.22	28.22	27 49	27.49	23.48	23.48
Effective tax rate (%)	7.10	7 10	21.27	21.27	20.49	20.49	23.34	23.34	24.79	24.79	30.25	30.25
Gross Earnings Per Share "EPS"* (RMB/RM)	0.21	0.09	0.30	0.15	0.37	0.19	0.47	0.22	0.44^	0.21^	0.51^	0 24^
Net EPS* (RMB/RM)	0.20	0 09	0.24	0 11	0.30	0.15	0 36	0.17	0.33^	0.16^	0.36^	0.16^

- There were no exceptional or extraordinary items in all the financial years and periods under review

- There were no accounting policies which are peculiar to China Stationery Group as a result of the nature of business or industry it was involved in that would affect the determination of China Stationery Group's income or financial position

* Based on enlarged share capital of 1,102,590,776 ordinary shares (number of ordinary shares assumed to be issued upon completion of Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby and Issuance of Shares to LHY but before Public Issue)

^ Annualised to 12 months for comparison purpose

@ The statement of comprehensive income for the FPE 31 July 2010 is unaudited and is included for comparison purpose

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7. **HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(b) Summarised statements of financial position

The following table sets out the summary of statements of financial position prepared based on the Audited Combined Financial Statements of China Stationery Group for the FYE 31 December 2007 to 2010 and for the FPE 31 July 2011.

Years/ Period ended	Note	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Share capital		4,977	2,249	5,791	2,641	5,791	2,641	5,262	2,389	5,262	2,389
Reserves		258,991	117,276	520,262	264,225	847,291	422,621	1,321,147	612,665	1,549,537	714,372
Shareholders' equity		263,968	119,525	526,053	266,866	853,082	425,262	1,326,409	615,054	1,554,799	716,761
Non-current assets											
Property, plant and equipments	(i)	49,894	22,592	199,714	101,315	230,968	115,138	289,276	134,137	283,016	130,470
Land use rights	(ii)	1,681	761	2,242	1,137	2,194	1,094	2,144	994	15,338	7,071
Non-current receivables	(iii)	-	-	86,196	43,727	90,620	45,174	59,330	27,511	48,534	22,374
Investment property	(iv)	-	-	-	-	-	-	210	97	172	79
		51,575	23,353	288,152	146,179	323,782	161,406	350,960	162,739	347,060	159,994
Current assets											
Inventories	(v)	13,253	6,001	14,631	7,422	20,454	10,196	35,922	16,657	43,535	20,070
Trade receivables	(vi)	72,062	32,630	170,825	86,660	269,957	134,574	348,137	161,431	395,050	182,118
Other receivables	(vii)	33,808	15,308	5,561	2,821	911	454	11,202	5,194	8,149	3,757
Cash and bank balances	(viii)	337,749	152,933	367,758	186,564	611,545	304,855	902,663	418,565	1,109,475	511,468
		456,872	206,872	558,775	283,467	902,867	450,079	1,297,924	601,847	1,556,209	717,413
Current liabilities											
Trade payables	(ix)	24,614	11,145	32,402	16,438	52,351	26,097	63,465	29,429	74,923	34,540
Other payables	(x)	99,516	45,061	19,332	9,807	25,297	12,611	32,150	14,907	27,518	12,686
Borrowings	(xi)	45,000	20,376	45,000	22,829	56,500	28,165	49,100	22,768	51,600	23,788
Amount due to a shareholder	(xii)	71,746	32,487	71,746	36,397	71,746	35,765	71,746	33,269	71,746	33,075
Convertible bonds	(xiii)	-	-	-	-	137,018	68,303	68,509	31,768	101,816	46,937
Income tax payable		3,603	1,631	15,376	7,800	30,655	15,282	29,000	13,447	6,858	3,162
		244,479	110,700	183,856	93,271	373,567	186,223	313,970	145,588	334,461	154,188
Net current assets		212,393	96,172	374,919	190,196	529,300	263,856	983,954	456,259	1,221,748	563,225
Non-current liabilities											
Convertible bonds	(xiii)	-	-	137,018	69,509	-	-	-	-	-	-
Deferred income tax liabilities	(xiv)	-	-	-	-	-	-	8,505	3,944	14,009	6,458
		-	-	137,018	69,509	-	-	8,505	3,944	14,009	6,458
Net tangible assets ("NTA")		263,968	119,525	526,053	266,866	853,082	425,262	1,326,409	615,054	1,554,799	716,761
NTA per share * (RMB/RM)		0.24	0.11	0.48	0.24	0.77	0.39	1.20	0.56	1.41	0.65

* Based on enlarged share capital of 1,102,590,776 ordinary shares (number of ordinary shares assumed to be issued upon completion of Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby and Issuance of Shares to LHY but before Public Issue)

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7. **HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(b) Summarised statements of financial position (Cont'd)

(i) Detailed disclosures on property, plant and equipment are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Net carrying amount										
Buildings	2,762	1,251	2,580	1,309	2,398	1,195	135,270	62,725	131,645	60,688
Construction in progress	-	-	83,056	42,134	111,777	55,723	17,150	7,952	24,528	11,307
Plant and machinery	46,302	20,966	113,061	57,356	116,023	57,837	135,379	62,775	125,431	57,824
Furniture, fixtures and office equipment	511	231	450	228	338	168	1,197	555	1,193	550
Motor vehicles	319	144	567	288	432	215	280	130	219	101
Total	49,894	22,592	199,714	101,315	230,968	115,138	289,276	134,137	283,016	130,470

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

Certain property, plant and equipment with net carrying amount amounting to RMB21,266,000 (RM9,629,000), RMB63,518,000 (RM32,223,000), RMB62,423,000 (RM31,118,000), RMB41,855,000 (RM19,408,000) and RMB39,879,000 (RM18,384,000) as at 31 December 2007, 2008, 2009, 2010 and 31 July 2011 respectively, were pledged to a bank as securities for borrowings granted to the Group.

(ii) Detailed disclosures on land use rights are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Land use rights	1,681	761	2,242	1,137	2,194	1,094	2,144	994	15,338	7,071

The land use rights of the Group refer to land located in PRC. Certain land use rights with net carrying amount amounting to RMB1,681,000 (RM761,000), RMB1,644,000 (RM834,000), RMB1,607,000 (RM801,000), RMB145,000 (RM67,000) and RMB143,000 (RM66,000) as at 31 December 2007, 2008, 2009, 2010 and 31 July 2011 respectively were pledged to a bank as securities for borrowings granted to the Group.

(iii) Detailed disclosures on non-current receivables are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Non-current receivables	-	-	86,196	43,727	90,620	45,174	59,330	27,511	48,534	22,374

Non-current receivables include:

(1) An amount of RMB10,939,000 (RM5,549,000), RMB8,495,000 (RM4,235,000), RMB6,051,000 (RM2,806,000) and RMB4,626,000 (RM2,132,000) as at 31 December 2008, 2009, 2010 and 31 July 2011 respectively relates to renovation cost for a total of 52 shop-in-shop located in PRC which will have future economic benefits for a period of 5 years;

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7. **HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(b) Summarised statements of financial position (Cont'd)

(iii) Detailed disclosures on non-current receivables are as below (Cont'd):

Non-current receivables include (Cont'd):

(2) An amount of RMB71,153,000 (RM36,096,000), RMB61,341,000 (RM30,578,000), RMB43,908,000 (RM20,360,000) and RMB43,908,000 (RM20,242,000) as at 31 December 2008, 2009, 2010 and 31 July 2011 respectively relates to the deposit of the plant and machinery;

(3) An amount of RMB4,104,000 (RM2,082,000), RMB4,104,000 (RM2,046,000) and RMB9,371,000 (RM4,345,000) as at 31 December 2008, 2009 and 2010 respectively relates to the purchase of land use rights in which the land use rights approval has not been obtained yet; and

(4) An amount of RMB16,680,000 (RM8,315,000) as at 31 December 2009 relates to the prepaid research and design expenses for which this amount will be refunded to the Group for any unutilised research and design expenses.

All the non-current receivables are denominated in RMB.

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

(iv) Detailed disclosures on investment property are as below:

Years /Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Investment property	-	-	-	-	-	-	210	97	172	79

Investment property comprises a factory building which is leased to a third party. This lease contains a non-cancellable period of 10 years with monthly rental of RMB3,078 (RM1,427). No contingent rents are charged. This factory building has been transferred from property, plant and equipment to investment property, since the factory building was no longer used by the Group and as such it was decided that the factory building would be leased to a third party.

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

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

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7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised statements of financial position (Cont'd)

(iv) Detailed disclosures on investment property are as below (Cont'd) :

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

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011		Yield %				
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	2007	2008	2009	2010	2011
Investment property	-	-	-	-	-	-	271	129	279	129	-	-	-	4.8-6.8	3.2-5.7

Investment property of the Group with a carrying amount of RMB210,000 (RM97,000) and RMB172,000 (RM79,000) as at 31 December 2010 and 31 July 2011 is pledged as security to secure bank borrowings.

(v) Detailed disclosures on inventories are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
At cost										
Raw material	6,904	3,126	7,210	3,658	11,921	5,943	16,341	7,577	22,261	10,262
Work in progress	845	383	4,344	2,203	4,130	2,058	13,801	6,400	9,190	4,237
Finished goods	5,504	2,492	3,077	1,561	4,403	2,195	5,780	2,680	12,084	5,571
	13,253	6,001	14,631	7,422	20,454	10,196	35,922	16,657	43,535	20,070
Cost of sales	261,083	117,931	432,598	208,469	558,184	287,632	764,138	363,348	532,069	246,720
% of inventories to cost of sales #	3.39	@	3.22	@	3.14	@	3.69	@	4.36^	@
Inventories' turnover period (day) #	12	@	12	@	11	@	13	@	16^	@

\# Based on average balances of inventories
@ The financial ratio is computed and presented based on functional currency only
^ Cost of sales are annualised to 12 months for comparison purposes

There has been no inventory written off or allowance made for inventory obsolescence for the FYE 31 December 2007, 2008, 2009, 2010 and FPE 31 July 2011.

(vi) Detailed disclosures on trade receivables are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Trade receivables	72,062	32,630	170,825	86,660	269,957	134,574	348,137	161,431	395,050	182,118
Revenue	516,225	233,179	857,812	413,380	1,079,573	556,304	1,408,786	669,878	972,718	451,049
% of trade receivables to revenue #	12.97	@	14.16	@	20.41	@	21.94	@	22.28^	@
Trade receivables' turnover period (day) #	47	@	52	@	75	@	80	@	81^	@

\# Based on average balances of trade receivables
@ The financial ratio is computed and presented based on functional currency only
^ Revenue are annualised to 12 months for comparison purposes

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

7. **HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(b) Summarised statements of financial position (Cont'd)

(vi) Detailed disclosures on trade receivables are as below (Cont'd):

Trade receivables are denominated in the following currencies:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
RMB	17,368	7,865	66,405	33,688	96,966	48,338	122,566	56,834	142,594	65,736
USD	54,694	24,765	104,420	52,972	172,991	86,236	225,571	104,597	252,456	116,382
	72,062	32,630	170,825	86,660	269,957	134,574	348,137	161,431	395,050	182,118

(vii) Detailed disclosures on other receivables are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Prepayment & other receivables	4,110	1,861	5,561	2,821	62	31	11,202	5,194	8,149	3,757
Advance to suppliers	29,698	13,447	-	-	849	423	-	-	-	-
	33,808	15,308	5,561	2,821	911	454	11,202	5,194	8,149	3,757

Prepayment and other receivables include an amount of RMB4,680,000 (RM2,374,000), RMB2,383,000 (RM1,105,000) and RMB150,000 (RM69,000) as at 31 December 2008, 2010 and 31 July 2011 relates to prepaid road signs for which costs have not been incurred at reporting date.

Other receivables are denominated in the following currencies:

Years/Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
RMB	709	321	5,561	2,821	911	454	2,643	1,226	404	186
USD	4,523	2,048	-	-	-	-	4,316	2,001	2,203	1,016
HKD	26,151	11,841	-	-	-	-	-	-	-	-
SGD	2,425	1,098	-	-	-	-	2,365	1,096	2,990	1,378
RM	-	-	-	-	-	-	1,878	871	2,552	1,177
	33,808	15,308	5,561	2,821	911	454	11,202	5,194	8,149	3,757

(viii) Detailed disclosures on cash and bank balances are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cash on hand	17	8	45	23	25	12	37	17	41	19
Cash at bank	337,732	152,925	367,713	186,541	611,520	304,843	902,626	418,548	1,109,434	511,449
	337,749	152,933	367,758	186,564	611,545	304,855	902,663	418,565	1,109,475	511,468

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7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised statements of financial position (Cont'd)

(viii) Detailed disclosures on cash and bank balances are as below (Cont'd):

Cash and bank balances are denominated in the following currencies:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
RMB	332,105	150,377	367,111	186,236	611,428	304,797	902,561	418,517	1,109,229	511,354
USD	410	186	36	18	55	27	62	29	242	112
HKD	5,234	2,370	611	310	62	31	40	19	4	2
	337,749	152,933	367,758	186,564	611,545	304,855	902,663	418,565	1,109,475	511,468

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

The cash at bank bears interest rates ranging from 0.72% to 1.15%, 0.36% to 1.15%, 0.01% to 0.36%, 0.01 % to 0.36 % and 0.02% to 0.40% per annum for the FYE 31 December 2007, 2008, 2009, 2010 and FPE 31 July 2011 respectively.

(ix) Detailed disclosures on trade payables are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RM'000	RM'000
Trade payables	24,614	11,145	32,402	16,438	52,351	26,097	63,465	29,429	74,923	34,540
Cost of sales	261,083	117,931	432,598	208,469	558,184	287,632	764,138	363,348	532,069	246,720
% of trade payables to cost of sales #	6.47	@	6.59	@	7.59	@	7.58	@	7.59^	@
Trade payables' turnover period (day) #	24	@	24	@	28	@	28	@	28^	@

\# Based on average balances of trade payables
@ The financial ratio is computed and presented based on functional currency only
^ Cost of sales are annualised to 12 months for comparison purposes

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

Trade payables are denominated in the following currencies:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
RMB	16,673	7,549	27,040	13,718	37,441	18,664	44,458	20,615	52,884	24,380
USD	7,941	3,596	5,362	2,720	14,910	7,433	19,007	8,814	22,039	10,160
	24,614	11,145	32,402	16,438	52,351	26,097	63,465	29,429	74,923	34,540

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7. **HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(b) Summarised statements of financial position (Cont'd)

(x) Detailed disclosures on other payables are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Accrual liabilities	2,593	1,174	7,073	3,588	2,608	1,300	6,653	3,085	5,506	2,538
VAT payables	1,772	802	3,507	1,779	3,159	1,575	2,744	1,272	2,663	1,228
Advance from customers	136	62	59	30	16,939	8,444	16,049	7,441	15,015	6,922
Accrued IPO expenses	-	-	1,601	812	2,316	1,155	1,377	639	1,377	635
Accrual advertisement expenses	-	-	2,340	1,187	-	-	-	-	-	-
Property, plant and equipment payables	-	-	4,752	2,411	275	137	5,327	2,470	2,957	1,363
Convertible loan	95,015	43,023	-	-	-	-	-	-	-	-
	99,516	45,061	19,332	9,807	25,297	12,611	32,150	14,907	27,518	12,686

The Company entered into convertible loan agreements ("Convertible Loan Agreements") on 28 September 2007 with a group of investors for principal amounts of SGD18.8 million (RMB95.0 million; RM43.0 million). The fair value of the loan component was determined using the discount rate of 6% per annum commencing on the date of the relevant Loan Receipt until and including the date on which the relevant portion of the Convertible Loan is fully repaid. Any interest chargeable under this Agreement shall be calculated on a daily basis and on the basis of a 365 days year.

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

The directors of the Company are of the opinion that the fair value of the Convertible Bonds at inception date when comparing to the carrying amount are not material.

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

Accrual liabilities mainly comprise accrued salaries.

Other payables are denominated in the following currencies:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
RMB	4,351	1,971	15,439	7,831	6,066	3,025	14,713	6,822	11,006	5,074
SGD	95,029	43,029	960	487	911	454	3	1	12	6
USD	136	61	2,792	1,417	18,283	9,114	17,417	8,076	16,491	7,602
HKD	-	-	141	72	37	18	17	8	9	4
	99,516	45,061	19,332	9,807	25,297	12,611	32,150	14,907	27,518	12,686

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7. **HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(b) Summarised statements of financial position (Cont'd)

(xi) Detailed disclosures on interest-bearing bank borrowings are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RM'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Current bank borrowings										
Secured and repayable within one year	45,000	20,376	45,000	22,829	56,500	28,165	49,100	22,768	51,600	23,788

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

(i) certain property, plant and equipment in Note 7(b)(i);
(ii) land use rights in Note 7(b)(ii);
(iii) director's personal guarantee; and
(iv) corporate guarantees by external companies and the Group's subsidiary companies.

Short-term bank loans bear weighted average effective interest rates of 7.82%, 8.43%, 7.14%, 5.91% and 5.75% per annum for the FYE 31 December 2007, 2008, 2009, 2010 and FPE 31 July 2011 respectively.

(xii) Detailed disclosures on amount due to a shareholder are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Amount due to a shareholder	71,746	32,487	71,746	36,397	71,746	35,765	71,746	33,269	71,746	33,075

The amount due to a shareholder is unsecured and interest-free and repayable on demand. The fair value approximates its carrying amount as at 31 December 2007, 2008, 2009, 2010 and FPE 31 July 2011 respectively.

(xiii) Details disclosures on convertible bonds are as below:

Years/ Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Convertible bonds :-										
Within 12 months	-	-	-	-	137,018	68,303	68,509	31,768	101,816	46,937
More than 12 months	-	-	137,018	69,509	-	-	-	-	-	-

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

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7. **HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(b) Summarised statements of financial position (Cont'd)

(xiii) Details disclosures on convertible bonds are as below (Cont'd):

The first tranche was for USD20 million (approximately RMB137,018,000) in aggregate principal amount of the Convertible Bonds. The second tranche was for USD10 million (approximately RMB68,509,000) in aggregate principal amount of the Convertible Bonds. On 8 December 2008, the Company issued and WWD Ruby subscribed for the first tranche USD20 million (approximately RMB137,018,000) Bonds. The Company did not issue and WWD Ruby did not subscribe to the second tranche.

