



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 2012**

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	461,930	500,488	224,960	237,632	1,980,628	1,774,710	964,566	842,632
Cost of sales		(260,421)	(279,727)	(126,825)	(132,814)	(1,110,520)	(979,207)	(540,823)	(464,927)
Gross profit		201,509	220,761	98,135	104,817	870,108	795,503	423,743	377,705
Other income		(1,198)	1,609	(583)	764	7,205	5,266	3,509	2,500
Selling and distribution expenses		(41,879)	(13,166)	(20,395)	(6,251)	(132,863)	(77,211)	(64,704)	(36,660)
Administrative expenses		(19,242)	(7,390)	(9,371)	(3,509)	(47,874)	(30,750)	(23,315)	(14,600)
Other expenses		(30,621)	(513)	(14,912)	(244)	(30,623)	(563)	(14,913)	(267)
Finance costs		(815)	1,889	(397)	897	(8,261)	(41,908)	(4,023)	(19,898)
Profit before taxation	B2	107,754	203,190	52,477	96,474	657,692	650,337	320,297	303,780
Income tax expense		(39,506)	(54,108)	(19,239)	(25,690)	(192,203)	(185,631)	(93,605)	(88,138)
Total comprehensive income after tax	B2	68,248	149,082	33,238	70,784	465,489	464,706	226,694	220,642



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 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		68,248	149,082	33,238	70,784	465,489	464,706	226,694	220,642
Total comprehensive income attributable to:-									
- Equity holders of China Stationery Limited		68,248	149,082	33,238	70,784	465,489	464,706	226,694	220,642
Earnings per share									
- Basic (RMB/RM)	B12	0.06	0.22	0.03	0.11	0.39	0.70	0.19	0.33

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:RM0.4870 for the financial period ended 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2012

Condensed Consolidated Statements Of Financial Position

	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	321,081	284,057	152,032	141,546
Land use rights	14,889	15,206	7,050	7,577
Non-current receivables	26,388	47,515	12,495	23,677
Other Investment	74,974	-	35,500	-
Investment property	145	145	69	72
	437,477	346,923	207,146	172,872
Current assets				
Inventories	53,012	57,775	25,101	28,789
Trade and other receivables	422,942	461,655	200,264	230,042
Cash and bank balances	1,889,491	1,327,077	894,674	661,283
	2,365,445	1,846,507	1,120,039	920,114
Less:				
Current liabilities				
Trade payables	76,074	86,384	36,021	43,045
Accrued liabilities and other payables	21,931	23,679	10,385	11,799
Interest-bearing bank borrowings	54,400	49,100	25,758	24,467
Dividend payable	-	-	-	-
Amount due to a shareholder	38	71,746	18	35,751
Income tax payable	37,323	51,105	17,673	25,465
	189,766	282,014	89,855	140,527
Net current assets	2,175,679	1,564,493	1,030,184	779,587
Non-current liability				
Deferred income tax liabilities	29,650	18,865	14,039	9,400
	29,650	18,865	14,042	9,400
Net assets	2,583,506	1,892,551	1,223,291	943,059



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RMB'000	RMB'000	RM'000	RM'000
EQUITY				
Share capital	6,226	5,777	2,726	2,646
Reserves	2,577,280	1,886,774	1,220,565	940,413
Total equity	2,583,506	1,892,551	1,223,291	943,059
Net asset per share attributable to equity holders of the Company (RMB/RM)	2.08	1.71	0.98	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 December 2012 and 31 December 2011 divided by the number of ordinary shares of 1,242,760,588 and 1,105,326,316 respectively.

- (2) **Other investments**
- | | 31 st Dec 2012
RMB'000 | 31 st Dec 2012
RM'000 |
|--|--------------------------------------|-------------------------------------|
|--|--------------------------------------|-------------------------------------|

Investment in quoted shares in Malaysia-at cost	105,597	50,000
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At market value

Investment in quoted shares in Malaysia-market value	74,974	35,500
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Impairment loss	30,623	14,500
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- (3) 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 0.4735 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2012

