



China Stationery Limited

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

(Company Registration No.: 40535)

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

(Malaysian Branch Registration No.: 995224-W)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2011**

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

Unaudited Condensed Consolidated Statement Of Comprehensive Income

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	500,488	393,478	235,930	187,099	1,774,710	1,408,786	836,598	669,878
Cost of sales		(279,601)	(210,930)	(131,804)	(100,297)	(979,207)	(764,138)	(461,598)	(363,348)
Gross profit		220,887	182,548	104,126	86,802	795,503	644,648	375,000	306,530
Other income		1,610	804	759	382	6,634	2,848	3,127	1,354
Selling and distribution expenses		(12,835)	(25,326)	(6,050)	(12,043)	(77,211)	(52,478)	(36,397)	(24,953)
Administrative expenses		(8,071)	(17,704)	(3,805)	(8,418)	(30,750)	(41,887)	(14,496)	(19,917)
Other operating expenses		(562)	(25)	(265)	(12)	(562)	(213)	(265)	(101)
Finance costs		(380)	(3,747)	(179)	(1,782)	(43,276)	(34,202)	(20,400)	(16,263)
Profit before taxation	B2	200,649	136,550	94,586	64,929	650,338	518,716	306,569	246,650
Income tax expense		(54,108)	(34,088)	(25,507)	(16,209)	(185,631)	(121,090)	(87,506)	(57,578)
Total comprehensive income after tax	B2	146,541	102,462	69,079	48,720	464,707	397,626	219,063	189,072



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-									
- Equity holders of China Stationery Limited		146,541	102,462	69,079	48,720	464,707	397,626	219,063	189,072
Total comprehensive income attributable to:-									
- Equity holders of China Stationery Limited		146,541	102,462	69,079	48,720	464,707	397,626	219,063	189,072
Earnings per share									
- Basic (RMB cents/sen)	B12	0.16	0.19	0.08	0.09	0.70	0.75	0.33	0.36

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2010 and the accompanying explanation notes attached to this financial report.

Note:

- (1) The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the average exchange rate of RMB1:RM0.4714 for the financial period ended 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

Condensed Consolidated Statements Of Financial Position

	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	284,057	289,276	141,546	134,137
Land use rights	15,206	2,144	7,577	994
Non-current receivables	47,515	59,330	23,677	27,511
Investment property	145	210	72	97
	346,923	350,960	172,872	162,739
Current assets				
Inventories	57,775	35,922	28,789	16,657
Trade and other receivables	461,655	359,339	230,042	166,625
Cash and bank balances	1,327,077	902,663	661,283	418,565
	1,846,507	1,297,924	920,114	601,847
Less:				
Current liabilities				
Trade payables	86,384	63,465	43,045	29,429
Accrued liabilities and other payables	23,679	32,150	11,799	14,907
Interest-bearing bank borrowings	49,100	49,100	24,467	22,768
Amount due to a shareholder	71,746	71,746	35,751	33,269
Convertible bonds	-	68,509	-	31,768
Income tax payable	51,105	29,000	25,465	13,447
	282,014	313,970	140,527	145,588
Net current assets	1,564,493	983,954	779,587	456,259
Non-current liability				
Deferred income tax liabilities	18,865	8,505	9,400	3,944
	18,865	8,505	9,400	3,944
Net assets	1,892,551	1,326,409	943,059	615,054



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited	Audited	Unaudited	Audited
	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
	RMB'000	RMB'000	RM'000	RM'000
EQUITY				
Share capital	5,777	5,262	2,646	2,389
Reserves	1,886,774	1,321,147	940,413	612,665
Total equity	1,892,551	1,326,409	943,059	615,054
Net asset per share attributable to equity holders of the Company (RMB/RM)	1.71	2.51	0.85	1.17

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2010 and the accompanying explanation notes attached to this financial report.