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

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

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

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

The directors of the Company are of the opinion that the fair value of the Convertible Bonds at inception date when comparing to the carrying amount are not material.

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7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised statements of financial position (Cont'd)

(xiv) Detailed disclosures on deferred income tax liabilities are as below:

Years/Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Balance at beginning	-	-	-	-	-	-	-	-	8,505	3,944
Recognised in profit or loss	-	-	-	-	-	-	8,505	3,944	5,504	2,514
Balance at end	-	-	-	-	-	-	8,505	3,944	14,009	6,458

No deferred tax had been recognised as the Group did not have significant temporary differences which give rise to a deferred tax asset or liability as at 31 December 2007, 2008 and 2009.

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

As at 31 December 2010 and 31 July 2011, deferred tax liabilities arise from 10% withholding tax on 20% of the profit after tax of the PRC subsidiary companies as dividends to the shareholders.

7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(c) Summarised statements of cash flows

The following table sets out the summary of the cash flows based on the Audited Combined Financial Statements of China Stationery Group for the FYE 2007 to 2010 and FPE 2011.

Years/Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cash flows from operating activities										
Profit before taxation	231,722	104,669	332,900	160,425	411,290	211,938	518,716	246,650	327,426	151,827
Adjustments:										
Interest income	(2,078)	(939)	(3,008)	(1,450)	(1,786)	(920)	(2,696)	(1,282)	(2,184)	(1,013)
Depreciation of property, plant and equipment	7,796	3,521	7,744	3,732	13,813	7,118	19,190	9,125	14,022	6,502
Amortisation of land use rights	37	17	47	23	48	25	50	24	139	64
Loss on disposal of property, plant and equipment	-	-	2,022	974	-	-	213	101	-	-
Exchange loss/(gain)	1,555	702	340	164	(4)	(2)	4	2	8	4
Interest expenses on bank borrowings	3,516	1,588	10,437	5,030	16,299	8,399	34,202	16,263	37,908	17,578
Operating profit before working capital changes	242,548	109,558	350,482	168,898	439,660	226,558	569,679	270,883	377,319	174,962
Increase in inventories	(8,792)	(3,971)	(1,378)	(664)	(5,823)	(3,001)	(15,468)	(7,355)	(7,613)	(3,530)
Increase in trade and other receivables	(43,384)	(19,597)	(81,455)	(39,253)	(108,718)	(56,022)	(69,347)	(32,974)	(42,435)	(19,677)
Increase in trade and other payables	17,772	8,028	17,867	8,610	25,639	13,212	12,915	6,141	9,196	4,264
Cash generated from operations	208,144	94,018	285,516	137,591	350,758	180,747	497,779	236,695	336,467	156,019
Interest received	2,078	939	3,008	1,450	1,786	920	2,696	1,282	2,184	1,013
Interest paid	(3,516)	(1,588)	(10,437)	(5,030)	(16,299)	(8,399)	(34,202)	(16,263)	(4,601)	(2,133)
Income tax paid	(16,721)	(7,553)	(59,042)	(28,452)	(68,982)	(35,546)	(114,240)	(54,321)	(115,674)	(53,638)
Net cash generated from operating activities	189,985	85,816	219,045	105,559	267,263	137,722	352,033	167,393	218,376	101,261
Cash flows from investing activities										
Acquisition of property, plant and equipment	(4,727)	(2,135)	(226,023)	(108,920)	(34,980)	(18,025)	(55,451)	(26,367)	(10,094)	(4,681)
Acquisition of land use rights	-	-	(4,712)	(2,271)	-	-	(5,267)	(2,504)	(3,962)	(1,837)
Proceeds from disposal of property, plant and equipment	-	-	36	17	-	-	15	7	-	-
Net cash used in investing activities	(4,727)	(2,135)	(230,699)	(111,174)	(34,980)	(18,025)	(60,703)	(28,864)	(14,056)	(6,518)
Cash flows from financing activities										
Bank loan obtained	45,000	20,327	45,000	21,686	56,500	29,114	80,100	38,088	35,100	16,276
Repayment of bank loan	(45,000)	(20,327)	(45,000)	(21,686)	(45,000)	(23,189)	(87,500)	(41,606)	(32,600)	(15,117)
Proceeds from issue of convertible loan	95,015	42,918	-	-	-	-	-	-	-	-
Proceeds from issue of convertible bond	-	-	137,018	66,029	-	-	-	-	-	-
Purchase of treasury shares	-	-	(95,015)	(45,788)	-	-	-	-	-	-
Repayment of shareholder's loan	(1,453)	(656)	-	-	-	-	-	-	-	-
Payment of dividends	(127,988)	(57,812)	-	-	-	-	-	-	-	-
Payment of redemption of convertible bond	-	-	-	-	-	-	(68,509)	(32,576)	-	-
Proceeds from subscription of treasury shares by LTH	-	-	-	-	-	-	75,701	35,996	-	-
Net cash (used in)/generated from financing activities	(34,426)	(15,550)	42,003	20,241	11,500	5,925	(208)	(98)	2,500	1,159
Effect of foreign exchange translation	-	166	-	770	-	(4,096)	-	(3,437)	-	(559)
Net increase in cash and cash equivalents	150,832	68,297	30,349	15,396	243,783	121,526	291,122	134,994	206,820	95,343
Cash and cash equivalents at beginning of the financial years/ period										
Effect on exchange rate on cash and bank balances on opening balance	(1,555)	(702)	(340)	(164)	4	2	(4)	(2)	(8)	(4)
As previously reported	188,472	85,189	337,749	152,933	367,758	186,564	611,545	304,855	902,663	418,565
Effect on exchange rate changes	-	149	-	18,399	-	(3,237)	-	(21,282)	-	(2,436)
As restated	188,472	85,338	337,749	171,332	367,758	183,327	611,545	283,573	902,663	416,129
Cash and cash equivalents at end of the financial years/period	337,749	152,933	367,758	186,564	611,545	304,855	902,663	418,565	1,109,475	511,468

7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(d) Summarised statements of changes in equity

The following table sets out the summary of changes in equity prepared based on the Audited Combined Financial Statements of China Stationery Group for the FYE 31 December 2007 to 2010 and for the FPE 31 July 2011.

Years/Period Ended	Share capital		Capital reserve		Share premium		Treasury shares		Merger deficit		Statutory reserve		Translation reserve		Retained profits		Total equity	
	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	RMB'000	RM'000	RMB'000	RM'000
Balance at 1 January 2007	827	374	64	29	-	-	-	-	-	-	33,186	15,000	-	-	14,615	6,606	48,692	22,009
Arising from restructuring exercise	4,150	1,875	-	-	-	-	-	-	(4,150)	(1,875)	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	276	-	-	-	276
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	215,276	97,240	215,276	97,240
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	22,760	10,281	-	-	(22,760)	(10,281)	-	-
Balance at 31 December 2007	4,977	2,249	64	29	-	-	-	-	(4,150)	(1,875)	55,946	25,281	-	276	207,131	93,565	263,968	119,525
Conversion of convertible loan	814	392	-	-	94,201	45,396	-	-	-	-	-	-	-	-	-	-	95,015	45,788
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	21,042	-	-	-	21,042
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	262,085	126,299	262,085	126,299
Purchase of treasury shares	-	-	-	-	-	-	(95,015)	(45,788)	-	-	-	-	-	-	-	-	(95,015)	(45,788)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	2,912	1,403	-	-	(2,912)	(1,403)	-	-
Balance at 31 December 2008	5,791	2,641	64	29	94,201	45,396	(95,015)	(45,788)	(4,150)	(1,875)	58,858	26,684	-	21,318	466,304	218,461	526,053	266,866
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,122)	-	-	-	(10,122)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	327,029	168,518	327,029	168,518
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	9,343	4,814	-	-	(9,343)	(4,814)	-	-
Balance at 31 December 2009	5,791	2,641	64	29	94,201	45,396	(95,015)	(45,788)	(4,150)	(1,875)	68,201	31,498	-	11,196	783,990	382,165	853,082	425,262
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,276)	-	-	-	(35,276)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	397,626	189,072	397,626	189,072
Cancellation of 51,291,597 treasury shares	(529)	(252)	-	-	(61,167)	(29,085)	61,696	29,337	-	-	-	-	-	-	-	-	-	-
Subscription of treasury shares by LTH	-	-	-	-	44,027	20,935	31,674	15,061	-	-	-	-	-	-	-	-	75,701	35,996
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	23,583	11,214	-	-	(23,583)	(11,214)	-	-
Balance at 31 December 2010	5,262	2,389	64	29	77,061	37,246	(1,645)	(1,390)	(4,150)	(1,875)	91,784	42,712	-	(24,080)	1,158,033	560,023	1,326,409	615,054

7 ACCOUNTANTS' REPORT (*Cont'd*)

7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(d) Summarised statements of changes in equity (Cont'd)

The following table sets out the summary of changes in equity prepared based on the Audited Combined Financial Statements of China Stationery Group for the FYE 31 December 2007 to 2010 and for the FPE 31 July 2011 (Cont'd).

Years/Period Ended	Share capital		Capital reserve		Share premium		Treasury shares		Merger deficit		Statutory reserve		Translation reserve		Retained profits		Total equity	
	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	RMB'000	RM'000	RMB'000	RM'000
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,197)	-	-	-	(4,197)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	228,390	105,904	228,390	105,904
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	3,146	1,459	-	-	(3,146)	(1,459)	-	-
Balance at 31 July 2011	5,262	2,389	64	29	77,061	37,246	(1,645)	(1,390)	(4,150)	(1,875)	94,930	44,171	-	(28,277)	1,383,277	664,468	1,554,799	716,761

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7. **HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(e) Dividend records

There were no dividends declared for the FYE 31 December 2007, 2008, 2009, 2010 and FPE 31 July 2011.

(f) Segment information

(i) **Business segment**

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segments are organised as follows:-

(1) Patented products

Patented products comprise the plastic tape printer, net bag and files with cover that may be locked. Over FYE 2007, 2008, 2009, 2010 and FPE 2011, the main patented product is the plastic tape printer.

(2) Non-patented products

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

(ii) **Geographical segment**

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

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

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

America includes Argentina, Canada and the United States.

Others include Australia and New Zealand.

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8. COMMITMENTS

(a) Operating lease commitments

(i) Leases as lessee

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

Years/Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Not later than one year	103	47	103	52	75	37	30	14	120	55
In the second to fifth years	105	48	45	23	-	-	-	-	80	37
	208	95	148	75	75	37	30	14	200	92

The amounts included future aggregate minimum lease payments under non-cancellable operating leases in respect of properties located in Building (South) of West Town Architecture Company, Zhongduan Road, Zhenfu Road, Jiangkou, PRC and 6A, 7A, Lianhua Building, No 2011 South People's Road, Luohu District, Shenzhen City, PRC and 16B, Block 1, Luohu Building, Remin Nan Road, Luohu District, Shenzhen City, PRC.

(ii) Leases as lessor

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

Years/Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Not later than one year	-	-	-	-	-	-	37	18	37	17
In the second to fifth years	-	-	-	-	-	-	185	88	148	69
More than five years	-	-	-	-	-	-	141	67	157	73
	-	-	-	-	-	-	363	173	342	159

RMB6,000 (RM3,000) and RMB15,000 (RM7,000) were recognised as rental income in profit or loss by the Group as at 31 December 2010 and 31 July 2011.

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8. COMMITMENTS (CONT'D)

(b) Capital commitments

Years/Period ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2011	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Capital expenditure contracted but not provided for in the financial statements	-	-	117,255	59,483	98,532	49,118	155,938	72,308	148,594	68,502

(c) Other commitments

(i) As at 31 July 2011, the Group has unpaid capital contribution in Ruiyuan amounting to US$5,600,000 (approximately RMB36,075,000 or RM16,631,000).

(ii) As at 31 July 2011, the Group entered into agreements with two foreign companies, who will supply the subsidiary company, Sakura Plastics, raw materials as required and at a market price to be determined. The agreements are for a period of one year commencing 1 November 2007 and are automatically renewable for one year unless terminated by either party.

(iii) As at 31 July 2011, the Group has entered into an agreement with a foreign company, who will supply the subsidiary company, Sakura Plastics, raw materials not less than 250 metric tons per month and at a market price to be determined. The agreement is for a period of 1 year commencing 5 June 2007 and is automatically renewable for one year and so on hereafter unless otherwise terminated by either parties.

(iv) As at 31 July 2011, the Group has unpaid expenditure in Sakura Stationery of an amount approximately RMB3,850,000 (RM1,775,000) in relation to the advertisement expenses.

(v) As at 31 July 2011, the Group has entered into an agreement with a local company, who will supply the subsidiary company, Ruiyuan, raw materials not less than 1,000,000 pieces each for the ink and ink boxes and at a market price to be determined. The agreement is for a period of 2 years commencing 1 March 2009 and is automatically renewable for 2 years and so on hereafter unless otherwise terminated by either parties.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

No other item, transaction or event of a material or unusual nature has arisen in the interval between 31 July 2011 and the date of this report except as below:

a) WWD Ruby had on 30 June 2011 issued a notice of redemption for the Remaining Bonds which had expired on 30 June 2011. In conjunction with the said redemption of the Remaining Bonds, on 17 August 2011, the Company had entered into an agreement with an investor, LHY, for the grant of a convertible loan to the Company for purpose of the said redemption by issuing a USD15.81million (approximately RMB101,816,000) new convertible loan. The convertible loan entered by the Company and LHY shall not bear any interest before the maturity date (12 months from drawdown date). If the conversion notice shall not have been issued by the maturity date, the Company shall pay interest in arrears on the outstanding loan from the drawdown date to the date of actual repayment at the rate of 5% per annum, calculated on daily rest basis. The Remaining Bonds have been fully redeemed by the Company on 22 August 2011 at a redemption price of USD15.81million (approximately RMB101,816,000).

(b) On 4 November 2011, the Company issued conversion notice to LHY that the Company had completed the Share Split and determined the public offer price for each of the Shares in their initial public offering as RM0.95 and issue 49,926,316 conversion shares on 14 November 2011 in accordance with the agreement dated 17 August 2011.

(c) On 2 December 2011, the Company had entered into an extension agreement with LTH to extend the Listing Deadline from 30 November 2011 to on or before 31 January 2012. In consideration of LTH agreeing to the further extension, the Put Option Price adjusted from RM38.2 million (approximately RMB81,030,000) to RM38.4 million (approximately RMB83,057,000). In the event Listing does not occur on or before 31 January 2012, LTH has 30 working days to exercise its put option.

(d) Pursuant to a directors' resolution passed on 6 January 2012, the Company has cancelled all its treasury shares of 2,735,540.

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10. **AUDITED COMBINED FINANCIAL STATEMENTS**

No Audited Combined Financial Statements have been prepared in respect of any period subsequent to 31 July 2011.

Yours faithfully,

SJ GRANT THORNTON
Firm Number: AF 0737
Chartered Accountants

DATO' N.K. JASANI
Approval Number: 708/03/12 (J/PH)
Partner of the Firm

GrantThornton

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(Prepared for inclusion in the Prospectus)

Date: 6 January 2012

SJ Grant Thornton (AF:0737)
Level 11, Faber Imperial Court
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50774 Kuala Lumpur, Malaysia
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The Board of Directors
China Stationery Limited
Canon's Court
22 Victoria Street
Hamilton HM12, Bermuda

Dear Sirs,

CHINA STATIONERY LIMITED AND ITS SUBSIDIARY COMPANIES
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

We have reviewed the Proforma Consolidated Financial Information of China Stationery Limited ("China Stationery" or "the Company") and its subsidiary companies: Campus Developments Limited ("Campus"), Sunwealth Group Limited ("Sunwealth"), Sakura (Fujian) Packaging & Stationery Co., Ltd. ("Sakura Stationery"), Sakura (Fujian) Plastic Enterprise Co., Ltd. ("Sakura Plastic") and Ruiyuan (Fujian) Enterprise Co., Ltd. ("Ruiyuan") (collectively known as "China Stationery Group" or "the Group") for the financial years ended 31 December 2007 to 2010 and financial period ended 31 July 2011, together with the notes and assumptions thereto, as set out in the Prospectus, which we have stamped for the purpose of identification, in connection with the listing and quotation of the entire enlarged issued and paid-up share capital of China Stationery on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Proforma Consolidated Financial Information has been prepared solely for the purpose of inclusion in the Prospectus ("Prospectus") on the basis of assumptions as set out below and after making certain adjustments to show:

(i) the financial results of China Stationery Group for the financial years ended 31 December 2007 to 2010 and financial period ended 31 July 2011 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial years/ period being reported on;

(ii) the financial position of China Stationery Group as at 31 July 2011, adjusted for the Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby Limited ("WWD Ruby") and Issuance of Shares to Liu Han Yun ("LHY"), Public Issue (as define in Prospectus) and Utilisation of Listing Proceeds; and

Chartered Accountants
Member firm of Grant Thornton International Ltd

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(iii) the cash flows of China Stationery Group for the financial period ended 31 July 2011 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial period ended 31 July 2011, adjusted for the Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby and Issuance of Shares to LHY, Public Issue and Utilisation of Listing Proceeds.

The Proforma Consolidated Financial Information, because of its nature, may not give a true picture of China Stationery Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial position, results and cash flows.

It is the sole responsibility of the Directors of China Stationery Group to prepare the Proforma Consolidated Financial Information in accordance with the requirements of the Prospectus Guidelines in respect of Public Offerings issued by the Securities Commission. Our responsibility is to form an opinion as required by the Prospectus Guidelines on the Proforma Consolidated Financial Information and our report is given to you solely for this, and no other purpose.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Financial Information, nor do we accept responsibility for such reports or opinions beyond that is owed to those to whom those reports or opinions were addressed by us at the date of their issue.