Unaudited Condensed Consolidated Statement Of Changes in Equity

12 months ended 31 December 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	177,982	(1,645)	(4,150)	96,887	-	1,617,636	1,892,551
Net profit for the period	-	-	-	-	-	-	-	465,489	465,489
Issued additional shares	462	-	287,784	-	-	-	-	-	288,246
Share issue expenses	-	-	(14,198)	-	-	-	-	-	(14,198)
Cancelled treasury shares	(13)	-	(1,632)	1,645	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	3,742	-	(3,742)	-
Dividend declared	-	-	-	-	-	-	-	(48,582)	(48,582)
Balance at 31 December 2012	6,226	64	449,936	-	(4,150)	100,629	-	2,030,801	2,583,506

12 months ended 31 December 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	-	-	-	-	-	(1,208)	23,430	(23,092)	(867)
Net profit for the period	-	-	-	-	-	-	-	226,634	226,634
Issued additional shares	86	-	84,175	-	-	-	-	-	84,261
Share issue expenses	-	-	(6,852)	-	-	-	-	-	(6,852)
Cancelled treasury shares	(6)	-	(1,384)	1,390	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	1,772	-	(1,772)	-
Dividend declared	-	-	-	-	-	-	-	(23,004)	(23,004)
Balance at 31 December 2012	2,726	29	163,474	-	(1,875)	45,818	45,246	967,870	1,223,291



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 0.4735 at 31 December 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)

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	RM'000	RMB'000	RM'000	RM'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	-	-	-	-	-	-	-	464,706	464,706
Conversion of convertible loan	515	-	100,921	-	-	-	-	-	101,436
Transfer to statutory reserves	-	-	-	-	-	5,103	-	(5,103)	-
Balance at 31 December 2011	5,777	64	177,982	(1,645)	(4,150)	96,887	-	1,617,636	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	2,451	29	35,887	(1,390)	(1,875)	42,744	21,816	539,296	638,958
Currency Translation difference	-	-	-	-	-	-	-	31,616	31,616
Net profit for the period	-	-	-	-	-	-	-	220,642	220,642
Conversion of convertible loan	195	-	51,648	-	-	-	-	-	51,843
Transfer to statutory reserves	-	-	-	-	-	2,510	-	(2,510)	-
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 2011 and the accompanying explanation notes attached to this financial report.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 31 Dec 2012	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Dec 2011
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	657,692	650,337	320,297	308,780
Adjustments for				
Interest income	(7,014)	(5,200)	(3,416)	(2,469)
Depreciation of property, plant and equipment	24,961	23,802	12,156	11,301
Amortisation of land use rights	317	271	154	129
Loss on disposal on property, plant and equipment	-	561	-	266
Impairment loss on other investment	30,623	-	14,913	-
Acquisition cost for other investment by issuing of share	6,716	-	3,270	-
Interest expenses	8,261	41,908	4,023	19,898
Operating profit before working capital changes	721,556	711,679	351,397	337,905
Decrease/(Increase) in inventories	4,763	(21,853)	2,320	(10,376)
Decrease/(Increase) in trade and other receivables	59,840	(99,872)	29,142	(47,419)
(Decrease)/Increase in trade payables	(10,310)	22,919	(5,021)	10,882
(Decrease) in accrued liabilities and other payables	3,218	(3,505)	1,567	(1,664)
Cash generated from operations	779,067	609,368	379,405	289,328
Interest received	7,014	5,200	3,416	2,469
Interest paid	(8,261)	(8,981)	(4,023)	(4,264)
Income tax paid	(195,198)	(153,166)	(95,061)	(72,723)
Net cash generated from operating activities	582,622	452,421	283,737	214,810
Cash flows from investing activities				
Purchase of property, plant and equipment	(66,951)	(24,079)	(32,605)	(11,433)
Purchase of land use rights	-	(3,962)	-	(1,881)
Proceeds from disposal of property, plant and equipment	-	34	-	16
Net cash used in investing activities	(66,951)	(28,007)	(32,605)	(13,298)
Cash flows from financing activities				
Proceed from issue of new shares	175,933	-	85,679	-
Share issue expenses written off to share premium account	(14,198)	-	(6,914)	-
Bank loans obtained	64,900	-	31,606	-
Repayment of bank loans	(59,600)	-	(29,025)	-
Dividends paid	(48,584)	-	(23,660)	-
Shareholder's loan	(71,708)	-	(34,922)	-
Net cash used in financing activities	46,743	-	22,764	-
Net increase in cash and cash equivalents	562,414	424,414	273,896	201,512
Cash and cash equivalents at 1 January	1,327,077	902,663	661,283	420,370
Effect on exchange rate on cash and bank balances on opening	-	-	(14,997)	8,214
Effect on exchange rate changes and translation	-	-	(25,508)	31,187
Cash and cash equivalents at 31 December	1,889,491	1,327,077	894,674	661,283