Notes:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 31 December 2011 and 31 December 2010 divided by the number of ordinary shares of 1,105,326,316 and 527,700,000 respectively.
- (2) The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the exchange rate of RMB1: RM0.4983 at 31 December 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

Unaudited Condensed Consolidated Statement Of Changes in Equity

12 months ended 31 December 2011	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011	5,262	64	77,061	(1,645)	(4,150)	91,784	-	1,158,033	1,326,409
Net profit for the period	-	-	-	-	-	-	-	464,707	464,707
Conversion of convertible loan	515	-	100,920	-	-	-	-	-	101,435
Transfer to statutory reserves	-	-	-	-	-	5,103	-	(5,103)	-
Balance at 31 December 2011	5,777	64	177,981	(1,645)	(4,150)	96,887	-	1,617,637	1,892,551

12 months ended 31 December 2011	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2011	2,389	29	37,246	(1,390)	(1,875)	42,712	(24,080)	560,023	615,054
Currency Translation difference	-	-	-	-	-	-	45,896	12,500	58,396
Net profit for the period	-	-	-	-	-	-	-	219,063	219,063
Conversion of convertible loan	257	-	50,289	-	-	-	-	-	50,546
Transfer to statutory reserves	-	-	-	-	-	2,542	-	(2,542)	-
Balance at 31 December 2011	2,646	29	87,535	(1,390)	(1,875)	45,254	21,816	789,044	943,059

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2010 and the accompanying explanation notes attached to this financial report.

Note:

- (1) The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the exchange rate of RMB1: RM0.4983 at 31 December 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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Unaudited Condensed Consolidated Statement Of Changes in Equity (Continue)

12 months ended 31 December 2010	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	5,791	64	94,201	(95,015)	(4,150)	68,201	-	783,990	853,082
Net profit for the period	-	-	-	-	-	-	-	397,626	397,626
Cancellation of 51,291,597 treasury shares	(529)	-	(61,167)	61,696	-	-	-	-	-
Subscription of treasury shares by LTH*	-	-	44,027	31,674	-	-	-	-	75,701
Transfer to statutory reserves	-	-	-	-	-	23,583	-	(23,583)	-
Balance at 31 December 2010	5,262	64	77,061	(1,645)	(4,150)	91,784	-	1,158,033	1,326,409

12 months ended 31 December 2010	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2010	2,641	29	45,396	(45,788)	(1,875)	31,498	11,196	382,165	425,262
Currency Translation difference	-	-	-	-	-	-	(35,276)	-	(35,276)
Net profit for the period	-	-	-	-	-	-	-	189,072	189,072
Cancellation of 51,291,597 treasury shares	(252)	-	(29,085)	29,337	-	-	-	-	-
Subscription of treasury shares by LTH*	-	-	20,935	15,061	-	-	-	-	35,996
Transfer to statutory reserves	-	-	-	-	-	11,214	-	(11,214)	-
Balance at 31 December 2010	2,389	29	37,246	(1,390)	(1,875)	42,712	(24,080)	560,023	615,054

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2010 and the accompanying explanation notes attached to this financial report.

Note:

- (1) The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the exchange rate of RMB1: RM0.4983 at 31 December 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	650,338	518,716	306,569	246,650
Adjustments for				
Interest income	(5,200)	(2,696)	(2,451)	(1,282)
Depreciation of property, plant and equipment	23,802	19,190	11,220	9,125
Amortisation of land use rights	271	50	128	24
Loss on disposal of property, plant and equipment	561	213	264	101
Foreign exchange loss	5	4	2	2
Interest expenses	43,276	34,202	20,400	16,263
Operating profit before working capital changes	713,053	569,679	336,132	270,883
Increase in inventories	(21,853)	(15,468)	(10,302)	(7,355)
Increase in trade and other receivables	(99,873)	(69,347)	(47,080)	(32,974)
Increase in trade payables	22,919	11,114	10,804	5,285
Increase/(Decrease)in accrued liabilities and other payables	(3,505)	1,801	(1,652)	856
Cash generated from operations	610,741	497,779	287,902	236,695
Interest received	5,200	2,696	2,451	1,282
Interest paid	(10,349)	(34,202)	(4,878)	(16,263)
Income tax paid	(153,166)	(114,240)	(72,202)	(54,321)
Net cash generated from operating activities	452,426	352,033	213,273	167,393
Cash flows from investing activities				
Purchase of property, plant and equipment	(24,079)	(55,451)	(11,351)	(26,367)
Purchase of land use rights	(3,962)	(5,267)	(1,868)	(2,504)
Proceeds from disposal of property, plant and equipment	34	15	16	7
Net cash used in investing activities	(28,007)	(60,703)	(13,203)	(28,864)
Cash flows from financing activities				
Bank loans obtained	51,600	80,100	24,324	38,088
Repayment of bank loans	(51,600)	(87,500)	(24,324)	(41,606)
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 financing activities	-	(208)	-	(98)
Net increase in cash and cash equivalents	424,419	291,122	200,070	138,431
Cash and cash equivalents at 1 January	902,663	611,545	418,565	304,855
Effect on exchange rate on cash and bank balances on opening	(5)	(4)	(6,950)	(2)
Effect on exchange rate changes and translation	-	-	49,598	(24,719)
Cash and cash equivalents at 31 December	<u>1,327,077</u>	<u>902,663</u>	<u>661,283</u>	<u>418,565</u>

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2010 and the accompanying explanation notes attached to this financial report.

Note:

(1) The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB1: RM0.4714 at 31 December 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

A. EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

1. Basis of preparation

a) Basic of accounting

The interim financial statements are unaudited and have been prepared in accordance with the International Accounting Standard (“IAS”), IAS 34 Interim Financial Reporting and paragraph 9.22(2) and Part A of Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2010 and the accompanying explanatory notes attached to this unaudited financial report.

b) Changes in accounting policies

There are no changes in accounting policies for the quarter ended 31 December 2011.

c) Basic of consolidation

A business combination involving entities under common controls is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The consolidated financial statements of the Group have been prepared using the historical cost method similar to the pooling of interest as it is a common control business combination. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts. Consistent accounting policies are applied for like transactions and events in similar circumstances. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. In the Company’s financial statements, investments in subsidiary are carried at cost less any impairment in net recoverable value that has been recognized in profit or loss.

d) Functional currency and translation to presentation currency

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

2. Audit report of the Group’s preceding annual financial statements

The Group’s audited consolidated financial statements for the financial year ended 31 December 2010 were not subject to any audit qualification.

3. Seasonality or cyclicity of operation

The business of the Group was not affected by any significant seasonal and cyclical factors for the current quarter and financial year-to-date.

4. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

5. Changes in estimates

Not applicable as there were no estimates being reported during the prior periods.



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6. Changes in share capital and debts

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

Details of the movements in the Company's shares since incorporation up to the financial year-to-date are as follows:

Date of allotment	No. of Shares allotted	Consideration	Cumulative Issued and Paid-Up Shares Capital	
			(No of Shares)	(SGD)
Ordinary Shares				
15.08.2007	1	Nil	1	Nil
17.09.2007	486,809	Cash	486,810	486,810
17.09.2007	114,190	Cash	601,000	601,000
17.09.2007	323,190	Cash	924,190	924,190
17.09.2007	75,810	Cash	1,000,000	1,000,000
17.09.2007	-	Subdivision of every 1 shares into 500 shares	500,000,000	1,000,000
04.04.2008	78,991,597	Cash ⁽¹⁾	578,991,597	1,157,983
27.01.2010	(51,291,597)	Cancelled ⁽¹⁾	527,700,000	1,055,400
02.11.2011	-	Subdivision of every 1 shares into 2 Shares	1,055,400,000	1,055,400
14.11.2011	49,926,316	Conversion ⁽²⁾	1,105,326,316	1,105,326