Our work, which involved no independent examination of any of the underlying financial information, primarily to compare the Proforma Consolidated Financial Information with the Audited Combined Statements of Financial Position, Audited Combined Statements of Comprehensive Income, Audited Combined Statements of Changes in Equity, Audited Combined Statements of Cash Flows, a summary of significant accounting policies and other explanatory notes of China Stationery Group ("Audited Combined Financial Statements"), considering the evidence supporting the adjustments and discussing the Proforma Consolidated Financial Information with the Directors of China Stationery Group.

In our opinion, the Proforma Consolidated Financial Information together with the accompanying notes which are provided solely for illustrative purposes only,

(a) have been properly compiled on a basis of preparation as stated in the notes thereto such basis is consistent with the accounting policies adopted by China Stationery Group in the Audited Combined Financial Statements;

(b) the adjustments are appropriate for the purposes of the Proforma Consolidated Financial Information; and

(c) the Audited Combined Financial Statements used in the preparation of the Proforma Consolidated Financial Information were prepared in accordance with International Financial Reporting Standards ("IFRS").

8 PROFORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

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This letter is not to be reproduced, referred to in any other document, or used or relied upon for any other purpose without our prior written consent.

Yours faithfully,

SJ GRANT THORNTON
NO. AF: 0737
CHARTERED ACCOUNTANTS

DATO' N.K. JASANI
NO: 708/03/12 (J/PH)
PARTNER OF THE FIRM

8 PROFORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

CHINA STATIONERY LIMITED

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

AND ITS SUBSIDIARY COMPANIES

Basis of preparation of Proforma Consolidated Financial Information

1. The Proforma Consolidated Financial Information have been prepared to illustrate:

   a) the financial results of China Stationery Group for the Financial Years Ended ("FYE") 31 December 2007 to 2010 and Financial Period Ended ("FPE") 31 July 2011 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial years/ period being reported on;

   b) the financial position of China Stationery Group as at 31 July 2011, adjusted for the Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby and Issuance of Shares to LHY, Public Issue and Utilisation of Listing Proceeds; and

   c) the cash flows of China Stationery Group for the FPE 31 July 2011 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the FPE 31 July 2011, adjusted for the Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby and Issuance of Shares to LHY, Public Issue and Utilisation of Listing Proceeds.

2. The Proforma Consolidated Financial Information has been prepared based on the Audited Combined Financial Statements of China Stationery Group for the FYE 31 December 2007 to 2010 and FPE 31 July 2011 using the bases and the accounting principles consistent with those adopted in the Audited Combined Financial Statements, after giving effect to the proforma adjustments which are considered appropriate.

3. For illustrative purposes, it was assumed that the Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby and Issuance of Shares to LHY which were completed subsequent to the FPE 31 July 2011, took place prior to 1 January 2007 in arriving the proforma consolidated financial results for the FYE 31 December 2007 to 2010 and FPE 31 July 2011.

4. The Proforma Consolidated Financial Information has been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results and cash flows of China Stationery Group.

5. The Audited Combined Financial Statements for the FYE 31 December 2007 to 2010 and FPE 31 July 2011 were prepared in accordance with International Financial Reporting Standards ("IFRS").

6. The financial information of China Stationery Group is measured using the currency of the primary economic environment in which the Group operates. The functional currency of the Group is Renminbi ("RMB").

Stamped for the purpose of identification on:
0 6 JAN 2012
SJ Grant Thornton

8 PROFORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

CHINA STATIONERY LIMITED

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

AND ITS SUBSIDIARY COMPANIES

(i) PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Proforma Consolidated Statements of Comprehensive Income of China Stationery Group for the past four (4) FYE 31 December 2007 to 2010, FPE 31 July 2010 and 2011 are provided for illustrative purposes, extracted from the Audited Combined Financial Statements of China Stationery Group by assuming that China Stationery Group has been in existence throughout the financial years/ periods under review.

Years/ Periods ended	31/12/2007		31/12/2008		31/12/2009		31/12/2010		31/07/2010@		31/07/2011	
	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
Profit before depreciation, amortisation, interest expenses and taxation	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)
Profit before taxation but after depreciation, amortisation and interest expenses	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)
Profit after taxation	215,276	97,240	262,085	126,299	327,029	168,518	397,626	189,072	211,781	102,203	228,390	105,904
Gross profit margin (%)	49.42	49.42	49.57	49.57	48.30	48.30	45.76	45.76	45.51	45.51	45.30	45.30
Pre-tax profit margin (%)	44.89	44.89	38.81	38.81	38.10	38.10	36.82	36.82	36.55	36.55	33.66	33.66
Profit after tax margin (%)	41.70	41.70	30.55	30.55	30.29	30.29	28.22	28.22	27.49	27.49	23.48	23.48
Effective tax rate (%)	7.10	7.10	21.27	21.27	20.49	20.49	23.34	23.34	24.79	24.79	30.25	30.25
Gross Earnings Per Share "EPS"* (RMB/RM)	0.21	0.09	0.30	0.15	0.37	0.19	0.47	0.22	0.44^	0.21^	0.51^	0.24^
Net EPS* (RMB/RM)	0.20	0.09	0.24	0.11	0.30	0.15	0.36	0.17	0.33^	0.16^	0.36^	0.16^

- There were no exceptional or extraordinary items in all the financial years and periods under review
- There were no accounting policies which are peculiar to China Stationery Group as a result of the nature of business or industry it was involved in that would affect the determination of China Stationery Group's income or financial position

* Based on enlarged share capital of 1,102,590,776 ordinary shares (number of ordinary shares assumed to be issued upon completion of Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby and Issuance of Shares to LHY but before Public Issue)

^ Annualised to 12 months for comparison purpose

@ The statement of comprehensive income for FPE 31 July 2010 is unaudited and is included for comparison purposes only

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AND ITS SUBSIDIARY COMPANIES

(i) PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1. The Proforma Consolidated Statements of Comprehensive Income have been prepared based on the Audited Combined Financial Statements of China Stationery for the FYE 31 December 2007 to 2010, FPE 31 July 2010 and 2011.

2. There were no extraordinary or exceptional items in all the financial years/ periods under review.

3. China Stationery Group's results have been restated through appropriate consolidation adjustments to eliminate inter-company transactions under the existing group structure.

4. In preparing the Proforma Consolidated Statements of Comprehensive Income, the Group has converted all figures stated in Renminbi ("RMB") into Ringgit Malaysia ("RM") based on the following exchange rates:

	FYE 2007 RM	FYE 2008 RM	FYE 2009 RM	FYE 2010 RM	FPE 2010 RM	FPE 2011 RM
Statements of comprehensive income based on average rates for the relevant years/ periods						
RMB	0.4517	0.4819	0.5153	0.4755	0.4826	0.4637

The functional currency and presentation currency for Audited Combined Financial Statements are both in RMB. RM is neither the functional currency nor presentation currency.

The translation from RMB into RM in this report is to comply with the requirements of Prospectus Guidelines – Paragraph 12.01 where all financial statements prepared in currency other than RM must be translated into RM.

8 PROFORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Proforma Consolidated Statements of Financial Position of China Stationery as at 31 July 2011 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Proforma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 31 July 2011.

		As at 31 July 2011		Proforma I		Proforma II		Proforma III		Proforma IV	
		RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000
Share capital	4	5,262	2,389	4,977	2,249	5,244	2,372	5,725	2,594	5,725	2,594
Share premium	5	77,061	37,246	75,701	35,996	177,250	82,810	362,235	168,088	354,478	164,512
Merger deficit	6	(4,150)	(1,875)	(4,150)	(1,875)	(4,150)	(1,875)	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	7	94,930	44,171	94,930	44,171	94,930	44,171	94,930	44,171	94,930	44,171
Treasury shares	8	(1,645)	(1,390)	-	-	-	-	-	-	-	-
Capital reserve	9	64	29	64	29	64	29	64	29	64	29
Translation reserve	10	-	(28,277)	-	(28,277)	-	(28,277)	-	(28,277)	-	(28,277)
Retained earnings	11	1,383,277	664,468	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	849,198	1,819,738	838,898
Represented by:											
NON-CURRENT ASSETS											
Property, plant and equipment	12	283,016	130,470	283,016	130,470	283,016	130,470	283,016	130,470	401,070	184,893
Land use rights	13	15,338	7,071	15,338	7,071	15,338	7,071	15,338	7,071	15,338	7,071
Non-current receivables	14	48,534	22,374	48,534	22,374	48,534	22,374	48,534	22,374	48,534	22,374
Investment property	15	172	79	172	79	172	79	172	79	172	79
Total non-current assets		347,060	159,994	347,060	159,994	347,060	159,994	347,060	159,994	465,114	214,417
CURRENT ASSETS											
Inventories	16	43,535	20,070	43,535	20,070	43,535	20,070	43,535	20,070	43,535	20,070
Trade and other receivables	17	403,199	185,875	403,199	185,875	403,199	185,875	403,199	185,875	403,199	185,875
Cash and bank balances	18	1,109,475	511,468	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	1,556,209	717,413	1,741,675	802,913	1,601,278	738,190

8 PROFORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

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AND ITS SUBSIDIARY COMPANIES

(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		As at 31 July 2011		Proforma I		Proforma II		Proforma III		Proforma IV	
		RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000
CURRENT LIABILITIES											
Trade and other payables	19	102,441	47,226	102,441	47,226	102,441	47,226	102,441	47,226	102,441	47,226
Borrowings	20	51,600	23,788	51,600	23,788	51,600	23,788	51,600	23,788	51,600	23,788
Amount due to a shareholder	21	71,746	33,075	71,746	33,075	71,746	33,075	71,746	33,075	71,746	33,075
Convertible bonds	22	101,816	46,937	101,816	46,937	-	-	-	-	-	-
Income tax payable	23	6,858	3,162	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	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	695,662	1,368,633	630,939
NON-CURRENT LIABILITY											
Deferred income tax liabilities	24	14,009	6,458	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	14,009	6,458
		1,554,799	716,761	1,554,799	716,761	1,656,615	763,698	1,842,081	849,198	1,819,738	838,898
NUMBER OF ORDINARY SHARES ('000)		527,700	527,700	1,052,664	1,052,664	1,102,590	1,102,590	1,192,590	1,192,590	1,192,590	1,192,590
		RMB	RM	RMB	RM	RMB	RM	RMB	RM	RMB	RM
NET TANGIBLE ASSETS PER ORDINARY SHARE OF:											
- SGD0.001 EACH		-	-	1.48	0.68	1.50	0.69	1.54	0.71	1.53	0.70
- 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	1.53	0.70
- SGD0.002 EACH		2.95	1.36	-	-	-	-	-	-	-	-

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. The Proforma Consolidated Statements of Financial Position have been prepared based on the Audited Combined Financial Statements of China Stationery Group as at 31 July 2011 using the merger method of accounting.

2. Conversion rate

In preparing the Proforma Consolidated Statements of Financial Position, the Group has converted all figures stated in Renminbi ("RMB") into Ringgit Malaysia ("RM") based on the following exchange rate:

	RM
Statement of financial position based on closing rate at the reporting date	
RMB	0.4610

The functional currency and presentation currency for Audited Combined Financial Statements are both in RMB. RM is neither the functional currency nor presentation currency.

The translation from RMB into RM in this report is to comply with the requirements of Prospectus Guidelines – Paragraph 12.01 where all financial statements prepared in currency other than RM must be translated into RM.

3. The Proforma Consolidated Statements of Financial Position together with notes thereon, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of Audited Combined Financial Statements of China Stationery to illustrate the Consolidated Statements of Financial Position of China Stationery Group assuming that all the transactions mentioned below had taken place on 31 July 2011:

Proforma I: Share Split and Cancellation of Treasury Shares

Subdivison of 1 existing ordinary share of SGD0.002 each and 1 existing treasury share of China Stationery into 2 new ordinary shares of SGD0.001 each and 2 new treasury shares respectively of China Stationery which completed on 2 November 2011.

Cancellation of the entire 2,735,540 treasury shares pursuant to section 42B(7) of the Companies Act 1981 of Bermuda (as amended) which completed on 6 January 2012.

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3. (Cont'd)

Proforma II: Repayment to WWD Ruby and Issuance of Shares to LHY

Repayment to WWD Ruby dated 22 August 2011 arising from the redemption of the remaining USD10 million Convertible Bonds held by WWD Ruby and in accordance with the redemption mechanism stated in the terms and conditions of the Convertible Bond issued on 8 December 2008.

Issuance of 49,926,316 new ordinary shares of SGD0.001 each in China Stationery to LHY as a result of the conversation of the USD15.81 million convertible loan from LHY to China Stationery, at a conversation price equal to IPO price which completed on 14 November 2011.

Proforma III: Initial Public Offering ("IPO")

Public Issue

Public Issue of 90,000,000 new ordinary shares of SGD0.001 in China Stationery ("Public Issue Shares"), representing approximately 7.5% of the enlarged issued and paid-up share capital of China Stationery, at an issue price of RM0.95 per ordinary share ("IPO Price"), payable in full on application, and will be allocated and allotted in the following manner:-

(a) Malaysian public via balloting

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

(b) Selected investors via private placement

30,000,000 Public Issue Shares, representing approximately 2.5% of the enlarged issued and paid-up share capital of China Stationery, will be made available by way of private placement to selected investors.

Offer for Sale

Offer for Sale of 133,000,000 ordinary shares ("Offer Shares") representing between approximately 11.2% of the enlarged issued and paid-up share capital, to potential selected investors to be identified by way of private placement at an offer price of RM0.95 per ordinary share.

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3. (Cont'd)

Proforma IV: Utilisation of Proceeds from Public Issue

China Stationery seeks a listing and quotation of its entire enlarged issued and paid-up share capital comprising 1,192,590,776 ordinary shares on the Main Market of Bursa Securities ("the Listing"), the gross proceeds arising from the Public Issue amounting to RMB185,466,000 (RM85,500,000) are expected to be fully utilised for the core business of China Stationery Group in the following manner:-

	RMB'000	RM'000
Advertisement and promotion activities	23,377	10,777
Purchase of machineries	63,813	29,418
Purchase of machineries for research and development department	54,241	25,005
Working capital	21,692	10,000
Estimated listing expenses	22,343	10,300
	185,466	85,500

The listing expenses are estimated at RMB22,343,000 (RM10,300,000) and will be set off against the share premium account and profit or loss account.

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

4. SHARE CAPITAL

The movement of the share capital account is as follows:

	RMB'000	RM'000
As at 31 July 2011	5,262	2,389
Share Split and Cancellation of Treasury Shares	(285)	(140)
Proforma I	4,977	2,249
Repayment to WWD Ruby and Issuance of Shares to LHY	267	123
Proforma II	5,244	2,372
IPO	481	222
Proforma III and IV	5,725	2,594

5. SHARE PREMIUM

The movement of the share premium account is as follows:

	RMB'000	RM'000
As at 31 July 2011	77,061	37,246
Share Split and Cancellation of Treasury Shares	(1,360)	(1,250)
Proforma I	75,701	35,996
Repayment to WWD Ruby and Issuance of Shares to LHY	101,549	46,814
Proforma II	177,250	82,810
IPO	184,985	85,278
Proforma III	362,235	168,088
Utilisation of Proceeds from Public Issue - Listing expenses	(7,757)	(3,576)
Proforma IV	354,478	164,512

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

6. MERGER DEFICIT

The movement of the merger deficit account is as follows:

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	(4,150)	(1,875)

7. STATUTORY RESERVE

The movement of the statutory reserve account is as follows:

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	94,930	44,171

8. TREASURY SHARES

The movement of the treasury shares account is as follows:

	RMB'000	RM'000
As at 31 July 2011	(1,645)	(1,390)
Share Split and Cancellation of Treasury Shares	1,645	1,390
Proforma I to IV	-	-

9. CAPITAL RESERVE

The movement of the capital reserve account is as follows:-

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	64	29

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

10. TRANSLATION RESERVE

The movement of the translation reserve account is as follows:-

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	-	(28,277)

11. RETAINED EARNINGS

The movement of the retained earnings account is as follows:

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to III	1,383,277	664,468
Utilisation of Proceeds from Public Issue		
- Listing expenses	(14,586)	(6,724)
Proforma IV	1,368,691	657,744

8 PROFORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

12. PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment account is as follows:

	Buildings		Construction in progress		Plant and machinery		Furniture, fixtures and office equipment		Motor vehicle		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cost												
As at 31 July 2011/ Proforma I to III	138,096	63,662	24,528	11,307	193,680	89,287	1,854	855	1,055	486	359,213	165,597
Utilisation of Proceeds from Public Issue (Note 3)	-	-	-	-	118,054	54,423	-	-	-	-	118,054	54,423
Proforma IV	138,096	63,662	24,528	11,307	311,734	143,710	1,854	855	1,055	486	477,267	220,020
Accumulated depreciation												
As at 31 July 2011/ Proforma I to IV	6,451	2,974	-	-	68,249	31,463	661	305	836	385	76,197	35,127
Net carrying amount												
As at 31 July 2011/ Proforma I to III	131,645	60,688	24,528	11,307	125,431	57,824	1,193	550	219	101	283,016	130,470
Utilisation of Proceeds from Public Issue (Note 3)	-	-	-	-	118,054	54,423	-	-	-	-	118,054	54,423
Proforma IV	131,645	60,688	24,528	11,307	243,485	112,247	1,193	550	219	101	401,070	184,893

13. LAND USE RIGHTS

The movement of the land use rights account is as follows:

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	15,338	7,071

14. NON-CURRENT RECEIVABLES

The movement of the non-current receivables account is as follows:

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	48,534	22,374

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

15. INVESTMENT PROPERTY

The movement of the investment property account is as follows:

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	172	79

16. INVENTORIES

The movement of the inventories account is as follows:

	RMB'000	RM'000
At cost		
Raw materials	22,261	10,262
Work-in-progress	9,190	4,237
Finished goods	12,084	5,571
As at 31 July 2011 / Proforma I to IV	43,535	20,070

