



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 THIRD QUARTER ENDED 30
SEPTEMBER 2012**

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPT 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
		30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	505,802	445,579	249,158	206,348	1,518,698	1,274,222	748,111	590,092
Cost of sales		(283,351)	(247,194)	(139,579)	(114,476)	(850,099)	(699,480)	(418,759)	(323,929)
Gross profit		222,451	198,385	109,579	91,872	668,599	574,742	329,352	266,163
Other income		2,564	1,454	1,263	673	8,403	3,657	4,139	1,694
Selling and distribution expenses		(13,086)	(41,639)	(6,446)	(19,283)	(90,984)	(64,045)	(44,819)	(29,659)
Administrative expenses		(8,569)	(6,075)	(4,221)	(2,813)	(28,632)	(23,360)	(14,104)	(10,818)
Other operating expenses		-	(5)	-	(2)	(2)	(50)	(1)	(23)
Finance costs		(855)	(37,985)	(421)	(17,591)	(7,446)	(43,797)	(3,668)	(20,282)
Profit before taxation	B2	202,505	114,135	99,754	52,856	549,938	447,147	270,899	207,074
Income tax expense		(55,125)	(39,718)	(27,155)	(18,393)	(152,697)	(131,523)	(75,219)	(60,908)
Total comprehensive income after tax	B2	147,380	74,417	72,599	34,463	397,241	315,624	195,680	146,165



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPT 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
		30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 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		147,380	74,417	72,599	34,463	397,241	315,624	195,680	146,165
Total comprehensive income attributable to:-									
- Equity holders of China Stationery Limited		147,380	74,417	72,599	34,463	397,241	315,624	195,680	146,165
Earnings per share									
- Basic (RMB/RM)	B12	0.13	0.14	0.06	0.07	0.34	0.60	0.17	0.28

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:RM0.4926 for the financial period ended 30 Sept 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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

Condensed Consolidated Statements Of Financial Position

	Unaudited	Audited	Unaudited	Audited
	As at 30 September 2012	As at 31 December 2011	As at 30 September 2012	As at 31 December 2011
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	320,756	284,057	153,738	141,546
Land use rights	14,968	15,206	7,174	7,577
Non-current receivables	29,275	47,515	14,032	23,677
Investment property	145	145	70	72
	365,144	346,923	175,014	172,872
Current assets				
Inventories	67,755	57,775	32,475	28,789
Trade and other receivables	471,950	461,655	226,206	230,042
Cash and bank balances	1,843,834	1,327,077	883,749	661,283
	2,383,539	1,846,507	1,142,430	920,114
Less:				
Current liabilities				
Trade payables	92,981	86,384	44,566	43,045
Accrued liabilities and other payables	44,361	23,679	21,262	11,799
Interest-bearing bank borrowings	41,100	49,100	19,699	24,467
Dividend payable	44,787	-	21,467	-
Amount due to a shareholder	44,198	71,746	21,184	35,751
Income tax payable	52,053	51,105	24,949	25,465
	319,480	282,014	153,127	140,527
Net current assets	2,064,059	1,564,493	989,303	779,587
Non-current liability				
Deferred income tax liabilities	27,439	18,865	13,152	9,400
	27,439	18,865	13,152	9,400
Net assets	2,401,764	1,892,551	1,151,165	943,059



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited	Audited	Unaudited	Audited
	As at 30 September 2012	As at 31 December 2011	As at 30 September 2012	As at 31 December 2011
	RMB'000	RMB'000	RM'000	RM'000
EQUITY				
Share capital	5,946	5,777	2,726	2,646
Reserves	2,395,818	1,886,774	1,148,439	940,413
Total equity	2,401,764	1,892,551	1,151,165	943,059
Net asset per share attributable to equity holders of the Company (RMB/RM)	2.01	1.71	0.97	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 as at 30 September 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 RMB 1: RM 0.4793 at 30 September 2012 with comparatives were 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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

Unaudited Condensed Consolidated Statement Of Changes in Equity

9 months ended 30 September 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	178,250	(1,645)	(4,149)	96,887	-	1,617,636	1,892,820
Net profit for the period	-	-	-	-	-	-	-	397,241	397,241
Issued additional shares	182	-	175,483	-	-	-	-	-	175,665
Share issue expenses	-	-	(14,198)	-	-	-	-	-	(14,198)
Cancelled treasury shares	(13)	-	(1,632)	1,645	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	3,481	-	(3,481)	-
Dividend declared	-	-	-	-	-	-	-	(49,764)	(49,764)
Balance at 30 September 2012	5,946	64	337,903	-	(4,149)	100,368	-	1,961,632	2,401,764