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: RM0.4870 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2012

A. EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 December 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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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
27.11.2012	50,169,812	Issue new shares (5)	1,242,760,588	1,242,761

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.
- (5) Pursuant to the issue of 50,169,812 new shares to acquired 9.79% Equity interest in Pelikan International Corporation Berhad ("Pelikan") for a total purchase consideration of RM 50,000,000.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

7. Segment information

	<u>12 months ended 31 December 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	624,055	1,356,573	1,980,628
Segment results	345,161	524,947	870,108
Other income			7,205
Selling and distribution expenses			(132,863)
Administrative expenses			(47,874)
Other operating expenses			(30,623)
Finance expenses			(8,261)
Profit before taxation			657,692
Income tax expense			(192,203)
Total Profit after tax			465,489
Other segment information:			
Capital expenditure			66,951
Depreciation of property, plant and equipment			24,961
Amortisation of intangible assets			317

	<u>12 months ended 31 December 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	303,915	660,651	964,566
Segment results	168,094	255,649	423,743
Other income			3,509
Selling and distribution expenses			(64,704)
Administrative expenses			(23,315)
Other operating expenses			(14,913)
Finance expenses			(4,023)
Profit before taxation			320,297
Income tax expense			(93,603)
Total Profit after tax			226,694
Other segment information:			
Capital expenditure			32,605
Depreciation of property, plant and equipment			12,156
Amortisation of intangible assets			154

Note:

- 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 RMB 1: RM0.4870 for the financial period ended 31 December 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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7. Segment information (Continue)

	<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	280,524	514,979	795,503
Other income			5,266
Selling and distribution expenses			(77,211)
Administrative expenses			(30,750)
Other operating expenses			(563)
Finance expenses			(41,908)
Profit before taxation			650,337
Income tax expense			(185,631)
Total Profit after tax			464,706
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	229,230	613,402	842,632
Segment results	133,193	244,512	377,705
Other income			2,500
Selling and distribution expenses			(36,600)
Administrative expenses			(14,600)
Other operating expenses			(267)
Finance expenses			(19,898)
Profit before taxation			308,780
Income tax expense			(88,138)
Total Profit after tax			220,642
Other segment information:			
Capital expenditure			13,314
Depreciation of property, plant and equipment			11,301
Amortisation of intangible assets			129

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 December 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, 2 November 2012, 9 November 2012, 19 November 2012, 22 November 2012 and 27 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 12 months period ended 31 December 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 December 2012	31 December 2012
	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan ⁽¹⁾	35,286	16,748
Unpaid capital contribution in Sakura Stationery ⁽¹⁾	37,303	17,705
Machineries ⁽²⁾	40,257	19,062
Construction cost for the New Plant ⁽²⁾	2,771	1,312
Total	115,617	54,827

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 31 December 2012 of USD 1: RMB 6.3011 and USD 1: RM 2.9907.
- (2) Our Group has unpaid capital expenditure in Sakura Plastics, Ruiyuan and Sakura Stationery of an amount of approximately RMB 40.26 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	120	58	120	58

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 December 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 December		As at 31 December	
	2012	2012	2011	2011
	RMB'000	RM'000	RMB'000	RM'000
Capital reserve	64	29	64	29
Share premium	449,936	163,474	177,981	87,535
Treasury shares	-	-	(1,645)	(1,390)
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	100,629	45,818	96,887	45,254
Translation reserves	-	45,249	-	21,816
Retained earnings	2,030,801	967,870	1,617,637	789,044
Total	2,577,280	1,220,565	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 RMB 95,015,000 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 RM 36,340,000 (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 205.9 million or approximately 11.6% from approximately RMB 1,774.7 million in preceding period ended 31 December 2011 (“FY2011”) to approximately RMB 1,980.6 million in current period ended 31 December 2012 (“FY2012”) mainly due to increase in sales of our Patented and Non-Patented products.

Sales of Patented Products increased by approximately RMB 141.27 million or approximately 29.3% from approximately RMB 482.79 million in FY 2011 to approximately RMB 624.06 million in FY 2012 mainly attributed by increase in sales volume for plastic tape printers in FY 2012 by approximately 105% as compared to FY 2011.