17. TRADE AND OTHER RECEIVABLES

The movement of the trade and other receivables account is as follows:

	RMB'000	RM'000
Trade receivables	395,050	182,118
Prepayments and other receivables	8,149	3,757
As at 31 July 2011 / Proforma I to IV	403,199	185,875

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

18. CASH AND BANK BALANCES

The movement of the cash and bank balances account is as follows:

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to II	1,109,475	511,468
IPO	185,466	85,500
Proforma III	1,294,941	596,968
Utilisation of Proceeds from Public Issue		
- Purchase of machineries	(63,813)	(29,418)
- Purchase of machineries for research and development department	(54,241)	(25,005)
- Listing expenses	(22,343)	(10,300)
Proforma IV	1,154,544	532,245

Cash and bank balances are denominated in the following currencies:

	RMB'000	RM'000
Renminbi	1,109,229	511,354
United States Dollar	242	112
Hong Kong Dollar	4	2
Ringgit Malaysia (assuming remaining listing proceeds after utilisation of listing proceeds)	45,069	20,777
	1,154,544	532,245

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

19. TRADE AND OTHER PAYABLES

The movement of the trade and other payables account is as follows:

	RMB'000	RM'000
Trade payables	74,923	34,540
VAT payable	2,663	1,228
Advances from customers	15,015	6,922
Accrued liabilities	5,506	2,538
Property, plant and machinery payables	2,957	1,363
Accrued IPO expenses	1,377	635
As at 31 July 2011 / Proforma I to IV	102,441	47,226

20. BORROWINGS

The movement of the borrowings account is as follows:

	RMB'000	RM'000
Short term bank loans – Secured		
As at 31 July 2011 / Proforma I to IV	51,600	23,788

21. AMOUNT DUE TO A SHAREHOLDER

The movement of the amount due to a shareholder account is as follows:-

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	71,746	33,075

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8 PROFORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

22. CONVERTIBLE BONDS

The movement of the convertible bonds account is as follows:

	RMB'000	RM'000
As at 31 July 2011 / Proforma I	101,816	46,937
Repayment to WWD Ruby and Issuance of Shares to LHY	(101,816)	(46,937)
Proforma II to IV	-	-

23. INCOME TAX PAYABLE

The movement of the income tax payable account is as follows:-

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	6,858	3,162

24. DEFERRED INCOME TAX LIABILITIES

The movement of the deferred income tax liabilities account is as follows:-

	RMB'000	RM'000
As at 31 July 2011 / Proforma I to IV	14,009	6,458

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

25. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

(a) WWD Ruby had on 30 June 2011 issued a notice of redemption for the Remaining Bonds which had expired on 30 June 2011. In conjunction with the said redemption of the Remaining Bonds, on 17 August 2011, the Company had entered into an agreement with an investor, LHY, for the grant of a convertible loan to the Company for purpose of the said redemption by issuing a USD15.81 million (approximately RMB101,816,000) new convertible loan. The convertible loan entered by the Company and LHY shall not bear any interest before the maturity date (12 months from drawdown date). If the conversion notice shall not have been issued by the maturity date, the Company shall pay interest in arrears on the outstanding loan from the drawdown date to the date of actual repayment at the rate of 5% per annum, calculated on daily rest basis. The Remaining Bonds have been fully redeemed by the Company on 22 August 2011 at a redemption price of USD15.81 million (approximately RMB101,816,000).

(b) On 4 November 2011, the Company issued conversion notice to LHY that the Company had completed the Share Split and determined the public offer price for each of the Shares in their initial public offering as RM0.95 and issue 49,926,316 conversion shares on 14 November 2011 in accordance with the agreement dated 17 August 2011.

(c) On 2 December 2011, the Company had entered into an extension agreement with Lembaga Tabung Haji ("LTH") to extend the Listing Deadline from 30 November 2011 to on or before 31 January 2012. In consideration of LTH agreeing to the further extension, the Put Option Price adjusted from RM38.2 million (approximately RMB81,030,000) to RM38.4 million (approximately RMB83,057,000). In the event Listing does not occur on or before 31 January 2012, LTH has 30 working days to exercise its put option.

(d) Pursuant to a directors' resolution passed on 6 January 2012, the Company has cancelled all its treasury shares of 2,735,540.

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

26. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of all financial assets and liabilities with a maturity of less than one year approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at reporting date would be significantly different from the values that would eventually be received or settled.

27. COMMITMENTS

(a) Operating lease commitments

(i) Leases as lessee

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

	RMB'000	RM'000
Not later than one year	120	55
Later than one year and not later than five years	80	37
	200	92

The amounts included future aggregate minimum lease payments under non-cancellable operating leases in respect of properties located in 6A, 7A, Lianhua Building, No 2011 South People's Road, Luohu District, Shenzhen City, PRC.

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

27. COMMITMENTS (CONT'D)

(a) Operating lease commitments (Cont'd)

(ii) Leases as lessor

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

	RMB'000	RM'000
Not later than one year	37	17
In the second to fifth years	148	69
More than five years	157	73
	342	159

(b) Capital commitments

	RMB'000	RM'000
Capital expenditure contracted but not provided for in the financial statements	148,594	68,502

(c) Other commitments

(i) As at 31 July 2011, the Group has unpaid capital contribution in Ruiyuan amounting to US$5,600,000 (approximately RMB36,075,000 or RM16,631,000).

(ii) As at 31 July 2011, the Group entered into agreements with two foreign companies, who will supply the subsidiary company, Sakura Plastics, raw materials as required and at a market price to be determined. The agreements are for a period of one year commencing 1 November 2007 and are automatically renewable for one year unless terminated by either party.

(iii) As at 31 July 2011, the Group has entered into an agreement with a foreign company, who will supply the subsidiary company, Sakura Plastics, raw materials not less than 250 metric tons per month and at a market price to be determined. The agreement is for a period of 1 year commencing 5 June 2007 and is automatically renewable for one year and so on hereafter unless otherwise terminated by either parties.

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

27. **COMMITMENTS (CONT'D)**

(c) Other commitments (cont'd)

(iv) As at 31 July 2011, the Group has unpaid expenditure in Sakura Stationery of an amount approximately RMB3,850,000 (RM1,775,000) in relation to the advertisement expenses.

(v) As at 31 July 2011, the Group has entered into an agreement with a local company, who will supply the subsidiary company, Ruiyuan, raw materials not less than 1,000,000 pieces each for the ink and ink boxes and at a market price to be determined. The agreement is for a period of 2 years commencing 1 March 2009 and is automatically renewable for 2 years and so on hereafter unless otherwise terminated by either parties.

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(ii) PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

28. NET TANGIBLE ASSETS AND NET ASSETS PER ORDINARY SHARE

Based on the Proforma Consolidated Statements of Financial Position of China Stationery Group as at 31 July 2011, the proforma net tangible assets ("NTA") and net assets ("NA") per share is calculated as follows:

	RMB'000	RM'000
Proforma NTA as per Proforma Consolidated Statements of Financial Position	1,819,738	838,898
Proforma NA as per Proforma Consolidated Statements of Financial Position	1,819,738	838,898
Total number of fully issued and paid-up ordinary share of SGD0.001 each assumed to be issued ('000)	1,192,590	1,192,590
	RMB	**RM**
Proforma NTA per ordinary share of SGD0.001 each	1.53	0.70
Proforma NA per ordinary share of SGD0.001 each	1.53	0.70

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(iii) PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS

The following is the Proforma Consolidated Statement of Cash Flows of China Stationery Group prepared for illustrative purpose based on the Audited Combined Financial Statements of China Stationery for the FPE 31 July 2011 assuming that China Stationery Group has been existence throughout the financial period under review.

Period ended	**31 July 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	37,908	17,578
Operating profit before working capital changes	377,319	174,962
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)
Income tax paid	(115,674)	(53,638)
Net cash generated from operating activities	218,376	101,261

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8 PROFORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

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(iii) PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Period ended	31 July 2011	
	RMB'000	RM'000
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)
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
Effect 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	416,129
Cash and cash equivalents at end of the financial period	1,154,544	532,245

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(iii) PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

The Proforma Consolidated Statement of Cash Flows have been prepared based on the Audited Combined Financial Statements of China Stationery Group as at 31 July 2011, with the assumption that the Share Split and Cancellation of Treasury Shares, Repayment to WWD Ruby and Issuance of Shares to LHY, Public Issue and Utilisation of Listing Proceeds have been completed.

The Proforma Consolidated Statement of Cash Flows have been prepared based on accounting principles and basis consistent with those normally adopted in the preparation of Audited Combined Financial Statements of China Stationery Group.

← End of report →

Independent Market Research for the Plastic Stationery, Plastic Tape Printer and Paper Envelope Markets

EXECUTIVE SUMMARY

December 2011

FROST & SULLIVAN

FROST & SULLIVAN

The market research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research, which involves discussing the status of the industry with leading industry participants and industry experts. The research methodology used is the *Expert Opinion Consensus Methodology*. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate.

This market research was completed in December 2007 and subsequently updated in August 2008, July 2010 and December 2011.

This report is prepared for inclusion in the Prospectus of China Stationery Limited for submission to the Securities Commission Malaysia and other relevant parties.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For further information, please contact:
Frost & Sullivan Malaysia Sdn Bhd
Suite E-08-15, Block E, Plaza Mont' Kiara
2, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur.

For and on behalf of Frost & Sullivan Malaysia Sdn Bhd:

Dennis Tan
Director

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Executive Summary

1. Overview, Prospects and Outlook of the Plastic Stationery Market

1.1 Industry/Market Segmentation

This report provides insights on the plastic stationery, plastic tape printer and ink as well as paper envelope (for express mail service) markets in North America, Europe, Japan and China. This includes industry dynamics, market sizes and forecast data for each market. The Chinese market for all of the above mentioned segments excludes Hong Kong as Hong Kong is mainly an export hub and these products are mostly not consumed in Hong Kong.

The plastic stationery as well as plastic tape printer and ink segments make up China Stationery Limited's (CSL) business. CSL is an integrated plastic stationery company with their own brands of plastic stationery products, proprietary products and technical know-how. CSL designs, manufactures and sells 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 their own patented products. Currently, their plastic tape printer is their main proprietary and patented product. CSL's products are sold under their own brands, namely, "SAKURA", "NACHI" and "FOLDERSYS".

The plastic stationery industry is no longer limited to writing instruments such as pens and pencils. The industry has matured and evolved to include a wide array of products covering home, school and office necessities. Broadly, there are four groups of diverse applications of plastic stationery items, namely storage and filing products, writing and drawing instruments, presentation and planning materials, and office and desk accessories.

Figure 1-1 provides an overview of the plastic stationery market and other related markets.

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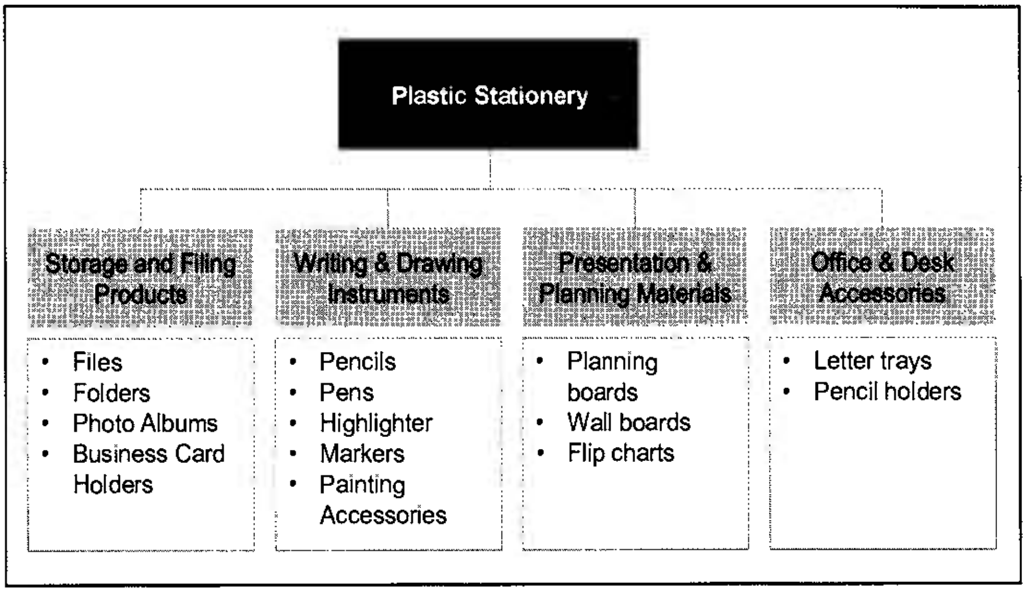
Figure 1-1: Product Families Related to the Plastic Stationery Market



Source: Frost & Sullivan

Storage and Filing Products

This group includes different types of filing and storage products, which are used to save and store documents such as soft plastic filing, suspension filing, ring binders, lever arch files, archival filing, indexes and dividers, business card holders and photo albums.

Writing and Drawing Instruments

This segment includes all sorts of products which consumers use to write, mark, draw or paint. Plastic stationery in this product group includes pencils, ballpoints, roller balls, gift pens, fibre-tipped pens, plastic-tipped pens, crayons, highlighters, markers, and refills. Correction aids, pencil sharpeners and brushes of many types and qualities are also included in this product group, as are artistic materials like graphite-pens and painting accessories such as frames and palettes.

Presentation and Planning materials

This segment includes planning boards, wall boards, white boards, flipcharts and accessories, calendars and year planners.

Office and Desk accessories

The segment Office and Desk accessories includes many products, like, adhesive tapes, pen trays, scissors, pins, clips, fasteners, staplers, letter trays or racks and waste bins.

1.2 Strategic Analysis of the Global Plastic Stationery Market

The demand for plastic stationery comes from companies in the private and public sector, schools, universities and private users. Three main market segments for the stationery market are:

- Professional (business) users (including schools and universities)
- Small office and Home office (SoHo) users
- Private users

Professional users together with the SoHo users account for the major share of almost 70 percent of stationery expenditure. The private segment includes stationery sold for use in China.

The global plastic stationery market was estimated to reach USD 75.0 billion in 2010 and is expected to grow at a compound annual growth rate (CAGR) of 5.3 percent during the forecast period of 2011-2014. By 2014, the market size in terms of revenue is estimated to reach USD 91.2 billion. The industry is a mature one, which has entered the post-competition phase into a brand-creating era, whereby competition will turn from pure price competition to multi-faceted brand competition consisting of service, management and shopping environment.

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Figure 1-2: Estimated Historical and Forecast Market Size for the Plastic Stationery Market (Global), 2005 – 2014F

Year	Approximate Market Size of Plastic Stationery (USD billion)	Growth Rates (%)
2005	61.3	3.8
2006	63.8	4.1
2007	66.4	4.0
2008	69.0	4.0
2009	71.9	4.2
2010	75.0	4.3
2011E	78.1	4.1
2012F	82.2	5.2
2013F	86.5	5.3
2014F	91.2	5.4

Compound Annual Growth Rate (2011E – 2014F): 5.3%
All figures are rounded.

Source: Frost & Sullivan

1.3 Market Trends

The plastic stationery markets in North America, Europe, Japan and China are expected to grow between 1.8 percent and 5.4 percent till year 2014. Between 2011 and 2014, North America has the highest CAGR at 5.1 percent, followed by China (4.4%), Japan (3.5%) and Europe (3.3%). Below is a summary of the forecasted market sizes and trends in each country/region for years 2011 till 2014.

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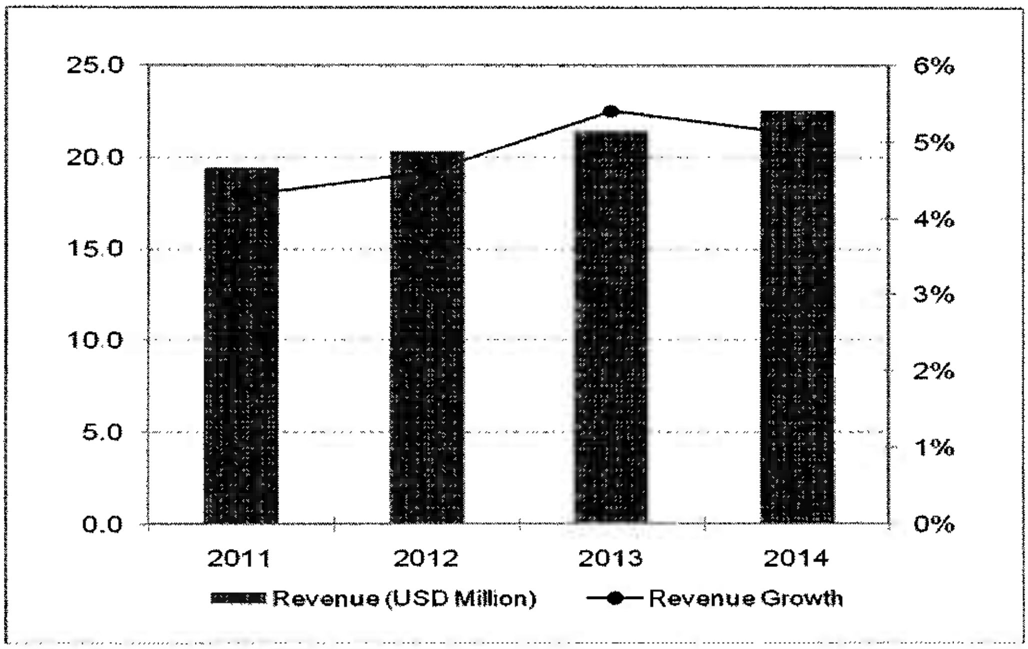
North America

The North American plastic stationery market was estimated to be valued at USD 18.6 billion in 2010 and is expected to reach USD 22.5 billion in 2014 with a CAGR of 5.1 percent between 2011 and 2014. Annual spending per capita for plastic stationery is expected to grow from USD 53.0 in 2009 to USD 64.6 in 2014.