9 months ended 30 September 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	87,663	(1,390)	(1,875)	44,148	21,816	789,044	942,081
Currency Translation difference	-	-	-	-	-	-	(39,947)	-	(39,947)
Net profit for the period	-	-	-	-	-	-	-	195,681	195,681
Issued additional shares	87	-	84,109	-	-	-	-	-	84,196
Share issue expenses	-	-	(6,994)	-	-	-	-	-	(6,994)
Cancelled treasury shares	(6)	-	(1,384)	1,390	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	1,668	-	(1,668)	-
Dividend declared	-	-	-	-	-	-	-	(23,852)	(23,852)
Balance at 30 September 2012	2,727	29	163,394	-	(1,875)	45,816	(18,131)	959,205	1,151,165



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

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 RMB 1: RM 0.4793 at 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

Unaudited Condensed Consolidated Statement Of Changes in Equity (Continue)

9 months ended 30 September 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	-	-	-	-	-	-	-	315,624	315,624
Transfer to statutory reserves	-	-	-	-	-	3,917	-	(3,917)	-
Balance at 30 September 2011	5,262	64	77,061	(1,645)	(4,150)	95,701	-	1,469,740	1,642,033

9 months ended 30 September 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	2,421	29	35,456	(757)	(1,909)	42,230	(24,080)	532,811	586,201
Currency Translation difference	-	-	-	-	-	-	22,186	947	23,133
Net profit for the period	-	-	-	-	-	-	-	146,165	146,165
Transfer to statutory reserves	-	-	-	-	-	1,802	-	(1,802)	-
Balance at 30 September 2011	2,421	29	35,456	(757)	(1,909)	44,032	(1,894)	678,121	755,499

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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 30 Sept 2012	As at 30 Sept 2011	As at 30 Sept 2012	As at 30 Sept 2011
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	549,938	447,147	270,899	207,074
Adjustments for				
Interest income	(5,386)	(3,627)	(2,653)	(1,680)
Depreciation of property, plant and equipment	18,181	17,936	8,956	8,306
Amortisation of land use rights	238	193	117	89
Foreign exchange loss	-	-	-	-
Interest expenses	7,446	43,797	3,668	20,282
Operating profit before working capital changes	570,417	505,446	280,987	234,071
(Increase) in inventories	(9,980)	(23,905)	(4,916)	(11,070)
Decrease in trade and other receivables	7,945	30,296	3,914	14,030
Increase/(Decrease) in trade payables	6,597	(45,120)	3,250	(20,895)
Increase in accrued liabilities and other payables	25,648	28,352	12,634	13,130
Cash generated from operations	600,627	495,069	295,869	229,266
Interest received	5,386	3,627	2,653	1,680
Interest paid	(7,446)	(43,797)	(3,668)	(20,282)
Income tax paid	(143,174)	(115,673)	(70,528)	(53,568)
Net cash generated from operating activities	455,393	339,226	224,327	157,096
Cash flows from investing activities				
Purchase of property, plant and equipment	(59,846)	(11,496)	(29,480)	(5,324)
Purchase of land use rights	-	(13,334)	-	(6,175)
Net cash used in investing activities	(59,846)	(24,830)	(29,480)	(11,499)
Cash flows from financing activities				
Proceed from issue of new shares	175,933	-	86,665	-
Share issue expenses written off to share premium account	(14,198)	-	(6,994)	-
Bank loans obtained	51,600	51,600	25,418	23,896
Repayment of bank loans	(59,600)	(59,600)	(29,359)	(27,601)
Dividends declared	(4,977)	-	(2,452)	-
Shareholder's loan	(27,548)	414	(13,570)	192
Proceeds from subscription of treasury shares by LTH	-	-	-	-
Net cash used in financing activities	121,210	(7,586)	59,708	(3,513)
Net increase in cash and cash equivalents	516,757	306,810	254,555	142,084
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	-	-	(7,565)	(542)
Effect on exchange rate changes and translation	-	-	(24,523)	(3,628)
Cash and cash equivalents at 30 September	1,843,834	1,209,473	883,750	556,479

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:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

A. EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

7. Segment information

	<u>9 months ended 30 September 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	459,577	1,059,121	1,518,698
Segment results	254,439	414,159	668,599
Other income			8,403
Selling and distribution expenses			(90,984)
Administrative expenses			(28,632)
Other operating expenses			(2)
Finance expenses			(7,446)
Profit before taxation			549,938
Income tax expense			(152,697)
Total Profit after tax			397,241
Other segment information:			
Capital expenditure			59,846
Depreciation of property, plant and equipment			18,181
Amortisation of intangible assets			238

