



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 FIRST QUARTER ENDED 31
MARCH 2012**

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	497,277	398,308	239,986	184,456	497,277	398,308	239,986	184,456
Cost of sales		(276,953)	(217,813)	(133,657)	(100,869)	(276,953)	(217,813)	(133,657)	(100,869)
Gross profit		220,324	180,495	106,329	83,587	220,324	180,495	106,329	83,587
Other income		1,941	810	937	375	1,941	810	937	375
Selling and distribution expenses		(20,812)	(14,215)	(10,044)	(6,583)	(20,812)	(14,215)	(10,044)	(6,583)
Administrative expenses		(15,723)	(8,483)	(7,589)	(3,928)	(15,723)	(8,483)	(7,589)	(3,928)
Other operating expenses		(1)	(14)	(1)	(6)	(1)	(14)	(1)	(7)
Finance costs		(5,726)	(2,124)	(2,763)	(984)	(5,726)	(2,124)	(2,763)	(984)
Profit before taxation	B2	180,003	156,469	86,869	72,461	180,003	156,469	86,869	72,460
Income tax expense		(51,763)	(43,697)	(24,981)	(20,237)	(51,763)	(43,697)	(24,981)	(20,236)
Total comprehensive income after tax	B2	128,240	112,772	61,888	52,224	128,240	112,772	61,888	52,224



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	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		128,240	112,772	61,888	52,224	128,240	112,772	61,888	52,224
Total comprehensive income attributable to:-									
- Equity holders of China Stationery Limited		128,240	112,772	61,888	52,224	128,240	112,772	61,888	52,224
Earnings per share									
- Basic (RMB cents/sen)	B12	0.11	0.21	0.05	0.10	0.11	0.21	0.05	0.10

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2011 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:RM0.4826 for the financial period ended 31 March 2012 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 FIRST QUARTER ENDED 31 MARCH 2012

Condensed Consolidated Statements Of Financial Position

	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	294,023	284,057	142,631	141,546
Land use rights	15,127	15,206	7,338	7,577
Non-current receivables	42,719	47,515	20,723	23,677
Investment property	145	145	70	72
	352,014	346,923	170,762	172,872
Current assets				
Inventories	51,369	57,775	24,919	28,789
Trade and other receivables	495,428	461,655	240,332	230,042
Cash and bank balances	1,609,106	1,327,077	780,577	661,283
	2,155,903	1,846,507	1,045,828	920,114
Less:				
Current liabilities				
Trade payables	92,996	86,384	45,112	43,045
Accrued liabilities and other payables	38,354	23,679	18,606	11,799
Interest-bearing bank borrowings	51,600	49,100	25,031	24,467
Amount due to a shareholder	71,784	71,746	34,822	35,751
Convertible bonds	-	-	-	-
Income tax payable	48,886	51,105	23,715	25,465
	303,620	282,014	147,286	140,527
Net current assets	1,852,283	1,564,493	898,542	779,587
Non-current liability				
Deferred income tax liabilities	21,770	18,865	10,560	9,400
	21,770	18,865	10,560	9,400
Net assets	2,182,527	1,892,551	1,058,744	943,059



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited	Audited	Unaudited	Audited
	As at 31 March 2012 RMB'000	As at 31 December 2011 RMB'000	As at 31 March 2012 RM'000	As at 31 December 2011 RM'000
EQUITY				
Share capital	5,946	5,777	2,727	2,646
Reserves	2,176,581	1,886,774	1,056,017	940,413
Total equity	2,182,527	1,892,551	1,058,744	943,059
Net asset per share attributable to equity holders of the Company (RMB/RM)	1.83	1.71	0.89	0.85

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2011 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 at 31 March 2012 and 31 December 2011 divided by the number of ordinary shares of 1,192,590,776 and 1,105,326,316 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: RM0.4851 at 31 March 2012 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 FIRST QUARTER ENDED 31 MARCH 2012

Unaudited Condensed Consolidated Statement Of Changes in Equity

3 months ended 31 March 2012	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 2012	5,777	64	177,981	(1,645)	(4,150)	96,887	-	1,617,637	1,892,551
Net profit for the period	-	-	-	-	-	-	-	128,240	128,240
Issued additional shares	183	-	175,751	-	-	-	-	-	175,934
Share issue expenses	-	-	(14,198)	-	-	-	-	-	(14,198)
Cancelled treasury shares	(14)	-	(1,631)	1,645	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	1,158	-	(1,158)	-
Balance at 31 March 2012	5,946	64	337,903	-	(4,150)	98,045	-	1,744,719	2,182,527