Notes:

- (1) Pursuant to a convertible loan agreement dated 28 September 2007, a group of fifteen (15) investors advanced a convertible loan amounting to SGD18.80 million to our Company as part of the previous proposed and subsequently aborted listing exercise in Singapore under a pre-listing scheme. The convertible loan was converted into 78,991,597 China Stationery Shares on 4 April 2008 and between November 2008 and December 2008, our Company purchased these shares from the fifteen (15) investors for an aggregate amount of approximately SGD20.30 million and kept the shares as treasury shares of our Company. On 27 January 2010, 51,291,597 treasury shares were cancelled. On 6 July 2010, 26,332,230 treasury shares were allotted to Lembaga Tabung Haji ("LTH") pursuant to the Investment Agreement.
- (2) Pursuant to the conversion of the USD15.81 million (SGD19.67 million) loan by Liu Han Yun ("LHY").



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

7. Segment information

	<u>12 months ended 31 December 2011</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	482,793	1,291,917	1,774,710
Segment results	280,523	514,980	795,503
Other income			6,634
Selling and distribution expenses			(77,211)
Administrative expenses			(30,750)
Other operating expenses			(562)
Finance expenses			(43,276)
Profit before taxation			650,338
Income tax expense			(185,631)
Total Profit after tax			464,707
Other segment information:			
Capital expenditure			28,041
Depreciation of property, plant and equipment			23,802
Amortisation of intangible assets			271

	<u>12 months ended 31 December 2011</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	227,588	609,010	836,598
Segment results	132,238	242,762	375,000
Other income			3,127
Selling and distribution expenses			(36,397)
Administrative expenses			(14,496)
Other operating expenses			(265)
Finance expenses			(20,400)
Profit before taxation			306,569
Income tax expense			(87,506)
Total Profit after tax			219,063
Other segment information:			
Capital expenditure			13,219
Depreciation of property, plant and equipment			11,220
Amortisation of intangible assets			128

Note:

- (1) The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB1: RM0.4714 for the financial period ended 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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7. Segment information (Continue)

	<u>12 months ended 31 December 2010</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	396,836	1,011,950	1,408,786
Segment results	236,220	408,428	644,648
Other income			2,848
Selling and distribution expenses			(52,478)
Administrative expenses			(41,887)
Other operating expenses			(213)
Finance expenses			(34,202)
Profit before taxation			518,716
Income tax expense			(121,090)
Total Profit after tax			397,626
Other segment information:			
Capital expenditure			60,718
Depreciation of property, plant and equipment			19,190
Amortisation of intangible assets			50

	<u>12 months ended 31 December 2010</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	188,696	481,182	669,878
Segment results	112,323	194,207	306,530
Other income			1,354
Selling and distribution expenses			(24,953)
Administrative expenses			(19,917)
Other operating expenses			(101)
Finance expenses			(16,263)
Profit before taxation			246,650
Income tax expense			(57,578)
Total Profit after tax			189,072
Other segment information:			
Capital expenditure			28,871
Depreciation of property, plant and equipment			9,125
Amortisation of intangible assets			24

Note:

- (1) The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the average exchange rate of RMB1: RM0.4755 for the financial period ended 2010 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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8. Subsequent events

There were no material events as at the date of this announcement that will affect the results of the financial year under review except a director resolution passed on 6 January 2012, the company has cancelled all its treasury shares of 2,735,540.

9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date.

10. Contingent liability or assets

There were no material contingent liabilities or assets which may have material effect on the financial position of the Group.

11. Property, plant and equipment

The Group acquired an additional property, plant and equipment amounting to RMB7.65 million (RM3.81 million) and RMB19.11 million (RM9.52 million) for current quarter and financial year-to-date respectively.