	<u>9 months ended 30 September 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	226,388	521,723	748,111
Segment results	125,337	204,015	329,352
Other income			4,139
Selling and distribution expenses			(44,819)
Administrative expenses			(14,104)
Other operating expenses			(1)
Finance expenses			(3,668)
Profit before taxation			270,899
Income tax expense			(75,219)
Total Profit after tax			195,680
Other segment information:			
Capital expenditure			29,480
Depreciation of property, plant and equipment			8,956
Amortisation of intangible assets			117

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 RMB 1: RM0.4926 for the financial period ended 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

7. Segment information (Continue)

	<u>9 months ended 30 September 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	337,836	936,386	1,274,222
Segment results	196,571	378,171	574,742
Other income			3,657
Selling and distribution expenses			(64,045)
Administrative expenses			(23,360)
Other operating expenses			(50)
Finance expenses			(43,797)
Profit before taxation			447,147
Income tax expense			(131,523)
Total Profit after tax			315,624
Other segment information:			
Capital expenditure			24,830
Depreciation of property, plant and equipment			17,936
Amortisation of intangible assets			193

	<u>9 months ended 30 September 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	156,452	433,640	590,092
Segment results	91,032	175,131	266,163
Other income			1,694
Selling and distribution expenses			(29,659)
Administrative expenses			(10,818)
Other operating expenses			(23)
Finance expenses			(20,282)
Profit before taxation			207,074
Income tax expense			(60,908)
Total Profit after tax			146,165
Other segment information:			
Capital expenditure			11,499
Depreciation of property, plant and equipment			8,306
Amortisation of intangible assets			89

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 30 September 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented 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.

On 28 September 2012 bonus issue of 596,295,388 new Warrants listing and quotation on the main market. Please refer to the announcements made on 23 May 2012, 9 July 2012, 24 July 2012, 1 August 2012, 9 August 2012, 27 August 2012, 30 August 2012, 27 September 2012 and 28 September 2012 for full details of the announcement.

On 22 October 2012, the Company had proposed to acquire a total amount of 50,000,000 ordinary shares of RM 1.00 each in Pelikan International Corporation Berhad (Pelikan), representing 9.79% of equity interest in Pelikan for a total purchase consideration of RM 50,000,000, equivalent to RM 1.00 per Pelikan Share, which is to be satisfied by issuance of up to 47,169,812 new ordinary shares of SGD 0.001 or approximately RM 0.0025032 (based on the published middle exchange rate of SGD 1.00 : RM 2.5032 as at 15 October 2012 by Bank Negara Malaysia) each in CSL at an issue price of RM 1.06 per CSL share.

Please refer to the announcement made on 22 October 2012, 24 October 2012 and 2 November 2012 for full detail 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 RMB 59.846 million (RM29.48 million) during the 9 months period ended 30 September 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
	30 September 2012	30 September 2012
	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan ⁽¹⁾	35,386	17,002
Unpaid capital contribution in Sakura Stationery ⁽¹⁾	37,408	17,973
Machineries ⁽²⁾	54,557	26,149
Construction cost for the New Plant ⁽²⁾	2,771	1,328
Total	130,122	62,452

Notes:

- (1) The unpaid capital contribution in Ruiyuan and Sakura Stationery denominated in USD i.e. USD5.6 million and USD 5.92 million respectively and are translated to RMB and RM at the exchange rates as at 30 September 2012 of USD 1: RMB 6.319 and USD 1: RM 3.036.
- (2) Our Group has unpaid capital expenditure in Sakura Plastics, Ruiyuan and Sakura Stationery of an amount of approximately RMB 54.56 million for the construction of the two (2) additional new buildings on the New Plant Land and for purchase of machineries.



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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	15	90	44

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 30 September 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 30 September		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	163,394	177,981	87,535
Treasury shares	-	-	(1,645)	(1,390)
Merger deficit	(4,149)	(1,875)	(4,150)	(1,875)
Statutory reserve	100,368	45,816	96,887	45,254
Translation reserves	-	(18,131)	-	21,816
Retained earnings	1,961,632	959,206	1,617,637	789,044
Total	2,395,818	1,148,439	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 RMB 244.5 million or approximately 19.19% from approximately RMB 1,274.2 million in preceding period ended 30 September 2011 ("3Q2011") to approximately RMB 1,518.7 million in current period ended 30 September 2012 ("3Q2012") mainly due to increase in sales of our Patented and Non-Patented products.

Sales of Patented Products increased by approximately RMB 121.74 million or approximately 36% from approximately RMB337.84 million in 3Q2011 to approximately RMB459.58 million in 3Q2012 mainly attributed by increase in sales volume for plastic tape printers in 3Q2012 by approximately 341% as compared to 3Q2011.