3 months ended 31 March 2012	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 2012	2,646	29	87,535	(1,390)	(1,875)	45,254	21,816	789,044	943,059
Currency Translation difference	-	-	-	-	-	-	(23,998)	322	(23,676)
Net profit for the period	-	-	-	-	-	-	-	61,888	61,888
Issued additional shares	88	-	84,237	-	-	-	-	-	84,325
Share issue expenses	-	-	(6,852)	-	-	-	-	-	(6,852)
Cancelled treasury shares	(7)	-	(1,383)	1,390	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	562	-	(562)	-
Balance at 31 March 2012	2,727	29	163,537	-	(1,875)	45,816	(2,182)	850,692	1,058,744

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 2011 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: RM0.4851 at 31 March 2012 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)

3 months ended 31 March 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	-	-	-	-	-	-	-	112,772	112,772
Transfer to statutory reserves	-	-	-	-	-	1,211	-	(1,211)	-
Balance at 31 March 2011	5,262	64	77,061	(1,645)	(4,150)	92,995	-	1,269,594	1,439,181

3 months ended 31 March 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	-	-	-	-	-	-	(4,777)	(335)	(5,112)
Net profit for the period	-	-	-	-	-	-	-	52,225	52,225
Transfer to statutory reserves	-	-	-	-	-	561	-	(561)	-
Balance at 31 March 2011	2,389	29	37,246	(1,390)	(1,875)	43,273	(28,857)	611,352	662,167

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 2011 and the accompanying explanation notes attached to this financial report.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	180,003	156,469	86,869	72,460
Adjustments for				
Interest income	(1,736)	(3,280)	(838)	(1,519)
Depreciation of property, plant and equipment	5,851	6,036	2,824	2,795
Amortisation of land use rights	79	12	38	6
Foreign exchange loss	1	-	1	-
Interest expenses	5,726	2,124	2,763	984
Operating profit before working capital changes	189,924	161,361	91,657	74,726
Decrease in inventories	6,406	717	3,092	332
Decrease / (Increase) in trade and other receivables	(28,977)	5,740	(13,985)	2,658
Increase in trade payables	6,612	5,182	3,191	2,400
Increase in accrued liabilities and other payables	19,642	85	9,479	39
Cash generated from operations	193,607	173,085	93,434	80,155
Interest received	1,736	3,280	838	1,519
Interest paid	(5,726)	(2,124)	(2,763)	(984)
Income tax paid	(51,076)	(28,971)	(24,650)	(13,416)
Net cash generated from operating activities	138,541	145,270	66,859	67,274
Cash flows from investing activities				
Purchase of property, plant and equipment	(20,784)	(344)	(10,030)	(159)
Purchase of land use rights	-	(13,334)	-	(6,175)
Net cash used in investing activities	(20,784)	(13,678)	(10,030)	(6,334)
Cash flows from financing activities				
Proceed from issue of new shares	175,933	-	84,905	-
Share issue expenses written off to share premium account	(14,198)	-	(6,852)	-
Bank loans obtained	51,600	51,600	24,902	23,896
Repayment of bank loans	(49,100)	(49,100)	(23,696)	(22,738)
Shareholder's loan	38	-	18	-
Proceeds from subscription of treasury shares by LTH	-	-	-	-
Net cash used in financing activities	164,273	2,500	79,277	1,158
Net increase in cash and cash equivalents	282,030	134,092	136,106	62,098
Cash and cash equivalents at 1 January	1,327,077	902,663	661,283	418,565
Effect on exchange rate on cash and bank balances on opening	(1)	-	(20,835)	(543)
Effect on exchange rate changes and translation	-	-	4,023	(1,866)
Cash and cash equivalents at 31 March	1,609,106	1,036,755	780,577	478,254

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2011 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: RM0.4826 at 31 March 2012 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 FIRST QUARTER ENDED 31 MARCH 2012

A. EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 2011 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 March 2012.