12. Capital commitment

Save as disclosed below, the Group is not aware of any material commitments, which upon becoming enforceable may have a material effect on the financial position of our Group:-

	As at	As at
	31 December 2011	31 December 2011
	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan ⁽¹⁾	35,573	17,762
Machineries ⁽²⁾	55,952	27,881
Construction cost for the New Plant ⁽²⁾	81,626	40,674
Others ⁽³⁾	3,850	1,919
Total	177,001	88,236

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 December 2011 of USD1: RMB6.3523 and USD1: RM3.1717.
- (2) Our Group has unpaid capital expenditure in Sakura Plastics, Ruiyuan and Sakura Stationery of an amount of approximately RMB137.6 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.



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13. Significant related party transactions

The Group has entered into a Lease Agreement with the spouse of key management is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Lease rental	30	15	120	60

14. Financial Instruments with off balance sheet risks

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

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

As at 31 December 2010 and 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.

15. Reserves

	As at 31 December		As at 31 December	
	2011	2011	2010	2010
	RMB'000	RM'000	RMB'000	RM'000
Capital reserve	64	29	64	29
Share premium	177,981	87,535	77,061	37,246
Treasury shares	(1,645)	(1,390)	(1,645)	(1,390)
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	96,887	45,254	91,784	42,712
Translation reserves	-	21,816	-	(24,080)
Retained earnings	1,617,637	789,044	1,158,033	560,023
Total	1,886,774	940,413	1,321,147	612,665

(a) Capital Reserve

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

(b) Share Premium

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



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15. Reserves (continue)

(c) Treasury shares

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

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

(d) Merger Deficit

The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

(e) Statutory Reserves

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

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



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B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

Our revenue increased by approximately RMB365.92 million or approximately 25.97% from approximately RMB1,408.79 million in preceding year ended 31 December 2010 (“FYE 2010”) to approximately RMB1,774.71 million in current year ended 31 December 2011 (“FYE 2011”) mainly due to increase in sales of our Patented and Non-Patented products.

Sales of Patented Products increased by approximately RMB85.96 million or approximately 21.66% from approximately RMB396.84 million in FYE 2010 to approximately RMB482.79 million in FYE 2011 mainly attributed to our strategy to reduce the selling price of our plastic tape printer to achieve market penetration, which has in turn led to a corresponding increase in the quantity sold for our plastic tape printer. In FYE 2011, we sold a total of 1,752,482 units of plastic tape printers as compared to 1,189,815 units in FYE2010, representing an increase of 47.29% in terms of units sold.

Sales of Non-Patented Products increased by approximately RMB279.97 million or approximately 27.67% from approximately RMB1,011.95 million in FYE 2010 to approximately RMB1,291.92 million in FYE 2011 was mainly attributed to the increased in revenue from our filing and storage products and bottle ink products of approximately RMB202.69 million and approximately RMB32.39 million respectively. The increase was in line with our increased marketing and advertising efforts and increase orders for our products from our existing customers. The increase in revenue of bottle ink was also in line with the increase in the quantity unit sold of our plastic tape printer product.

On Overall, our gross profit (“GP”) increase by approximately RMB150.86 million or approximately 23.40% from approximately RMB644.65 million in FYE 2010 to approximately RMB795.50 million in FYE 2011 with an average GP margin of 44.8% and 45.8% respectively for FYE 2011 and FYE 2010. The slight decrease in GP margin was in line with our strategy to reduce the selling price of our Patented Products of plastic tape printer which contribute approximately 25.79% of group revenue in order to make it more affordable to customers and hence, obtaining greater market penetration.

Our profit after tax (“PAT”) increase by approximately RMB67.08 million or approximately 16.87% from approximately RMB397.63 million in FYE 2010 to approximately RMB464.71 million in FYE 2011 with an average PAT margin of 26.18% and 28.22% respectively for FYE 2011 and FYE 2010. In FYE 2011, there is slight drop of 2% of PAT margin as compare to FYE 2010 was mainly due to the reduction of selling price of plastic tape printer and also with one of our subsidiary named Ruiyuan had fully utilised the 50% reduction in state income tax on FYE 2010.