Figure 1-3: Forecast Revenue Growth for the North American Plastic Stationery Market (2011E-2014F)



Year	Approximate Market Size of Plastic Stationery (USD billion)	Growth Rates (%)
2011E	19.4	4.3
2012F	20.3	4.6
2013F	21.4	5.4
2014F	22.5	5.1

Compound Annual Growth Rate (2011E-2014F): 5.1%

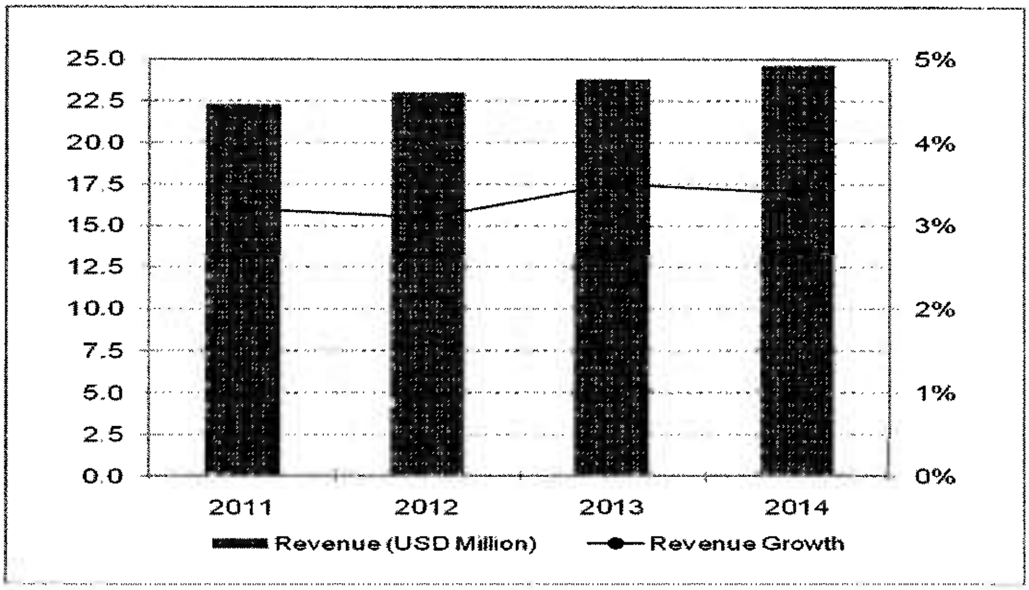
All figures are rounded.

Source: Frost & Sullivan

Europe

The European plastic stationery market was estimated to be valued at USD 21.6 billion in 2010 and is expected to reach USD 24.6 billion in 2014 with a CAGR of 3.3 percent between 2011 and 2014. Annual spending per capita for plastic stationery is expected to grow from USD 42.2 in 2009 to USD 49.4 in 2014.

Figure 1-4: Forecast Revenue Growth for the European Plastic Stationery Market (2011E-2014F)



Year	Approximate Market Size of Plastic Stationery (USD billion)	Growth (%)
2011E	22.3	3.2
2012F	23.0	3.1
2013F	23.8	3.5
2014F	24.6	3.4

Compound Annual Growth Rate (2011E-2014F): 3.3%

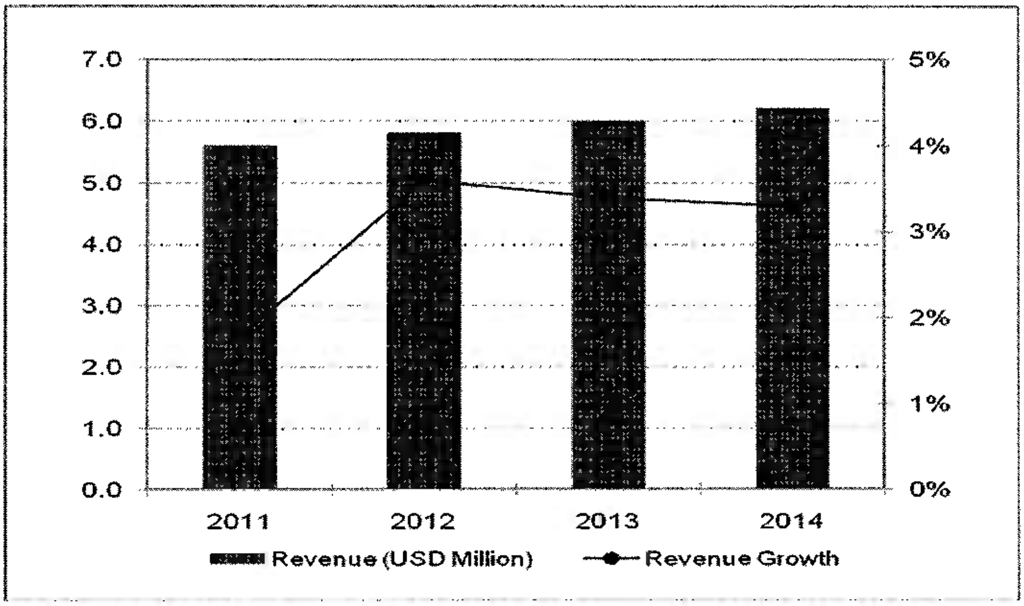
All figures are rounded.

Source: Frost & Sullivan

Japan

The plastic stationery market in Japan was estimated to be valued at USD 5.5 billion in 2010 and is expected to reach USD 6.2 billion in 2014 with a CAGR of 3.5 percent between 2011 and 2014. Annual spending per capita for plastic stationery is expected to grow from USD 43.1 in 2009 to USD 48.9 in 2014.

Figure 1-5: Forecast Revenue Growth for the Japanese Plastic Stationery Market (2011E-2014F)



Year	Approximate Market Size of Plastic Stationery (USD billion)	Growth (%)
2011E	5.6	1.8
2012F	5.8	3.6
2013F	6.0	3.4
2014F	6.2	3.3

Compound Annual Growth Rate (2011E-2014F): 3.5%

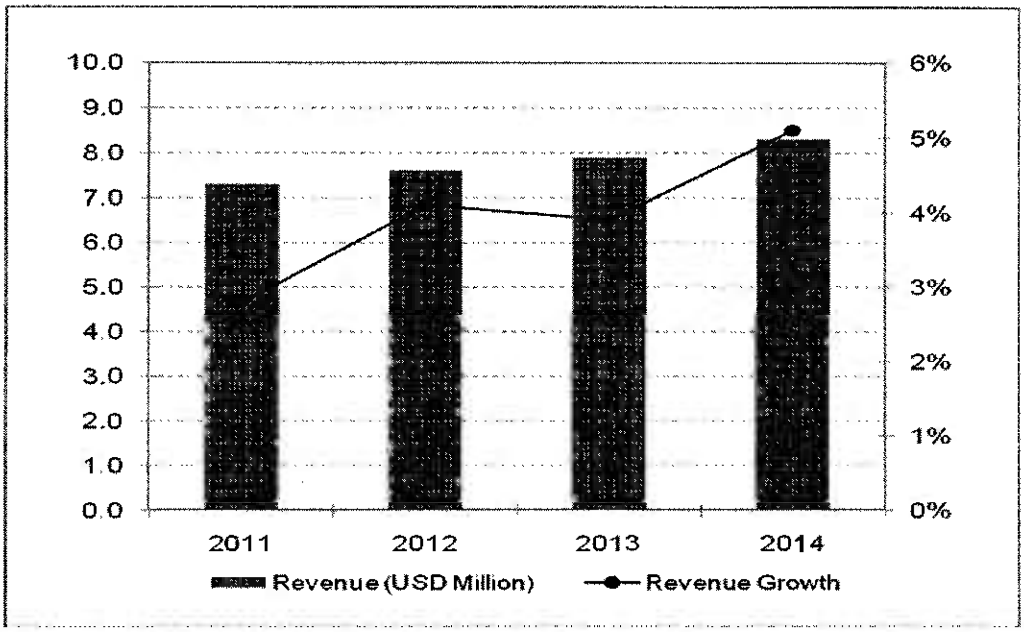
All figures are rounded

Source: Frost & Sullivan

China

The plastic stationery market in China (excluding Hong Kong) was estimated to be valued at USD 7.1 billion in 2010 and is expected to reach USD 8.3 billion in 2014 with a CAGR of 4.4 percent between 2011 and 2014. Annual spending per capita for plastic stationery is expected to grow from USD 5.2 in 2009 to USD 6.1 in 2014.

Figure 1-6: Forecast Revenue Growth for the Chinese Plastic Stationery Market (2011E-2014F)



Year	Approximate Market Size of Plastic Stationery (USD billion)	Growth (%)
2011E	7.3	2.8
2012F	7.6	4.1
2013F	7.9	3.9
2014F	8.3	5.1

Compound Annual Growth Rate (2011E-2014F): 4.4%

All figures are rounded

Source: Frost & Sullivan

The global plastic stationery market is seen as stable and expected to grow at a CAGR of 5.3 percent over the next 4 years, between 2011 and 2014. As the stationery industry is a mature one, it should typically focus on fine-tuning or, improvising and diversifying its products in response to internal and external challenges in order to enhance sustainability.

1.4 Industry Lifecycle

This industry lies in the portion of the mature market in the industry lifecycle. At this level, the industry is usually heavily tied down to some major trends which include macroeconomic developments, population growth and national income. To increase demand and sustain growth in such a market, the industry has to continuously develop value-added innovative products.

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.

1.5 Demand Conditions

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. Impacts of these drivers are illustrated in Figure 1-7.

Figure 1-7: Market Drivers for the Total Global Plastic Stationery Market

No.	Market Drivers
1	Innovative product designs
2	Relative Inelasticity of Demand
3	Increasing levels of literacy

Source: Frost & Sullivan

Growth of the global plastic stationery market is also constrained by several major factors such as the adoption of paperless system and the increasing bargaining power of consumers. Figure 1-8 depicts the level of impact for each market restraint discussed below.

Figure 1-8: Market Restraints for the Total Global Plastic Stationery Market

No.	Market Restraints
1	Adoption of paperless system
2	Pricing pressure remains a major concern
3	Plastics pose environmental threats

Source: Frost & Sullivan

1.6 Spending Per Capita

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 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.

1.7 Key Industry Participants

The Chinese plastic stationery market (excluding Hong Kong) is highly fragmented, with over 8,000 small manufacturers competing on low end, low price products and few players dominating a major share in different segments. CSL faces competition from existing players and potential new entrants in the Chinese market. However, approximately 71.9 percent of CSL's sales for the first half of 2011 were from its non-China customers, evidence that it is not overly reliant on the Chinese market.

Figure 1-9 reflects the competitive structure of the key market participants in the Chinese plastic stationery market.

Figure 1-9: Total Plastic Stationery Market: Competitive Structure (China), 2010

Competitors	Tier 1	Tier 2	Tier 3
Type	Large companies with revenues above USD 50 million (approximately RMB 300 million)	Medium to large companies with revenues between USD 10 million and USD 50 million (approximately RMB 60 – 300 million)	Small and medium enterprises with revenues less than USD 10 million (below RMB 60 million)
Product Range	Products categories are diversified with different varieties and series. Products are more specialized, such as innovetive stationery and custom order office supplies.	Products categories are diversified with different varieties and series. Products are more specialized, such as innovative stationery and custom order office supplies.	Product categories are more generic and less specialized.
Key Participants Note: Companies listed in alphabetical order	• China Stationery Ltd. • Comix Stationery Co. Ltd. • Deli Group Co. Ltd. • Zhejiang Guangbo Group Co., Ltd.	• Chaoyang Shuter Stationery Industry Co. Ltd. • China Sunwood Holding Group • Deqing Zhongying Stationery Products.Co.Ltd. • Guangdong Hualong Stationery Co. Ltd. • Jiataizi Stationery Industry Co. Ltd., Guangdong • Ningbo Guangbo Co. Ltd. • Shanghai Yuanfeng Stationery Co. Ltd. • Zhejiang Ruijiao Stationery Industry Co. Ltd.	• Chang You Plastic Products Co. Ltd. (Yobo Stationery) • Delai Stationery Co.Ltd. • Fujian Henda Group Co. Ltd. • Fushang Xinshidai Stationery Co. Ltd. • Fuyou PP Plastic Office Equipment Manufacturing • Guangzhou Sanhua Plastic Co. Ltd. • Guangzhou Sunriver Stationery Co. Ltd. • Yong Sheng Stationery Enterprises

Source: Frost & Sullivan

Tier 1 Competitors (Revenues ≥USD 50 million)

Tier 1 represents large stationery manufacturers including corporations and international players with presence in China, specializing in wide arrays of stationery series with annual revenues of USD 50 million and above. China Stationery Pte. Ltd., Comix Stationery Co. Ltd (Comix), Deli Group Co. Ltd. and Zhejiang Guangbo Group Co. Ltd. fall in this category.

Zhejiang Guangbo Group develops, manufactures and sells stationery in the Chinese market. These include office stationery, plastic products, printing paper products and import-export trade. Their key products include notebooks, photo albums, packaging materials, office supplies, papers and books. The Group was listed on the Shenzhen Stock Exchange in January 2007. Their revenue for financial year ended (FYE) 2010 was approximately RMB 1,093.7 million with a 6.9 percent profit margin. Zhejiang Guangbo Group's target market is solely in China.

Comix Stationery is strongly involved in research and development, manufacture and distribution of stationery in China and non-Chinese markets. Comix Stationery specializes in Polypropylene (PP) files, file management tools, office equipments and types of stationery. Comix Stationery listed on the Shenzhen Stock Exchange in October 2009. Their revenue for FYE 2010 was approximately RMB 910.7 million with a 5.5 percent profit margin. Its key markets are China (61.0%) and non-China including Europe, the United States (the U.S.) and other Asian countries (39.0%).

CSL is an integrated plastic stationery company with its own brands of plastic stationery products, proprietary products and technical know-how. They 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 their own patented products. CSL's 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, Indonesia, Japan, Kuwait, the Philippines, South Korea and Taiwan but excluding China), Europe, the U.S. and other regions. In China, CSL has entered into 52 agreements to establish shops-in-shops that are dedicated shelves or retail spaces at a retailer's premises such as department stores, chain stores where their products are sold.

Tier 2 Competitors (USD 10 million ≤Revenues < USD 50 million)

Tier 2 represents mid-sized stationery manufacturers including Chinese set-ups and international players. Shanghai Yuanfeng Stationery Co. Ltd., Deqing Zhongying Stationery Products.Co.Ltd, Zhejiang Ruijiao Stationery Industry Co. Ltd., China Sunwood Holding Group, Jiataizi Stationery Industry Co. Ltd., Ningbo Guangbo Co. Ltd., Chaoyang Shuter Stationery Co. Ltd. and Guangdong Hualong Co. Ltd. are categorized as Tier 2 stationery manufacturers. Most of the companies in this tier export their products to the the U.S. and Japan.

Shanghai Yuanfeng Stationery Co. Ltd (a leading player in the Tier 2 category) has a large-scale processing plant and more than 40 stationery chain stores and franchise stores in Shanghai. It has set up long-term cooperative relationship with over 180 shopping malls in China. Its products are exported to Hong Kong, Japan, the U.S.A, Russia, Mauritius and others. Deqing Zhongying Stationery Products Co. Ltd. exports more than 90 percent of its products to the U.S. or 25 percent of their sales with the balance exported to Japan. Yuanfeng Stationery has already formed 130 series with more than 3,000 varieties and specifications of 10 major product categories.

Tier 3 Competitors (Revenues < USD 10 million)

Tier 3 competitors are made up of small set-ups in China with revenues of less than USD 1 million per annum. Fuyou PP Plastic Office Supplies Manufacturing Co., Ltd is a Tier 3 manufacturer specializing plastic in PP stationery, and one of the earliest to produce stationery with PP, Polyethylene (PE) and Polyethylene Terephthalate (PT) material. Their products are exported to over sixty countries and regions including Southeast Asia, Middle East, Japan, Korea, Russia, Eastern Europe, Northern Europe etc. All their products are 100 percent exported to outside of China with Europe being their largest market.

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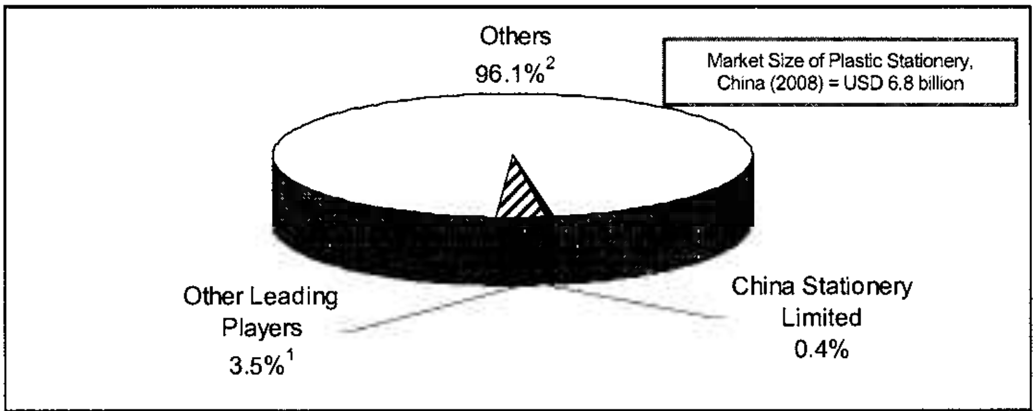
1.8 Market Share in China (excluding Hong Kong)

CSL has approximately 0.4 percent, 0.6 percent and 0.8 percent market share in the plastic stationery market in China in 2008, 2009 and 2010 respectively. This increasing trend is in line with CSL's marketing efforts in China.

For this segment, the market share of key plastic stationery manufacturers in China is estimated based on plastic-based products such as plastic folders, business card holders and albums.