Sales of Non-Patented Products increased by approximately RMB122.73 million or approximately 13.1% from approximately RMB936.39 million in 3Q2011 to approximately RMB1,059.12 million in 3Q2012 was mainly attributed by increase in sales volume from our filing and storage products and expandable files products of approximately 13.85% in 3Q2012. 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 RMB93.86 million or approximately 16.33% from approximately RMB574.74 million in 3Q2011 to approximately RMB668.6 million in 3Q2012 with an average GP margin of 44.02% and 45.11% for 3Q2012 and 3Q2011 respectively.

Our profit after tax ("PAT") increase by approximately RMB81.62 million or approximately 25.86% from approximately RMB315.62 million in 3Q2011 to approximately RMB397.24 million in 3Q2012 with an average PAT margin of 26.16% and 24.77% respectively for 3Q2012 and 3Q2011. The higher PAT margin in 3Q2012 was a result of increase in gross profit and decrease in finance cost by approximately RMB 36.35 million or 83%.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 September 2012		Preceding Quarter 30 June 2012	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	505,802	249,158	515,619	255,231
Profit Before Taxation ("PBT")	202,505	99,754	167,431	82,878
Profit After Taxation ("PAT")	147,380	72,599	121,622	60,203

The Group recorded revenue of approximately RMB 505.8 million in the current quarter, which almost in line with second quarter sale revenue.

The GP margin for current quarter is 43.98% as compare to 43.8% in preceding quarter remain fairly constant.

The PBT margin for current quarter is 40.04% as compare to 32.47% in preceding quarter. The increase in PBT margin for current quarter was mainly due to decrease in advertisement cost of approximately RMB 40 million.

The PAT margin for the current quarter is 29.14% as compare to 23.59% in preceding quarter. The increase in PAT was mainly due to decrease in advertisement cost as stated above.

2. 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 the second generation plastic tape printer launch in beginning of year 2012 and we can foresee our future products which we intend to commercialise our plastic envelope with anti-tempering seal products by year 2013.

The Group is optimistic about the growth prospects of its innovative Patented Products segment. Industry studies have shown that the global plastic stationery market is 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 fulfil 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 plastic envelop with anti-tempering seal products by midyear of 2012. Unfortunately supplier unable to supply the equipment on time due to some technical issue so affect our launching time. Therefore we foresee anti-tempering seal products launching time will be delayed to year 2013.

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	25,160	143,174	70,528
Deferred income tax liabilities	3,101	1,527	8,574	4,223
	54,177	26,687	151,748	74,751

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) On 22 October 2012, the Company had proposed to acquire a total amount of 50,000,000 ordinary shares of RM 1.00 each in Pelikan International Corporation Berhad (Pelikan), representing 9.79% of equity interest in Pelikan for a total purchase consideration of RM 50,000,000, equivalent to RM 1.00 per Pelikan Share, which is to be satisfied by issuance of up to 47,169,812 new ordinary shares of SGD 0.001 or approximately RM 0.0025032 (based on the published middle exchange rate of SGD 1.00 : RM 2.5032 as at 15 October 2012 by Bank Negara Malaysia) each in CSL at an issue price of RM 1.06 per CSL share.

(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	15,169	(4,392)	Within 24 months
(2) Purchase of machineries	29,418	669	28,749	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	12,420	(2,120)	Within 6 months
Total	85,500	28,258		



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7. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 September 2012 were as follows:

	RMB'000	RM'000
Amount due to a shareholder (1)	44,198	21,184
Bank borrowing (2)	41,100	19,699

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

The tax exempted interim dividend of 1.8 sen per ordinary share will be paid on 21st November 2012 to shareholders whose names appear in the company's Record of Depositors on 31st October 2012.

10. Disclosure item of Profit & Loss:-

		Quarter Ended 30 September 2012		Year to Date Ended 30 September 2012	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	1,627	792	5,386	2,653
2)	Other income including investment income;	6,323	3,109	8,403	4,139
3)	Interest expense;	855	405	7,446	3,668
4)	Depreciation and amortization;	6,321	3,084	18,419	9,073
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);	3,664	1,801	5,284	2,603
10)	Gain or loss on derivatives; and	-	-	-	-
11)	Exceptional items (with details).	-	-	-	-
	- Listing expenses	12,291	6,022	25,912	12,764



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11. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 September 2012 and 31 December 2011 are analysed as below:

	As at 30 September 2012		As at 31 December 2011	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	1,961,713	959,245	1,618,191	789,315
- Unrealised	(81)	(40)	(554)	(271)
Total Group Retained Earnings	1,961,632	959,205	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
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 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	147,380	74,417	72,599	34,463	397,241	315,624	195,681	146,165
Weighted average number of ordinary share in issue ('000)	1,174,903	527,700	1,174,903	527,700	1,174,903	527,700	1,174,903	527,700
Earning Per Share - Basic (RMB/RM)	0.13	0.14	0.06	0.07	0.34	0.60	0.17	0.28

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.