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2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2011		Preceding Quarter 30 September 2011	
	RMB'000	RM'000	RMB'000	RM'000
	Revenue	500,488	235,930	445,579
Profit Before Taxation ("PBT")	200,649	94,586	115,089	57,211
Profit After Taxation ("PAT")	146,541	69,079	74,491	37,029

The Group recorded revenue of approximately RMB500.49 million in the current quarter, which is approximately RMB54.91 million higher than RMB445.58 million in the immediate preceding quarter. The increase was mainly due to the new product launching during the current quarter contribute extra revenue of RMB22.79 million and the remaining RMB 32.12 million was from our existing products with the effect of our marketing and advertising efforts and the strategy to reduce the selling price of our plastic tape printer.

The GP margin for current quarter is 44.13% as compare to 44.84% in preceding quarter. The slight decrease in GP margin mainly due to decrease in selling price of our plastic tape printer product.

The PBT margin for current quarter is 40.09% as compare to 25.83% in preceding quarter. The increase in PBT margin for current quarter was mainly due to increase in advertisement cost of approximately RMB31.95 million and also increase in finance cost of approximately RMB32.67 million in preceding quarter.

The PAT margin for the current quarter is 29.28% as compare to 16.72% in preceding quarter. The increase in PAT was mainly due to increase in advertising and finance cost in preceding quarter as stated above.

3. Prospects for FY 2012

In FY2012, the Group expects its growth to continue to be underpinned by our innovative Patented and Non-Patented Products segment especially what we can foreseen our future products which we intend to commercialise our plastic envelope with anti-tempering seal products by mid 2012 and the second generation plastic tape printer during the first quarter of 2012.

The Group is optimistic about the growth prospects of its innovative Patented Products segment. Industry studies have shown that the global plastic stationery market are expected to achieve a compounded annual growth rate of approximately 5.3% from 2011 to 2014. The Group expects that as consumers become more affluent and the increase level of literacy, demand for high quality plastic stationery market will increase over time.

To further enhance its position as the largest manufacturer of plastic filing and storage products in Fujian Province, our Group have entered into contract to purchase new machineries for our new plant, and this will increase our production capacity that will lead to greater market share.



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3. Prospects for FY 2012 (continue)

The factors that are likely to influence the Group performance for FY2012 are as follows:-

(a) Currency Exchange Risk

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

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

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

(b) Slow down of Europe Country Economy

Currently Europe market contributed approximately 16% of our total revenue. But due to the unforeseen Europe country economic crisis, to the certain extent it will also affect our group revenue.

(c) Supply and Price of PP Materials

PP materials are major components of our cost of sales. As PP materials are by-products of crude oil, the prices of PP materials are also affected to a certain extent by the movement of crude oil prices.

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

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

(d) Supply of production equipments from our supplier

As schedule, we will launch two new products by first quarter and mid year of 2012. The fulfilment of the equipments which supply by our suppliers will also affect our launching time and affect our revenue and profit during the year.

Barring unforeseen circumstances, the Group is optimistic about its performance in FY2012



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4. Profit forecast

Our Group does not have any profit forecast or guarantee in the public documents.

5. Income tax expenses

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
PRC Income tax expenses	51,076	24,077	175,271	82,623
Deffered income tax liabilities	3,032	1,430	10,360	4,883
	54,108	25,507	185,631	87,506

PRC Tax

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for current quarter and financial year-to-date.