Figure 1-10: Estimated Market Share in the Plastic Stationery Market (China), 2008



Note Exchange rate : 1 USD = 6.83 RMB (average for 2008)*

Source: Frost & Sullivan

- [1] *Other leading plastic stationery manufacturers include Comix Stationery Co. Ltd., Deli Group Co. Ltd, Zhejiang Guangbo Group Co.,Ltd. Shanghai Yuanfeng Stationery Co. Ltd., China Sunwood Holding Group, Jiataizi Stationery Industry Co. Ltd., Deqing Zhongying Stationery Products.Co.Ltd.,*
- [2] *Other small to medium sized plastic stationery manufacturers consisting a total of 8000 players approximately.*

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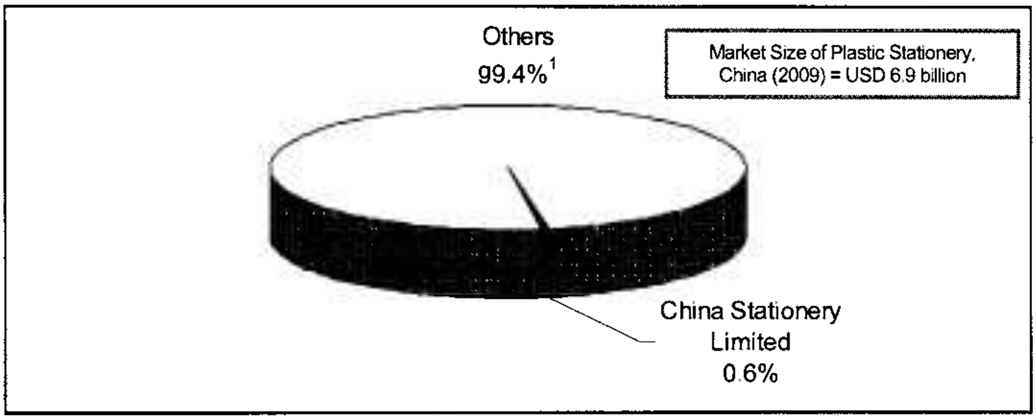
Figure 1-11: Estimated Market Share in the Plastic Stationery Market (China), 2009

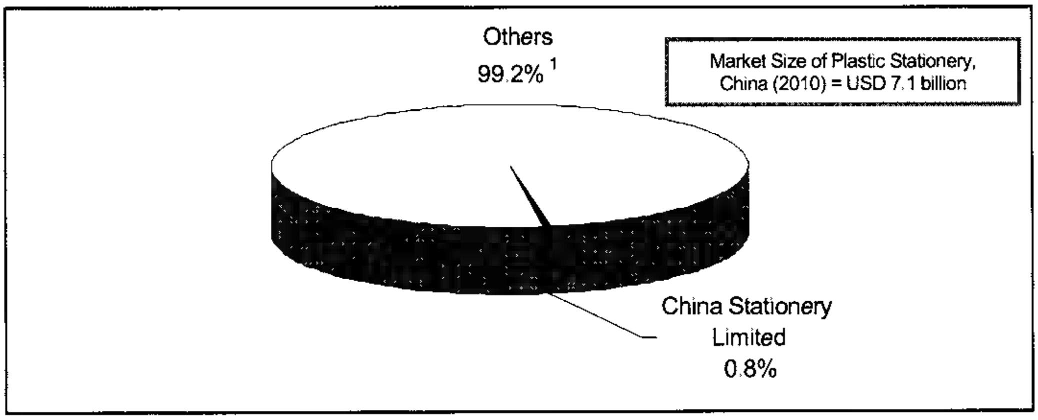


Note Exchange rate : 1 USD = 6.83 RMB (average for 2009)*

Source: Frost & Sullivan

- [1] *All other players.*
- *Note: Estimated market share for leading players not available for 2009, due to the unavailability of relevant information.*

Figure 1-12: Estimated Market Share in the Plastic Stationery Market (China), 2010



Note Exchange rate : 1 USD = 6.77 RMB (average for 2010)*

Source: Frost & Sullivan

- [1] *All other players.*
- *Note: Estimated market share for leading players not available for 2010, due to the unavailability of relevant information.*

1.9 China Stationery Limited's Positioning

CSL is categorised as a Tier 1 stationery manufacturer in China (excluding Hong Kong). In 2008, CSL's market share in China was 0.4 percent, based on approximately 30 percent of their total sales in the same year. In 2009, their market share in China had grown to 0.6 percent, where sales in China remained at about 30 percent of their total sales in the same year. In 2010, CSL's market share in China increased to an estimated 0.8 percent. This market share is commendable given the large size of the stationery market in China and the fragmented nature of the industry. Additionally, it should be emphasized that this market share is based only on CSL's sales in China that accounted for approximately 30 percent of their total sales whereas the remaining 70 percent was from their export market. The low annual spending per capita on stationeries in China (excluding Hong Kong) indicates strong growth potential for the market. Hence, moving forward China will be a strong focus market for CSL's business.

CSL's market share of 0.4 percent in 2008 which increased to 0.8 percent by 2010 also compares favourably against other Tier 1 industry players. These players each have on an average approximately 0.5 percent market share.

1.10 Key Supply Trends and Conditions

The plastic stationery industry in China has shown very fast growth in recent years, with the U.S. and Japan emerging as key importers. This has created an increased demand for raw materials such as plastic and resin.

China imports large quantities of plastic raw materials (which include PP) each year to sustain the plastic stationery industry as the local production can only support approximately 50 percent of the plastic raw material demand in China. China's grip on the commodity sector has clearly intensified in recent years. PP is a commodity as it is produced from the by-product of crude oil, therefore the prices of PP generally moves in tandem with the prices of crude oil, as shown in Figure 1-13.

CSL manufactures its own PP sheets and also purchases PP sheets from various third party suppliers. The materials used to manufacture PP sheets include PP granules, additives, pigments and chemicals. CSL's major suppliers for PP materials are Quanzhou Quangang Hongxin Chemical Trading Co., Ltd. and Horneman Chemplas (Far East) Ltd.

Any shortage of PP materials will adversely affect the company's production, sales and financial performance. However, to date, CSL has not faced any difficulties in obtaining raw materials nor has there been any material increase in raw material price which led to any adverse effects on their business.

In general, fluctuations in commodity prices such as PP directly affects the cost of PP granules that are purchased for in-house manufacturing of PP sheets. However, CSL is able to mitigate this by passing on the price increase in PP raw materials to its customers as CSL constantly reviews and monitors its plastic stationery product prices and adjust them accordingly, if necessary.

CSL has signed 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, CSL is required to purchase a minimum quantity of PP granules per month from Horneman Chemplas (Far East) Ltd, which CSL has so far been able to comply with. CSL maintained a cordial relationship with its PP materials supplier and to date, has not experienced any disruptions to supply.

Apart from these suppliers, there are a number of other suppliers of PP materials in the market which CSL can source for PP materials should the need arise.

1.11 Industry's Reliance and Vulnerability to Imports

China is the world's largest exporter of stationery products and a net exporter. Stationery products from China are shipped to over a hundred countries globally. China imports mostly high-end stationery products, catering largely to specific and niche markets, but in significantly lower quantities than its exports as China produces most of the stationery products for its own consumption. The stationery industry in China has low vulnerability to imports.

CSL uses PP as its major material for the manufacture of its plastic stationery products. PP is an oil by-product used in a variety of applications, such as packaging, textiles, stationery, plastic parts and reusable containers, laboratory equipment and automotive components.

CSL imports almost all of its PP resin to fulfil its manufacturing needs. These are imported from countries such as Korea, Taiwan, Japan, Malaysia, Singapore, Middle East and others through distributors in China and Hong Kong. As PP resin is a by-product of oil and is thus traded globally as a commodity, CSL is not dependent on one particular country to fulfil its PP resin needs. Import sources are determined by prices, quality and delivery timelines. CSL uses very minimal PP resin manufactured in China.

Therefore, the plastic stationery industry is reliant on imports in terms of raw material such as PP. China imports large quantities of plastics materials and resins each year as the output in China of these plastics materials and resins are not sufficient to support the rapidly rising demand from the Chinese market. PP is a global commodity and is therefore easily available.

1.12 Product Substitution

The global market for plastic stationery is large; in 2010 the market size was estimated at USD75.0 billion, having grown 4.3 percent from 2009.

Plastic stationery encompasses many products with some that are more susceptible to substitution by other non-plastic stationery products that perform similar functions than others. To reiterate, plastic stationery includes the following products:

1. **Storage and Filing Products**
   Includes files, folders, photo albums and business card holders
2. **Writing and Drawing Instruments**
   Includes mechanical pencils, pens, highlighters, markers and brushes
3. **Presentation and Planning Materials**
   Includes planning boards, wall boards and flip charts
4. **Office and Desk Accessories**
   Includes letter trays, pencil holders, adhesives and tapes

Out of these four product categories, Frost & Sullivan is in the opinion that the storage and filing products category specifically plastic files and folders is in direct competition with paper-based products thus have the highest susceptibility to substitution. CSL falls under this category as the main stationery products manufactured by CSL are plastic files and folders. The main substitute for plastic files and folders are similar products made from paper. Plastic files and folders are interchangeable with files and folders made from paper and some users using both interchangeably.

However, it has to be noted that plastic files and folders are more durable and are mostly used by users that intend to use them for a longer period. While paper-based products could be less costly, they are not particularly durable and are quite easily damaged through general wear and tear. Paper-based files and folders are mostly intended for temporary or short term storage and thus cannot be considered an effective substitute for plastic storage and filing products.

The other three plastic stationery categories are mainly products that do not have a viable or similarly priced non-plastic substitute that can perform similar functions.

1.13 Environmental Issues and Concerns

The manufacture of plastic stationery which complies with environmental requirements, generates little to no scheduled waste or toxic emissions, but does produce a certain (albeit minimal) percentage of residue plastic waste material. CSL recycles all these residues and reuses them in their manufacturing processes. Since its establishment, CSL has been operating in compliance with the China Environmental Law. CSL's subsidiaries in China, namely Sakura Stationery, Sakura Plastic and Ruiyuan obtained certification from the Environmental Protection Bureau of Putian City, Hanjiang District on 24 May 2011. This is due to its compliance with the China Environmental Law as well as compliance based on the environmental protection inspection for all its completed projects. Hence it has not violated the China Environmental Law.

1.14 Relevant Laws and Regulations

In general, stationery production involves the usage of various chemicals. Negligence in managing these chemicals may lead to the release of large amounts of pollutants to the atmosphere which is harmful to humans. In order to reduce the potential harm to human health caused by stationery production, usage and disposal, the Chinese Government launched the adoption of Environmental Technical Requirement for Stationery, HJ 572-2010 on 1 July 2010. It details the production requirements and guidelines for the materials used in stationery production and aims to regulate the usage of chemicals in the ink, plastic, leather and textile used in the production of stationery as these materials may contain harmful chemicals.

The People's Republic of China (PRC) Quality Control and Inspection Department also approved the mandatory Safety Requirement for Student's Stationery, GB 21027-2007 on 14 June 2007 and this standard has been adopted in China since 1 April 2008. This standard was drafted by the PRC Education and Sport Equipment Society and aims to mitigate the injuries caused by the chemical content and materials used as well as design of the stationery. This standard regulates the use of chemicals such as lead, mercury, arsenic, antimony, barium, cadmium, chromium and selenium in stationery production. It also details the guidelines on the whiteness of paper and general safety requirement for the design of stationery.

CSL has been operating in compliance with the relevant laws and regulations pertaining to health, safety and environmental issues as stated below.

Health

On 24 May 2011, Putian City Hanjiang District Health Bureau issued certificates certifying that CSL's China subsidiaries: -

(i) have, since establishment, been in compliance with the relevant PRC laws and regulations in relation to the prevention of occupational disease; and

(ii) there have been no violation of the relevant Chinese laws and regulations in relation to the prevention of occupational disease and no administrative penalty has been imposed on CSL's subsidiaries in China.

Safety

On 24 May 2011, Putian City Hanjiang District Safety Production Supervision Bureau issued certificates certifying that CSL's China Subsidiaries:-

(i) have, since establishment, been in compliance with the relevant Chinese laws and regulations in relation to production safety; and

(ii) there have been no violation of the relevant Chinese laws and regulations in relation to production safety and no administrative penalty has been imposed on CSL's PRC subsidiaries.

Environmental Issues

On 24 May 2011, the Putian City Hanjiang District Environmental Protection Bureau had issued certificates certifying that CSL's China subsidiaries:

(i) have been operating in compliance with Chinese environmental laws and regulations;

(ii) have obtained approvals for environmental protection and passed inspection for environmental protection in respect of all buildings undertaken and completed by CSL's China subsidiaries; and

(iii) there have been no violation of the relevant Chinese laws and regulations and no administrative penalty has been imposed on CSL's China subsidiaries.

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1.15 Industry Risks and Challenges

Transformation of a mature business into a growth business

It is important to recognize the elements of growth potential to improve profitability for a matured business like the stationery industry. These elements include adding innovative value in products to generate higher demands and develop new growth opportunities in the market.

For CSL, its tape printer is one of such products whereby better growth in the demand can be achieved when innovative value is added in.

Reforming distribution channels

Currently, manufacturers generally operate under a three-tier distribution model where manufacturers sell their products to wholesalers who then sell them to retailers who eventually sell them to the customers. To improve efficiency and reduce costs, manufacturers should move towards a two-tier distribution model where they sell their products directly to the customers. However, in instances where manufacturers operate in large geographic markets and export their products in large quantities, they would still need to maintain a three-tier distribution model in order to reach out to their customers effectively.

Differentiation through branding and development of innovative products

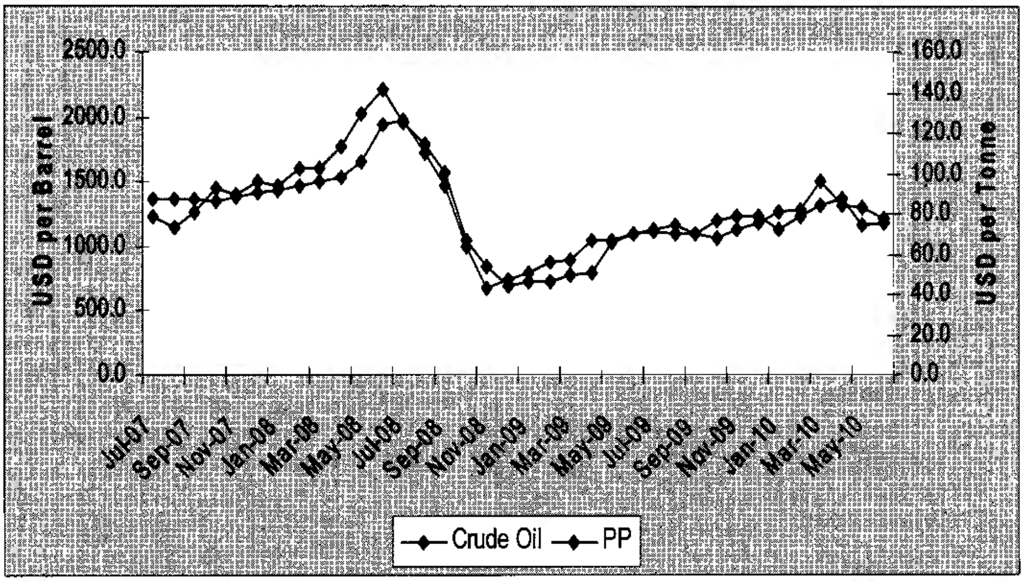
The global stationery market is highly competitive. The consolidation and acquisition wave (of small as well as medium players) is turning this competition stiffer. To ensure growth in this competitive environment, manufacturers need to differentiate themselves through devising and implementing branding strategies through advertisements placed in print media, on the Internet or television and participating in a greater number of trade fairs and exhibitions. In addition, manufacturers must constantly develop relevant and innovative products so as to capture its intended target market.

3M, a diversified technology company with a consumer and office business, and Pelikan, a German manufacturer of writing, office and art equipment, are examples of stationery manufacturers which leverage heavily on the strength of their brands to differentiate themselves in the market, thus ensuring sustainable growth. These companies have demonstrated that they are able to capture a significant market share by differentiating themselves in the stationery industry.

Reducing susceptibility to changes in prices of PP materials

PP materials are a key raw material in the manufacturing of plastic stationeries. As PP materials are a by-product of crude oil, the prices of PP materials generally move in tandem with the prices of crude oil. The following figure illustrates the relationship between the prices of PP materials and crude oil prices. PP flat yarn in the figure below refers to PP in a tape-like form.

Figure 1-13: International PP Flat Yarn* Prices vs. Brent Crude Oil Prices (Illustration of the relationship between PP and crude oil prices)



Note: PP flat yarn refers to PP in a tape-like form*

Source: Energy Information Administration, ICIS Pricing, Frost & Sullivan

In general, international PP prices move in tandem with the prices of crude oil. The reason for the divergence between PP prices and crude oil in early 2007 was possibly attributable to both the pickup in demand for PP materials and several global PP plant maintenance shutdowns during the first half of the year.

So as to reduce their susceptibility to fluctuation in prices of PP materials and reduce the cost of PP materials, manufacturers must improve their proprietary production processes and devise innovative manufacturing strategies to reduce wastage and increase manufacturing efficiency.

For CSL, its upstream PP manufacturing capabilities allow them to control the usage of PP in their PP sheets formulation. Its PP sheets manufacturing process, recycles PP sheet wastages into granules in order to reduce wastages.

2. Overview, Prospects and Outlook of the Global Plastic Tape Printer and Ink Market

2.1 Introduction

In 2006, CSL developed the hand-held plastic tape printer/dispenser which functions both as a packaging tape and labelling tool, using special ink. To the best of Frost & Sullivan's knowledge, based on the research conducted up to December 2011, there is a company in Taiwan that had a similar ink-based product that was commercially available in the market several years ago, however it was withdrawn from the market due to problems with its ink. As of November 2011, the product is still in research and development stage.