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 2011 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 period-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
06.01.2012	(2,735,540)	Cancelled	1,102,590,776	1,102,591
24.02.2012	90,000,000	Issue new shares	1,192,590,776	1,192,591

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").
- (3) Pursuant to the cancellation of 2,735,540 treasury shares.
- (4) Pursuant to the issue of 90,000,000 new shares at RM0.95 per share in connection with its initial public offering.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

7. Segment information

	<u>3 months ended 31 March 2012</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	130,286	366,991	497,277
Segment results	73,196	147,128	220,324
Other income			2,340
Selling and distribution expenses			(20,812)
Administrative expenses			(15,325)
Other operating expenses			(1)
Finance expenses			(6,523)
Profit before taxation			180,003
Income tax expense			(51,763)
Total Profit after tax			128,240
Other segment information:			
Capital expenditure			15,817
Depreciation of property, plant and equipment			5,851
Amortisation of intangible assets			79

	<u>3 months ended 31 March 2012</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	62,876	177,110	239,986
Segment results	35,324	71,005	106,329
Other income			1,129
Selling and distribution expenses			(10,044)
Administrative expenses			(7,396)
Other operating expenses			(1)
Finance expenses			(3,148)
Profit before taxation			86,869
Income tax expense			(24,981)
Total Profit after tax			61,888
Other segment information:			
Capital expenditure			10,031
Depreciation of property, plant and equipment			2,824
Amortisation of intangible assets			38

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: RM0.4826 for the financial period ended 31 March 2012 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 FIRST QUARTER ENDED 31 MARCH 2012

7. Segment information (Continue)

	<u>3 months ended 31 March 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	110,897	287,412	398,309
Segment results	64,945	115,550	180,495
Other income			810
Selling and distribution expenses			(14,215)
Administrative expenses			(8,483)
Other operating expenses			(14)
Finance expenses			(2,124)
Profit before taxation			156,469
Income tax expense			(43,697)
Total Profit after tax			112,772
Other segment information:			
Capital expenditure			334
Depreciation of property, plant and equipment			6,036
Amortisation of intangible assets			12

	<u>3 months ended 31 March 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	51,356	133,100	184,456
Segment results	30,076	53,511	83,587
Other income			375
Selling and distribution expenses			(6,583)
Administrative expenses			(3,928)
Other operating expenses			(7)
Finance expenses			(984)
Profit before taxation			72,460
Income tax expense			(20,236)
Total Profit after tax			52,224
Other segment information:			
Capital expenditure			159
Depreciation of property, plant and equipment			2,795
Amortisation of intangible assets			6

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: RM0.4631 for the financial period ended 31 March 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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8. Subsequent events

On 23 May 2012, the Company had proposed to undertake a bonus issue of 596,295,388 Warrants on the basis of one Warrant for every two existing ordinary shares of SGD0.001 each in the Company.

Please refer to the announcement made on 23 May 2012 for full details of the announcement.

9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

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 RMB15.82 million (RM7.67 million) during the 3 months period ended 31 March 2012.

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 March 2012	31 March 2012
	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan ⁽¹⁾	35,348	17,144
Machineries ⁽²⁾	55,487	26,917
Construction cost for the New Plant ⁽²⁾	76,125	36,928
Others ⁽³⁾	3,250	1,577
Total	170,210	82,566

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 March 2012 of USD1: RMB6.3122 and USD1: RM3.0615.
- (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 which is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Lease rental	30	14	30	14

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 2011 and 31 March 2012, 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 March		As at 31 December	
	2012	2012	2011	2011
	RMB'000	RM'000	RMB'000	RM'000
Capital reserve	64	29	64	29
Share premium	337,903	163,537	177,981	87,535
Treasury shares	-	-	(1,645)	(1,390)
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	98,045	45,816	96,887	45,254
Translation reserves	-	(2,182)	-	21,816
Retained earnings	1,744,719	850,692	1,617,637	789,044
Total	2,176,581	1,056,017	1,886,774	940,413

(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.

On 6 January 2012, the Company had cancelled all its treasury shares of 2,735,540.

(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 RMB98.97 million or approximately 24.85% from approximately RMB398.31 million in preceding period ended 31 March 2011 (“1Q2011”) to approximately RMB497.28 million in current period ended 31 March 2012 (“1Q2012”) mainly due to increase in sales of our Patented and Non-Patented products.

Sales of Patented Products increased by approximately RMB19.39 million or approximately 17.48% from approximately RMB110.90 million in 1Q2011 to approximately RMB130.29 million in 1Q2012 mainly attributed by increase in sales volume for plastic tape printers in 1Q2012 by approximately 67.56% as compared to 1Q2011.

Sales of Non-Patented Products increased by approximately RMB79.58 million or approximately 27.69% from approximately RMB287.41 million in 1Q2011 to approximately RMB366.99 million in 1Q2012 was mainly attributed by increase in sales volume from our filing and storage products and expandable files products of approximately 17.26% in 1Q2012. The increase was in line with our increased marketing and advertising efforts and increase orders for our products from our existing customers.