6. Status of corporate proposals and utilization proceeds

(a) Status of corporate proposal

As an integral part of the listing and quotation for the entire issued and paid up share capital of the Company on the Main Market of Bursa Securities (as stated in the Company's Prospectus dated 31 January 2012), the Company has undertaken the followings;

(i) Treasury Shares

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

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

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

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

(ii) Investment by LTH

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



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6. Status of corporate proposals and utilization proceeds (continue)

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

(iii) Public Issue

Pursuant to the listing scheme, our company will allot 90,000,000 new Shares at an issue price of RM0.95 per Share.

(iv) Listing

Upon listing on 24 February 2012, the entire enlarged issued and paid-up share capital comprising 1,192,590,776 Shares on the Main Market.

(b) Utilization of IPO proceeds

The gross proceeds of RM85,500,000 from the Public Issue are expected to be utilised in the following manner:-

	Proposed Utilization Amount	Actual Utilization Amount	Deviation Amount	Expected Utilisation Period After Our Listing
	RM'000	RM'000	RM'000	
(1) Advertising, branding and promotional	10,777	-	N/A	Within 24 months
(2) Purchase of machineries	29,418	-	N/A	Within 24 months
(3) Purchase of machineries for R&D department	25,005	-	N/A	Within 24 months
(4) Working capital	10,000	-	N/A	Within 12 months
(5) Estimated listing expenses	10,300	4,990	N/A	Within 6 months
Total	85,500	4,990		



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7. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 December 2011 were as follows:

	RMB'000	RM'000
Amount due to a shareholder (1)	71,746	35,751
Bank borrowing (2)	49,100	24,467

Notes:

- (1) The amount due to a shareholder is unsecured, interest-free and repayable on demand.
- (2) The Group's interest-bearing bank loan are guaranteed by :-
 - (i) certain property, plant and equipment;
 - (ii) land use rights;
 - (iii) director's personal guarantee; and
 - (iv) corporate guarantees by external companies and the Group's subsidiaries.

Short-term bank loans bear weighted average effective interest rates of 5.78% per annum.

8. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

9. Dividends

No dividends were declared or paid by the Group in the current quarter or year to date under review.

10. Disclosure item of Profit & Loss:-

		Quarter Ended 31 December 2011		Year to Date Ended 31 December 2011	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	1,573	742	5,200	2,451
2)	Other income including investment income;	37	17	1,434	676
3)	Interest expense;	380	180	43,276	20,400
4)	Depreciation and amortization;	5,915	2,788	24,073	11,348
5)	Provision for and write off of receivables;	-	-	-	-
6)	Provision for and write off of inventories;	-	-	-	-
7)	Gain or loss on disposal of quoted or unquoted investments or properties;	-	-	-	-
8)	Impairment of assets;	-	-	-	-
9)	Foreign exchange gain or loss;	1,486	701	7,767	3,661
10)	Gain or loss on derivatives; and	-	-	-	-
11)	Exceptional items (with details).	-	-	-	-
	- Listing expenses	-	-	148	70



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11. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 December 2011 and 31 December 2010 are analysed as below:

	Current Financial Year		Preceding Financial Year	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	1,618,191	789,315	N/A ⁽¹⁾	N/A ⁽¹⁾
- Unrealised	(555)	(271)	N/A ⁽¹⁾	N/A ⁽¹⁾
Total Group Retained Earnings	1,617,636	789,044	N/A ⁽¹⁾	N/A ⁽¹⁾

Note:

(1) Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure.



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12. Earning per share

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to equity holders of the company	146,541	102,462	69,079	48,720	464,707	397,626	219,063	189,072
Weighted average number of ordinary share in issue ('000)	904,463	527,700	904,463	527,700	665,866	531,494	665,866	531,494
Earning Per Share - Basic (RMB cents/ sen)	0.16	0.19	0.08	0.09	0.70	0.75	0.33	0.36

Notes:

(1) Basic earning per share

Basic earning per share of the Group are calculated by dividing the profit for the quarter ended/year to date ended by the weighted average number of ordinary shares in issue during the financial year.

(2) Diluted earning per share

There is no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at end of the current and preceding quarter under review.