Assessment of the market is done based on the self-adhesive tape industry, with emphasis on the packaging tape market and the labelling industry, particularly the self-adhesive labels market to derive the size of the global plastic tape printer and ink market. Self-adhesive labels refer to labels of sizes between 40 mm to 70 mm, excluding self-adhesive tapes (e.g. any single-sided, double-sided or masking tape). **The plastic tape printer market refers to the relatively new product developed by CSL in 2006 via its subsidiary, Ruiyuan.**

The labelling industry mainly caters for printing and affixing large runs of labels, and has fallen behind in their ability to accommodate small run applications. Over the years there has been increasing demand for private label products, specialty, promotional, and seasonal products, and time sensitive products (perishable products). The current set-up of in-line automated conveyor and labelling lines with its focus on high volume low mix products makes it a challenge to accommodate small run applications and its demands.

New technologies have enabled printing of labels to be done in house and in small quantities, at an affordable rate. The market introduction of inexpensive printers has provided an array of choices of easy to use printing devices and options for consumers. With the combination of one of these printers with a user friendly software package, a company can produce professional looking labels quickly, easily, and inexpensively in small quantities without significant operator training or financial resources.

There is a wide array of special application dispensers for various applications. For applications where mobility is necessary, there are hand-held dispensers such as plastic tape dispensers. Whilst effectiveness of label dispensers may vary depending on the operator and the application, label dispensers have proven to be more convenient and operates much faster compared to hand labelling.

(a) Global Plastic Tape Printer Market

The global market size for self-adhesive labels for 2009 was approximately 33.8 billion square meters. This includes all sizes of labels, from large storage box labelling to small pharmaceutical bottle labelling. To the best of our knowledge, there is no available breakdown of these various label sizes. At the same time, we are aware that there are no self-adhesive labels in the market are 100 percent of similar size to CSL's tape printer size and which therefore can be regarded as a potential market to substitute. CSL's tape printer accommodates tapes of 45mm, 60mm and 72mm, arguably the most common size used for labelling. For this reason, we assume, conservatively, that half of the total self-adhesive market, or 16.9 billion square meters, represents labels of between 45mm to 72mm.

The estimated self-adhesive tapes market size in 2009 was approximately 30.3 billion square meters. Corrugated carton sealing tapes (including preprinted tapes) continued to account for over two-thirds of total self-adhesive tapes market at close to 20.2 billion square meters. This translates to an estimated total of 6.5 million plastic tape printers, assuming the ratio of tape dispensers to tape (excluding label tapes) is 1:2,972 square meters.

Demand for packaging tapes is buoyed by the rising corrugated box sales in developing countries. The encouraging demand for packaging tapes has also bolstered growth of the tape dispensers (for corrugated/packaging box) market, which stood at about 12.5 million units, totalling approximately USD 620 million in 2009.

(b) Global Ink Market

Approximate total ink required for labelling (coding and marking) is around 9 million litres. Out of this total, 22 percent or 2.1 million litres accounts for secondary packaging. Secondary packaging refers to primary packaged products put into intermediate packaging, which could be in the form of cartons or cases, which will be printed with another inkjet code. It could be identified with some of the same information and with additional printed data such as a barcode, a product identification logo or some other type of customization graphic. 2.1 million litres of ink translates to approximately 422 million ink cartridges (5 ml per cartridge). Assuming that each cartridge is valued at USD 6.5, total global ink sales are approximated at USD 2.7 billion for the year 2009.

(c) Total Global Plastic Tape Printer and Ink Market for Small Medium Enterprises ("SMEs")

CSL plans to tap into the SME market as it offers tremendous opportunities. As of 2010, there were roughly 23 million SMEs in Europe and 40 million SMEs in China according to the European Commission and State Development and Research Commission of China, respectively. Frost & Sullivan estimates that the total global plastic tape printer and ink market for SMEs is almost 50 percent of the total global plastic tape printer and ink market or USD 1.6 billion in 2009.

Based on the assumptions explained earlier, the total combined global market size for the plastic tape printer and ink market for SMEs is estimated at USD 1.7 billion in 2010. Frost & Sullivan foresees the market will grow at a CAGR of 6.2 percent during the forecast period between 2011 and 2014. Since the product is within the introductory stage of the lifecycle, competition is expected to be low in the next few years.

2.2 Overview of the Global Plastic Tape Printer and Ink Market Trends and Forecast

The total global market size for the plastic tape printer and ink market was approximately USD 1.7 billion in 2010. Frost & Sullivan estimates that the global market to have grown to USD 1.8 billion in 2011 and forecasted to reach USD 2.2 billion in 2014, at a CAGR of 6.2 percent. The growth forecast between individual countries/regions differ due to the combined growth trends of the different markets (tape dispensers for corrugated/packaging box and ink markets) within those countries/regions.

Figure 2-1: Forecast Revenue Growth for the Global Plastic Tape Printer & Ink Market (Global), 2011E – 2014F

Year	Approximate Market Size of Plastic Tape Printer & Ink Market (USD billion)	Growth Rates (%)
2011E	1.8	5.8
2012F	1.9	6.0
2013F	2.1	6.2
2014F	2.2	6.3

Compound Annual Growth Rate (2011E-2014F): 6.2%

All figures are rounded.

Source: *Frost & Sullivan*

North America

North America accounted for approximately 27.0 percent of the total global plastic tape printer and ink market or USD 466.0 million in 2010, parallel to the market share of self adhesive label and ink markets. This market is estimated at USD 494.0 million in 2011 and expected to reach USD 590.0 million in 2014, at a CAGR of 6.1 percent.

Figure 2-2: Forecast Revenue Growth for the North American Plastic Tape Printer & Ink Market (2011E-2014F)

Year	Approximate Market Size of Plastic Tape Printer and Ink Market (USD million)	Growth Rates (%)
2011E	494.0	6.0
2012F	524.0	6.1
2013F	556.0	6.1
2014F	590.0	6.1

Compound Annual Growth Rate (2011E-2014F): 6.1%

All figures are rounded.

Source: Frost & Sullivan

Europe

Europe,accounted the most in the global market, with 32.0 percent market share, or approximately USD 539.0 million in 2010. CAGR during the period of 2011 to 2014 is forecasted at 4.1 percent.

Figure 2-3: Forecast Revenue Growth for the European Plastic Tape Printer & Ink Market (2011E-2014F)

Year	Approximate Market Size of Plastic Tape Printer and Ink Market (USD million)	Growth Rates (%)
2011E	555.0	3.0
2012F	578.0	4.1
2013F	602.0	4.2
2014F	627.0	4.2

Compound Annual Growth Rate (2011E-2014F): 4.1%

All figures are rounded.

Source: Frost & Sullivan

Japan

Japan's total market size in 2010 was USD 116.2 million, approximately 7.0 percent of the global market size. Growth forecast for Japan is likely to remain marginal with a CAGR of only 2.0 percent during 2011 to 2014, in line with the current growth trend of the Japanese tapes and labels market. This market size is expected to grow to about USD 125.7 million by 2014.

Figure 2-4: Forecast Revenue Growth for the Japanese Plastic Tape Printer & Ink Market (2011F-2014F)

Year	Approximate Market Size of Plastic Tape Printer and Ink Market (USD million)	Growth Rates (%)
2011F	118.3	1.8
2012F	120.7	2.0
2013F	123.1	2.0
2014F	125.7	2.1

Compound Annual Growth Rate (2011F-2014F): 2.0%
All figures are rounded.

Source: Frost & Sullivan

China

China's total market size (excluding Hong Kong) in 2010 was USD 36.9 million, approximately 2.0 percent of the global market size. China's growth forecast is expected to surpass that of the North American and European market. China's plastic tape printer and ink market CAGR between 2011 and 2014 is expected to be around 14.6 percent, which is comparable to the labels market that is increasing at a rate of 15.0 to 20.0 percent.

Figure 2-5: Forecast Revenue Growth for the Chinese Plastic Tape Printer & Ink Market (2011E-2014F)

Year	Approximate Market Size of Plastic Tape Printer and Ink Market (USD million)	Growth Rates (%)
2011E	41.9	13.6
2012F	47.9	14.3
2013F	54.9	14.6
2014F	63.0	14.8

Compound Annual Growth Rate (2011E-2014F): 14.6%
All figures are rounded.

Source: Frost & Sullivan

2.3 Demand Conditions

Figure 2-6 below illustrates the key market drivers for the global plastic tape printer & ink market.

Figure 2-6: Market Drivers for the Total Global Plastic Tape Printer & Ink Market

No.	Market Drivers
1	Positive prospects for the global self-adhesive and plastic labels
2	Robust demand in emerging economies
3	Improvements in technological innovations
4	Expansion of the packaged consumer goods markets

Source: Frost & Sullivan

Figure 2-7 below represents the key market restraints for the global plastic tape printer & ink market.

Figure 2-7: Market Restraints for the Total Global Plastic Tape Printer & Ink Market

No.	Market Restraints
1	Low awareness of plastic tape printers

Source: Frost & Sullivan

2.4 Industry Challenges

New Application Areas

Demand for tape printer is highly dependent on key end user industries, most notably the label, tape, graphic, pharmaceutical and other specialty laminate markets. Whilst some of these markets are approaching maturity, demand for customised solutions continues to grow into new application areas, driven by advancements in product and process development. In today's competitive environment, it is crucial for manufacturers throughout the supply chain to understand how these developments impact the business and drive opportunities for growth.

2.5 Key Supply Trends and Conditions

The Chinese plastic stationery industry has been showing dramatic growth in recent years, with the U.S. and Japan emerging as key importers of plastic stationery from China. This has created a growing demand for raw materials such as plastic materials and resins for this industry. This is viewed as an important key supply condition which affects the overall production of plastic stationery (including the plastic tape printer) in China.

However, despite the increasing production of plastic materials and resin, the output of these materials can only support approximately 50 percent of the Chinese market demand. As a result, China must import large quantities of plastic materials each year to sustain the plastic stationery industry. The U.S. engineering plastic products with high-technology input have been very competitive in the Chinese market. However, the U.S. firms now face stiff competition from Japan, Korea and Taiwan. In recent years, imports of general plastics from the U.S. dropped sharply due to price competition and the close relationship between Asian competitors and China.

The ink used for CSL's plastic tape printer is a special ink co-developed by CSL and its ink supplier. The formulation of this ink does not reside with CSL therefore it is very much dependent on its supplier for the supply of this special ink. However, CSL 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 CSL's subsidiary, Ruiyuan.

2.6 Industry's Reliance and Vulnerability to Imports

The plastic tape printer industry in China caters for the Chinese and non-Chinese market. With this, the vulnerability of this industry in China to imports is quite low.

CSL uses acrylonitrile butadiene styrene (ABS) for the manufacture of its plastic tape printer. ABS is a common thermoplastic used to make light, rigid and molded products such as piping, musical instruments, golf club heads and automotive body parts. ABS is one of the easiest and most common materials used to make plastic tape printers. CSL sources its ABS resins from China for the manufacture of its plastic tape printer.

2.7 Product Substitution

The alternative to the tape printer and ink would be pre-printed tapes. These are tapes that are printed before they are packed and shipped, thus the content to be printed has to be pre-determined. With the tape printer and ink, the content can be changed and/or customized as needed during use.

As such, pre-printed tapes can only be considered indirect substitutes; therefore there is no directly effective substitute for tape printers and ink.

2.8 Environmental Issues and Concerns

The manufacture of plastic stationery generates little to no scheduled waste or toxic emissions, but does produce a certain (albeit minimal) percentage of residue plastic waste material. Since its establishment, CSL has been operating in compliance with the China Environmental Law. CSL's subsidiaries in China, namely Sakura Stationery, Sakura Plastic and Ruiyuan obtained certification from the Environmental Protection Bureau of Putian City, Hanjiang District on 24 May 2011. This is due to its compliance with the China Environmental Law as well as compliance based on the environmental protection inspection for all its completed projects. Hence it has not violated the China Environmental Law.

2.9 Relevant Laws and Regulations

Stationery production involves the usage of various chemicals. Negligence in managing these chemicals may lead to the release of large amounts of pollutants to the atmosphere which is harmful to humans. In order to reduce the potential harm to human health caused by stationery production, usage and disposal, the Chinese Government launched the adoption of Environmental Technical Requirement for Stationery, HJ 572-2010 on 1 July 2010. It details the production requirements and guidelines for the materials used in stationery production and aims to regulate the usage of chemicals in the ink, plastic, leather and textile used in the production of stationery as these materials may contain harmful chemicals.

The PRC Quality Control and Inspection Department also approved the mandatory Safety Requirement for Student's Stationery, GB 21027-2007 on 14 June 2007 and this standard has been adopted in China since 1 April 2008. This standard was drafted by the PRC Education and Sport Equipment Society and aims to mitigate the injuries caused by the chemical content and materials used as well as design of the stationery. This standard regulates the use of chemicals such as lead, mercury, arsenic, antimony, barium, cadmium, chromium and selenium in stationery production. It also details the guidelines on the whiteness of paper and general safety requirement for the design of stationery.

CSL has been operating in compliance with the relevant laws and regulations pertaining to health, safety and environmental issues as stated below.

Health

On 24 May2011, Putian City Hanjiang District Health Bureau issued certificates certifying that Ruiyuan, CSL's Subsidiary in China: -

(i) has, since establishment, been in compliance with the relevant PRC laws and regulations in relation to the prevention of occupational disease; and

(ii) there have been no violation of the relevant PRC laws and regulations in relation to the prevention of occupational disease and no administrative penalty has been imposed on CSL's PRC subsidiaries.

Safety

On 24 May 2011, Putian City Hanjiang District Safety Production Supervision Bureau issued certificates certifying that Ruiyuan, CSL's subsidiary in China: -

(i) has, since establishment, been in compliance with the relevant PRC laws and regulations in relation to production safety; and

(ii) there have been no violation of the relevant PRC laws and regulations in relation to production safety and no administrative penalty has been imposed on CSL's PRC subsidiaries.

Environmental Issues

On 24 May 2011, the Putian City Hanjiang District Environmental Protection Bureau had issued certificates certifying that Ruiyuan, CSL's subsidiary in China: -

(i) has been operating in compliance with PRC environmental laws and regulations;

(ii) has obtained approvals for environmental protection and passed inspection for environmental protection in respect of all buildings undertaken and completed by CSL's China subsidiaries; and

(iii) there have been no violation of the relevant PRC laws and regulations and no administrative penalty has been imposed on CSL's China subsidiaries.

3. Overview, Prospects and Outlook of the Global Paper Envelope Market for Global Express Mail Service Market

CSL is currently developing plastic envelopes for the express mail service industry which will be launched in year 2012. Plastic envelopes differ from the common paper envelopes used for the express mail service industry in terms of capacity, durability, recyclability and its anti-tampering features. These plastic envelopes are fairly new to the express mail service market and are potential replacements for paper envelopes.

3.1 Strategic Analysis of the Global Paper Envelope Market for Global Express Mail Service Market

The global paper envelope market for the express mail service industry was worth around USD 999.0 million in 2010 with a growth rate of 1.9 percent from the previous year. This trend is likely to increase conservatively in the next few years, and will be 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.

The figure below gives more details of the market engineering measurement and analysis of the global paper envelope market for the express mail service industry in 2010.

As CSL's plastic envelopes for the express mail service industry is a direct substitute for the paper envelope market for the express mail service industry, hence the value of these paper envelopes is potentially the market that CSL will be tapping into.

Figure 3-1: Market Engineering Measurement and Analysis – Global Paper Envelope Market for the Express Mail Service Industry 2010

Measurement Name	Measurement	Trend
Market age	Mature	Stable
Approximate revenues 2010	USD 999.0 million	Slowly Increasing
Base year (2010) market growth rate	1.9 percent	Slowly Increasing
Forecast period (2011E -2012F) CAGR	2.0 percent	Slowly Increasing
Pricing trend	Low pricing	Stable
Competitors	Significant amount of major market participants	Stable
Degree of competition	High	Stable

Source: Frost & Sullivan

The demand for paper envelopes for the express mail service market is shown in Figure 3-2, for years 2006 till 2012. The global paper envelope market for express mail service was estimated at USD 1,018 million in 2011, and forecasted to reach USD 1,038 million in 2012. This projected market value of approximately USD 1 billion in 2012 is forecasted to grow at a 2.0 percent in 2012.

Figure 3-2: Market Engineering Measurement and Analysis – Demand and Forecast of the Global Paper Envelope Market for the Express Mail Service Industry (2006-2012F)

Year	Approximate Market Size of the Paper Envelope Market for the Express Mail Service Industry (USD million)	Growth Rate (%)
2006	929.6	1.7
2007	946.0	1.8
2008	964.0	1.9
2009	980.5	1.7
2010	999.0	1.9
2011E	1,018.0	1.9
2012F	1,038.0	2.0

All figures are rounded.

Source: Frost & Sullivan

3.2 Demand Conditions

A diverse array of factors has greatly contributed to the sustained growth of the global paper envelope market and the potential plastic envelope market. These include the continuous expansion of international trade, increasing adoption of just-in-time business practices, changes in the policy regime as well as the emergence of China as a strategic growth market for the express mail service industry. These key market drivers are presented below.

Figure 3-3: Market Drivers for the Global Paper Envelope Market

No.	Market Drivers
1	China as a strategic growth market for the express mail industry
2	Expanding international trade and just-in-time business practice
3	Rapid growth of the Business-to-Consumer (B2C) market

Source: Frost & Sullivan

3.3 Market Restraints

Whilst deregulation in Europe took place in 2009, many countries were still imposing restrictions affecting the express delivery market.

Figure 3-4: Market Restraints for the Global Paper Envelope Market

No.	Market Restraints
1	Policies and regulations affecting express delivery market

Source: Frost & Sullivan

Policies and Regulations Affecting Express Delivery Market

International express services, like any other aspect of international trade, can be hampered by government policies and restrictions. These barriers undermine the capability of express delivery companies to operate efficiently and ultimately affect their ability to facilitate growing trade, investment and productivity across the wider economy. These policies and restrictions can take many forms such as anti-competitive practices of government-owned or authorized monopolies, complex licensing requirements, inefficient customs procedures, restrictions on access to aviation markets and restrictions on access to ground transportation systems. However Europe is now more lenient with these regulations, in line with the "regulatory goal" of the Lisbon strategy i.e. to further market openings of postal services to competition and liberalisation.