Sales of Non-Patented Products increased by approximately RMB 64.65 million or approximately 5% from approximately RMB 1,291.92 million in FY 2011 to approximately RMB 1,356.57 million in FY 2012 was mainly attributed by increase in sales volume from our filing and storage products and expandable files products of approximately 4.5% in FY 2012. 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 RMB 75 million or approximately 9.4% from approximately RMB 795.5 million in FY 2011 to approximately RMB 870.11 million in FY 2012 with an average GP margin of 43.92% and 44.82% for FY 2012 and FY 2011 respectively.

Our profit after tax (“PAT”) increase by approximately RMB 0.8 million or approximately 0.17% from approximately RMB 464.7 million in FY 2011 to approximately RMB 465.5 million in FY 2012 with an average PAT margin of 23.50% and 26.18% respectively for FY 2012 and FY 2011. The lower PAT margin in FY 2012 was a result of increase in advertisement cost of RMB 46.5 m, impairment loss on the quoted share of RMB 30.6 m and project management fee of RMB 6.7 m for Pelikan share exchange.



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2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2012		Preceding Quarter 30 September 2012	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	461,930	224,960	505,802	249,158
Profit Before Taxation ("PBT")	107,754	52,477	202,505	99,754
Profit After Taxation ("PAT")	68,248	33,238	147,380	72,599

The Group recorded revenue of approximately RMB 461.93 million in the current quarter, which lower than third quarter sale revenue mainly due to China long holiday in Oct 2012.

The GP margin for current quarter is 43.62% as compare to 43.98% in preceding quarter remain fairly constant.

The PBT margin for current quarter is 23.33% as compare to 40.04% in preceding quarter. The decrease in PBT margin for current quarter was mainly due to increase in advertisement cost of approximately RMB 19 million, impairment loss approximate RMB 30.6 m on the quoted share investment and project management fee of RMB 6.7 m.

The PAT margin for the current quarter is 14.77% as compare to 29.14% in preceding quarter. The increase in PAT was mainly due to cost as stated above.

2. Prospects for FY 2013

In FY2013, 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 2013 (continue)

The factors that are likely to influence the Group performance for FY2013 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 FY2013



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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	38,243	18,626	181,417	88,350
Deferred income tax liabilities	2,211	1,077	10,785	5,252
	40,454	19,703	192,202	93,602

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. The actual income tax provision is higher than 25% mainly due to provision of deferred tax on the 10% statutory reserve.

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	10,777	-	Within 24 months
(2) Purchase of machineries	29,418	7,432	21,986	Within 24 months
(3) Purchase of machineries for R&D department	25,005	-	25,005	Within 24 months
(4) Working capital	10,000	8,407	1,593	Within 12 months
(5) Estimated listing expenses	10,300	10,300	-	Within 6 months
Total	85,500	36,916		



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7. Group's borrowings and debt securities

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

	RMB'000	RM'000
Amount due to a shareholder (1)	38	18
Bank borrowing (2)	54,400	25,758

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 was paid on 21st November 2012 to shareholders whose names appear in the company's Record of Depositors on 31st October 2012. No dividends were declared on or paid by the Group in the current quarter under review.

10. Disclosure item of Profit & Loss:-

		Quarter Ended 31 December 2012		Year to Date Ended 31 December 2012	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	1,628	763	7,014	3,416
2)	Other income including investment income;	(1,198)	(630)	7,205	6,634
3)	Interest expense;	815	355	8,261	4,023
4)	Depreciation and amortization;	6,859	3,237	25,278	12,310
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);	(8,796)	(3,826)	(3,512)	(1,223)
10)	Gain or loss on derivatives; and	-	-	-	-
11)	Exceptional items (with details).	-	-	-	-
	- Listing expenses	-	-	24,747	12,052



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11. Realised and Unrealised Profit/Losses Disclosure

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

	As at 31 December 2012		As at 31 December 2011	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	2,028,814	988,032	1,618,191	789,315
- Unrealised	1,987	968	(554)	(271)
Total Group Retained Earnings	2,030,801	989,000	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 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 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	68,248	149,082	33,238	70,784	465,489	464,706	226,694	220,642
Weighted average number of ordinary share in issue ('000)	1,184,147	665,866	1,184,147	665,866	1,184,147	665,866	1,184,147	665,866
Earning Per Share - Basic (RMB/RM)	0.06	0.22	0.03	0.11	0.39	0.70	0.19	0.33

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.