On Overall, our gross profit (“GP”) increase by approximately RMB39.83 million or approximately 22.07% from approximately RMB180.49 million in 1Q2011 to approximately RMB220.32 million in 1Q2012 with an average GP margin of 44.31% and 45.32% for 1Q2012 and 1Q2011 respectively.

Our profit after tax (“PAT”) increase by approximately RMB15.47 million or approximately 13.72% from approximately RMB112.77 million in 1Q2011 to approximately RMB128.24 million in 1Q2012 with an average PAT margin of 25.79% and 28.31% respectively for 1Q2012 and 1Q2011. The lower PAT margin in 1Q2012 was a result of increase in selling and distribution expenses and administrative expenses by approximately RMB6.60 million or 46.4% and approximately RMB6.84 million or 80.7% respectively, mainly due to increase in advertising cost by approximately RMB10.03 million and recognition of the transaction costs relating to the public initial offering and the issue of equity instrument of approximately RMB6.07 million.



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2. Variation of results against immediate preceding quarter

	Current Quarter 31 March 2012		Preceding Quarter 31 December 2011	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	497,277	239,986	500,488	235,930
Profit Before Taxation ("PBT")	180,003	86,869	200,649	94,586
Profit After Taxation ("PAT")	128,240	61,888	146,541	69,079

The Group recorded revenue of approximately RMB497.28 million in the current quarter, which is approximately RMB3.21 million lower than RMB500.49 million in the immediate preceding quarter. The decrease was mainly due to longer holiday break for Chinese New Year in January 2012.

The GP margin for current quarter is 44.31% as compare to 44.13% in preceding quarter remain fairly constant.

The PBT margin for current quarter is 36.50% as compare to 40.09% in preceding quarter. The decrease in PBT margin for current quarter was mainly due to increase in advertisement cost of approximately RMB10.65 million and also the recognition of the transaction costs relating to the public initial offering and the issuance of equity instrument for the current quarter of approximately RMB6.53 million.

The PAT margin for the current quarter is 25.78% as compare to 29.28% in preceding quarter. The decrease in PAT was mainly due to increase in advertising and recognition of the transaction costs relating to the public initial offering and the issuance of equity instrument in current 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 customers' 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 15% 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	48,858	23,579	48,858	23,579
Deferred income tax liabilities	2,905	1,402	2,905	1,402
	51,763	24,981	51,763	24,981

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 had on 24 February 2012 allotted 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 of Bursa Securities.

- (v) Proposed Bonus Issue of 596,295,388 Warrants in the Company (“Warrants”) on the basis of one Warrant for every two existing ordinary shares of SGD0.001 each in the Company held on an entitlement date to be determined later.

Please refer to Note A8 for details.

(b) Utilization of IPO proceeds

The gross proceeds of RM85,500,000 from the Public Issue are 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	-	10,777	Within 24 months
(2) Purchase of machineries	29,418	-	29,418	Within 24 months
(3) Purchase of machineries for R&D department	25,005	-	25,005	Within 24 months
(4) Working capital	10,000	-	10,000	Within 12 months
(5) Estimated listing expenses	10,300	9,220	1,080	Within 6 months
Total	85,500	9,220		



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7. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 March 2012 were as follows:

	RMB'000	RM'000
Amount due to a shareholder (1)	71,746	34,804
Bank borrowing (2)	51,600	25,031

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 5.89% 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		Year to Date Ended	
		31 March		31 March	
		2012		2012	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	1,736	838	1,736	838
2)	Other income including investment income;	10	4	10	4
3)	Interest expense;	5,726	2,763	5,726	2,763
4)	Depreciation and amortization;	5,930	2,862	5,930	2,862
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;	485	61	485	61
10)	Gain or loss on derivatives; and	-	-	-	-
11)	Exceptional items (with details).	-	-	-	-
	- Listing expenses	6,535	3,154	6,535	3,154



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11. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 March 2012 and 31 December 2011 are analysed as below:

	As at 31 March 2012		As at 31 December 2011	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	1,746,193	851,403	1,618,191	789,315
- Unrealised	(1,474)	(711)	(554)	(271)
Total Group Retained Earnings	1,744,719	850,692	1,617,637	789,044

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 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to equity holders of the company	128,240	112,772	61,888	52,224	128,240	112,772	61,888	52,224
Weighted average number of ordinary share in issue ('000)	1,139,334	527,700	1,139,334	527,700	1,139,334	527,700	1,139,334	527,700
Earning Per Share								
- Basic (RMB cents/ sen)	0.11	0.21	0.05	0.10	0.11	0.21	0.05	0.10

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 shares

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.