3.4 Industry Challenges (to replace existing paper-based envelopes)

Potential Barriers to Product Acceptance

Barriers to the adoption of CSL's plastic envelopes in the express mail service industry may persist at the initial stage of product introduction. Current express mail service providers source their envelopes from experienced producers, such as Bell Incorporated, with high production efficiencies and inline sequential barcode labelling capabilities. Companies such as DuPont™ have also developed a durable and water resistant express mail service envelope under the brand name Tyvek® through their in-house structural and graphic design departments.

CSL will have to strongly highlight key advantages of their plastic envelopes over existing envelopes used by the express mail service providers. However, whether CSL's plastic envelopes can be functionally adapted to the systems used by the express mail service providers, for example in bar-coding, is unknown at this time as Frost & Sullivan does not have relevant access to these service providers and therefore, is unable to comment on such compatibility factors.

Express Mail Service Providers Are Going Green

Express mail service providers are making commitments to use paper-based resources responsibly. For instance, DHL Express has developed a Paper Policy to govern paper and paper-based products used within the company. DHL intends to increase their use of paper certified as being sourced from sustainable forests. The U.S. postal service is requiring vendors to use environmentally friendly materials to create envelopes and packages. This poses another challenge for CSL to market their plastic envelopes as environmentally friendly products.

3.5 Key Supply Trends and Conditions

As CSL is currently developing plastic envelopes for the express mail service industry, it therefore conforms to the growing demand for plastic materials and resins for the plastic stationery industry. This is viewed as an important key supply condition which affects the overall production of plastic envelopes for the express mail service industry in China.

However, despite the increasing production of plastic materials and resin, the output of these materials can only support approximately 50 percent of the Chinese market demand. As a result, China must import large quantities of plastic materials each year to sustain the plastic stationery industry. U.S. engineering plastic products with high-technology input have been very competitive in the Chinese market. However, the U.S. firms now face stiff competition from Japan, Korea and Taiwan. In recent years, imports of general plastics from the U.S. dropped sharply due to price competition and the close relationship between Asian competitors and China.

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10 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

10.1 INFORMATION ON PROMOTERS, OFFERORS AND SUBSTANTIAL SHAREHOLDERS

10.1.1 Shareholdings in China Stationery

The shareholdings of our Promoters, Offerors and Substantial Shareholders before and after the Public Issue are as follows:-

		As at the LPD				< After the Public Issue and Offer For Sale>			
		<--- Direct -->		<-- Indirect-->		<-- Direct -->		<-- Indirect-->	
Promoters, Offerors and Substantial Shareholders	**Nationality/ Country of Incorporation**	**No. of Share**	**% held**	**No. of Share**	**% held**	**No. of Share**	**% held**	**No. of Share**	**% held**
Lead Champion	BVI	1,000,000,000	90.70	-	-	893,000,000	74.88	-	-
Chan Fung @ Kwan Wing Yin	PRC (Hong Kong SAR)	-	-	1,000,000,000	90.70[(1)]	-	-	893,000,000	74.88[(1)]
Jiang Danping	PRC	-	-	1,000,000,000	90.70[(1)]	-	-	893,000,000	74.88[(1)]
Angus Kwan Chun Jut	PRC (Hong Kong SAR)	-	-	1,000,000,000	90.70[(1)]	-	-	893,000,000	74.88[(1)]
LTH	Malaysia	52,664,460	4.78	-	-	26,664,460	2.23	-	-

Note:

(1) *Deemed interested via Lead Champion applying Section 6A of the Malaysian Companies Act.*

10.1.2 Profile of Promoters, Offerors and Substantial Shareholders

Lead Champion

Lead Champion is a Substantial Shareholder and Promoter of our Company. Lead Champion was incorporated in the BVI on 8 August 2008 and is principally an investment holding company. It has an authorised share capital of USD50,000 comprising 50,000 shares of USD1.00 each with a paid-up capital of USD10,000 comprising 10,000 shares of USD1.00 each.

As at the LPD, the substantial shareholders and directors of Lead Champion and their respective shareholdings in Lead Champion are as follows:

		Direct		Indirect	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Chan Fung @ Kwan Wing Yin	PRC (Hong Kong SAR)	6,240	62.4	-	-
Jiang Danping	PRC	1,979	19.8	-	-
Angus Kwan Chun Jut	PRC (Hong Kong SAR)	1,781	17.8	-	-

Please see Section 10.3, **"Information On Directors"** for more details on the profiles of Chan Fung @ Kwan Wing Yin, Jiang Danping and Angus Kwan Chun Jut.

LTH

LTH is the Malaysian Hajj pilgrims fund board. It manages pilgrimage matters and Muslims investments in accordance with the Islamic teaching. LTH is a statutory body under the Prime Minister's Department. Established in November 1962 as the Pilgrims Fund Corporation (Perbadanan Wang Simpanan Bakal-bakal Haji), which started operation on September 30, 1963. It was replaced with the Pilgrimage

10 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Management and Fund Board or better known as the Tabung Haji (TH), established under Act 8 of Pilgrimage Management and Fund Board 1969. On June 1, 1995, Act 535, Pilgrimage Board Act 1995 (Akta Lembaga Tabung Haji 1995) was introduced. Enforcement of the new act has abolished the previous act and the Board was changed to Pilgrimage Board (better known as Lembaga Tabung Haji) effective August 28, 1997.

LTH is principally engaged in the management of Hajj operations, acceptance and management of deposits from depositors, investment holding and letting of properties.

The fund owners are the individuals i.e. pilgrim fund contributors.

10.1.3 Persons, who, directly or indirectly, jointly or severally, exercise control over the corporation

To the knowledge of our Company, there are no facts or factors which suggest or imply that any particular person(s) and/or Shareholders have, either directly or indirectly, jointly or severally, concluded any agreement which may lead them to adopt a common policy in respect of our Company.

10.1.4 Changes in Shareholdings of Promoters and Substantial Shareholders

The changes in the shareholdings of our Promoters and Substantial Shareholders for the past three (3) years preceding the date of this Prospectus are as follows:-

Promoters and Substantial Shareholders	**<—As at 31 December 2008 —>**				**<——As at 31 December 2009 ——>**			
	<—Direct —>		**<— Indirect—>**		**<— Direct —>**		**<— Indirect—>**	
	No. of Shares	**% held**	**No. of Shares**	**% held**	**No. of Shares**	**% held**	**No. of Shares**	**% held**
Chan Fung @ Kwan Wing Yin	-	-	480,000,000	96.0[(1)]	-	-	480,000,000	96.0[(1)]
Jiang Danping	-	-	480,000,000	96.0[(1)]	-	-	480,000,000	96.0[(1)]
Angus Kwan Chun Jut	-	-	480,000,000	96.0[(1)]	-	-	480,000,000	96.0[(1)]
LTH	-	-	-	-	-	-	-	-
Lead Champion	480,000,000	96.0	-	-	480,000,000	96.0	-	-
					-	-	-	-

Promoters and Substantial Shareholders	**<——As at 31 December 2010 ——>**				**<——As at LPD ——>**			
	<— Direct —>		**<— Indirect—>**		**<— Direct —>**		**<— Indirect—>**	
	No. of Shares	**% held**	**No. of Shares**	**% held**	**No. of Shares**	**% held**	**No. of Shares**	**% held**
Chan Fung @ Kwan Wing Yin	-	-	500,000,000	95.0[(1)]	-	-	1,000,000,000	90.7[(1)]
Jiang Danping	-	-	500,000,000	95.0[(1)]	-	-	1,000,000,000	90.7[(1)]
Angus Kwan Chun Jut	-	-	500,000,000	95.0[(1)]	-	-	1,000,000,000	90.7[(1)]
LTH	26,332,230	5.0	-	-	52,664,460	4.8	-	-
Lead Champion	500,000,000	95.0	-	-	1,000,000,000	90.7	-	-

10 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Note:-

(1) Deemed interested via Lead Champion applying Section 6A of the Malaysian Companies Act

10.2 BOARD OF DIRECTORS

Within the limits set by our Bye-laws, our Board of Directors is responsible for the governance and management of our Company. To ensure the effective discharge of its functions, our Board of Directors will endeavour to follow corporate governance guidelines which set out the following responsibilities:

(i) to review and approve the annual corporate plan of our Group, which include the overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;

(ii) to oversee the conduct of our Group's businesses and to evaluate whether the businesses are being properly managed;

(iii) to identify principal risks and ensure the implementation of appropriate systems to manage these risks;

(iv) to manage succession planning, including appointing, training and determining the remuneration of senior management;

(v) to develop and implement an investor relations programme or shareholder communications policy for our Company;

(vi) to review the adequacy and integrity of our Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines (including Bursa Securities LR, securities laws of Malaysia and Bermuda Companies Act); and

(vii) to prepare a corporate governance statement in compliance with the Malaysian Code of Corporate Governance and an internal control statement for the annual report.

Our Bye-laws provide that our Board of Directors shall consist of not less than four (4) Directors and for so long as the Shares of our Company are listed on the Bursa Securities, at least one (1) Director (or such other number of Directors as required from time to time by Bursa Securities) shall have his principal or only place of residence within Malaysia. Under the Bursa Securities LR, at least (2) of our Directors or one-third (1/3) of our Board of Directors, whichever is higher, must also at all times be Independent Directors.

As at the date of this Prospectus, our Board of Directors consists of three (3) Executive Directors one (1) Non-Independent Non-executive Director and two (2) Independent Directors.

In accordance with Bye-law 89 of our Bye-laws, each Director shall retire from office at least once in every three (3) years and one third (1/3) of the Directors for the time being or, if their number is not three or a multiple of three (3), the number nearest to but not less than one-third (1/3) shall retire from office at each annual general meeting of the Company. A retiring Director shall be eligible for re-election. The Directors to retire in each year shall be those who have been in office longest since their last election but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Notwithstanding the foregoing, a Director who is over the age of 70 years shall retire from office every year, but may be re-elected by way of special resolution in general meeting.

10 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

The members of our Board of Directors as at the date of this Prospectus are set forth below:

Name	Nationality	Age	Date of Appointment	Designation
Chan Fung @ Kwan Wing Yin	PRC (Hong Kong SAR)	62	31 August 2007*	Executive Chairman
Jiang Danping	PRC	52	31 August 2007*	CEO
Angus Kwan Chun Jut	PRC (Hong Kong SAR)	41	31 August 2007*	Executive Director
Tan Choon Hwa	Malaysian	55	28 December 2011	Non-Independent Non-Executive Director
Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman	Malaysian	69	28 December 2011	Independent Non-Executive Director
Dr. Richard Izaac Risambessy	Indonesian	59	28 December 2011	Independent Non-Executive Director

Note:-

* *Bye Law 89 requires a director to retire every 3 years. These directors will serve until the next annual general meeting of our Company or until their respective successors are appointed.*

10.3 INFORMATION ON DIRECTORS

10.3.1 Profiles of Directors

Chan Fung @ Kwan Wing Yin

Chan Fung @ Kwan Wing Yin, aged 62, is our Executive Chairman. He was appointed to our Board on 31 August 2007. He is the founder of our Group and is responsible for the business strategy and development of our Group in foreign markets outside China. Chan Fung @ Kwan Wing Yin has approximately 20 years of experience in the plastic stationery industry. He has been both the Chairman of the Board of Directors and the General Manager of Sakura Stationery since 1991 and Sakura Plastic since 1993. He has also been the Chairman of the Board of Directors of Sunwealth since 2005 and Campus since 2002. Prior to that he founded Kawan Kita in 1980, being the former holding company of Sakura Stationery, where he held the role of Chairman of the Board of Directors and General Manager. With his relevant expertise and experience in the plastic stationery industry, Chan Fung @ Kwan Wing Yin plays a key role in consolidating our Group's position in existing markets and in its expansion in new markets with his experiences and networking relationship. He received his middle school education from Putian Jingjiang Middle School.

Jiang Danping

Jiang Danping, aged 52, is our CEO. He was appointed to our Board on 31 August 2007. Jiang Danping is currently responsible for the business strategy and development of our Group in the China market, customer relationship management, investor relations and governmental related matters of the Group in the PRC. Jiang Danping has over 18 years of experience in the plastic stationery industry. He has been the General Manager of Campus since 2004. He had also previously held the post of Deputy General Manager of Kawan Kita, the former holding company of Sakura Stationery, from 1992 to 2004 and was in charge of the business development activities of Sakura Stationery during this period which accorded him vast knowledge in the business community in Fujian province. Prior to joining our Group, Jiang Danping was the Section Head (Enterprise Management) of the Economic Commission of Nanping City, Fujian Province (福建省南平经济委员会) which accorded him vast experience in the business community in the province. Jiang Danping graduated from Zhejiang University (浙江大学) in 1982 with a Bachelor's Degree in Engineering. In 1992, he was conferred the title, Engineer (Intermediate), by Technology Office of Nanping City, Fujian Province (福建省南平地区科技干部局).

Angus Kwan Chun Jut

Angus Kwan Chun Jut, aged 41, is our Executive Director. He was appointed to our Board on 31 August 2007. He assists Chan Fung @ Kwan Wing Yin in the day-to-day operations and management of the Group. Prior to joining our Group in 2007, Angus Kwan Chun Jut was in charge of information technology in Kawan Kita, the former holding company of Sakura Stationery from 2000 to 2007. From 1996 to 2003, he was a director of In2net Network Inc., a Canadian company which he co-founded in 1996. In2net Network Inc. was an internet service provider and later a web-hosting company. He was a director of Smart Printing Co Ltd from August 2006 to August 2007. Smart Printing Co Ltd was deregistered in Hong Kong in 2007. He received his secondary school diploma from Kingston College, Vancouver, Canada in 1994. Thereafter, he attended Kingston College, Vancouver, Canada reading Organisation Behaviour Course.

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman

Tan Sri Dato' Nik Hashim Bin Nik Ab Rahman, a Malaysian national aged 69, was appointed as our Independent Non-Executive Director on 28 December 2011. He was a Federal Court Judge from June 2005 until June 2009, and has a long and distinguished record of service with the Malaysian judiciary. He qualified as a Barrister-at-Law from Inner Temple, London in July 1970 and began his service at the Magistrates Court in Klang, Selangor in August 1970. He then became Senior Federal Counsel with the Attorney General's Chambers in Kuala Lumpur in 1989. In 1994, he was appointed as chairman of the Advisory Board, Prime Minister's Department based in Taiping, Perak.

Tan Sri Nik Hashim was appointed as Judicial Commissioner of High Court at Kota Bahru and Kuala Lumpur in October 1995 and January 1997 respectively. Between 1997 and 2003, Tan Sri Nik Hashim has served as Judge at the High Court of Malaya in Kuala Lumpur and Kuala Terengganu. This was followed with his appointment as a Court of Appeal Judge in August 2003 before being appointed as a Federal Court Judge from June 2005 until he retired from the Malaysian judiciary on 1 July 2009.

Currently, he sits on the board of Inch Kenneth Kajang Rubber Public Ltd. Co., Olympia Industries Bhd, companies listed on Bursa Securities and Web Power Sdn Bhd. He was previously a director of *WG (M) Capital Sdn Bhd ("**WG**") until he resigned on 16 December 2011. Further he is an independent non-executive director of RCG Holdings Limited, a company listed on the Hong Kong Stock Exchange.

(Note:-

* *Our Company had on 1 October 2010 entered into an investor and public relation services ("**IR & PR**") service agreement with WG for the provision of investor and publics relation services to our Company. The fees receivable by WG for the services rendered under the IR & PR agreement is RM55,000 for the IPO exercise and upon completion of the IPO exercise, a retainer fee of RM12,000 per month for investors and public relation services for a period of twelve (12) months. The engagement shall continue after the initial twelve (12) months period for a further twelve (12) months (on a rolling basis) unless notified in writing one (1) month before the expiry of each*

engagement period by either party. As at the LPD, an amount of RM95,252 (inclusive of 5% service tax) has been received by WG from our Company with regard to the services rendered under the IR & PR agreement.)

Tan Choon Hwa

Tan Choon Hwa, a Malaysian national, aged 55, was appointed as our Non-Independent Non-Executive Director on 28 December 2011. He graduated from high school. He is a director of VTI Vintage Berhad and Aturmaju Resources Berhad, companies listed on the Main Market of Bursa Securities.

He is a businessman with twenty (20) years of experiences in various industries such as timber, mining, international trading and, housing and land development. He is the Executive Chairman of TCH International Resources Group Sdn Bhd and TCH Vision Trading Corporation Sdn Bhd, non-executive director of VTI Vintage Berhad and Aturmaju Resources Berhad. He also holds directorship in Fonpoint Foncare Enterprise Sdn Bhd, Pasaraya Besar Bilal Sdn Bhd, Intergold Entity (M) Sdn Bhd, Intergold Nexus (M) Sdn Bhd, Linapro Sdn Bhd, Tok Aman Bali Beach Resort Sdn Bhd, Corak Anggerik Sdn Bhd, Bakat Mentari Sdn Bhd and Sri Uda Sdn Bhd. For more details on his directorship, please refer to Section 10.3.4. He holds other chairmanship in several associations, e.g. Persatuan Teo Chew Kelantan and Persatuan Perusahaan Sarang Burung Kelantan. He is also the Deputy President of Majlis Jaksa Perdamai Kelantan and Persatuan Pendidikan Aklak Semenanjung Malaysia.

Dr. Richard Izaac Risambessy

Dr. Richard Izaac Risambessy, an Indonesian national aged 59, was appointed as our Independent Non-Executive Director on 28 December 2011. He graduated with a bachelor's degree in Economics (majoring in Accountancy) from Universitas Airlangga in 1982. He also obtained a master's degree in Science (in financial management) and a doctorate in Economics from Universitas Airlangga and 17 Agustus-45 University at Surabaya in 1990 and 2009 respectively.

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

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

Further details of the other directorships of our Directors are set out in Section 10.3.4 below.