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 2013

Contents

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

Unaudited Condensed Consolidated Statement Of Comprehensive Income

		Quarter Ended 31 Dec 2013	Preceding Year Corresponding Quarter 31 Dec 2012	Quarter Ended 31 Dec 2013	Preceding Year Corresponding Quarter 31 Dec 2012	Year to Date Ended 31 Dec 2013	Year to Date Ended 31 Dec 2012	Year to Date Ended 31 Dec 2013	Year to Date Ended 31 Dec 2012
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	385,175	461,930	203,218	224,960	1,799,687	1,980,628	949,515	964,566
Cost of sales		(221,413)	(260,527)	(116,817)	(126,877)	(1,004,234)	(1,110,626)	(529,834)	(540,875)
Gross profit		163,762	201,403	86,401	98,083	795,453	870,002	419,681	423,691
Other income		1,819	(1,198)	960	(583)	7,287	7,205	3,845	3,509
Selling and distribution expenses		(64,923)	(41,879)	(34,253)	(20,395)	(158,655)	(132,863)	(83,706)	(64,704)
Administrative expenses		(11,650)	(19,136)	(6,147)	(9,319)	(48,172)	(47,768)	(25,416)	(23,263)
Other expenses		(3)	(30,621)	(2)	(14,912)	(40,410)	(30,623)	(21,320)	(14,913)
Finance costs		(775)	(815)	(409)	(397)	(3,415)	(8,261)	(1,802)	(4,023)
Profit before taxation	B2	88,230	107,754	46,550	52,477	552,088	657,692	291,282	320,297
Income tax expense		(24,339)	(39,506)	(12,841)	(19,239)	(159,687)	(192,203)	(84,251)	(93,605)
Total comprehensive income after tax	B2	63,891	68,248	33,709	33,238	392,401	465,489	207,031	226,694

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

		Quarter Ended 31 Dec 2013	Preceding Year Corresponding Quarter 31 Dec 2012	Quarter Ended 31 Dec 2013	Preceding Year Corresponding Quarter 31 Dec 2012	Year to Date Ended 31 Dec 2013	Year to Date Ended 31 Dec 2012	Year to Date Ended 31 Dec 2013	Year to Date Ended 31 Dec 2012
	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		63,891	68,248	33,709	33,238	392,401	465,489	207,031	226,694
Total comprehensive income attributable to:-									
- Equity holders of China Stationery Limited		63,891	68,248	33,709	33,238	392,401	465,489	207,031	226,694
Earnings per share									
- Basic (cents/sen)	B12	5.14	5.76	2.71	2.81	31.57	39.31	16.66	19.14

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 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:RM 0.5276 for the financial period ended 31 December 2013 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 2013

Condensed Consolidated Statements Of Financial Position

	Unaudited As at 31 December 2013	Audited As at 31 December 2012	Unaudited As at 31 December 2013	Audited As at 31 December 2012
	RMB'000	**RMB'000**	**RM'000**	**RM'000**
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	368,282	321,081	198,246	152,032
Land use rights	14,573	14,889	7,844	7,050
Non-current receivables	-	1,163	-	551
Other Investment	-	74,974	-	35,500
Investment property	145	145	78	69
	383,000	412,252	206,168	195,202
Current assets				
Inventories	21,009	53,012	11,309	25,102
Trade and other receivables	327,994	448,167	176,560	212,207
Cash and bank balances	2,366,087	1,889,491	1,273,665	894,674
	2,715,090	2,390,670	1,461,534	1,131,983
Less:				
Current liabilities				
Trade payables	40,789	76,074	21,957	36,021
Accrued liabilities and other payables	12,817	21,931	6,899	10,385
Interest-bearing bank borrowings	54,400	54,400	29,284	25,758
Amount due to a shareholder	39	38	21	18
Income tax payable	23,022	37,323	12,393	17,673
	131,067	189,766	70,554	89,855
Net current assets	2,584,023	2,200,904	1,390,980	1,042,128
Non-current liability				
Deferred income tax liabilities	38,633	29,650	20,796	14,039
	38,633	29,650	20,796	14,039
Net assets	2,928,390	2,583,506	1576,352	1,223,291

Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited As at 31 December 2013	Audited As at 31 December 2012	Unaudited As at 31 December 2013	Audited As at 31 December 2012
	RMB'000	RMB'000	RM'000	RM'000
EQUITY				
Share capital	6,226	6,226	2,856	2,726
Reserves	2,922,164	2,577,280	1,573,496	1,220,565
Total equity	2,928,390	2,583,506	1,576,352	1,223,291
Net asset per share attributable to equity holders of the Company (RMB/RM)	2.36	2.08	1.27	0.98

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanation notes attached to this financial report.

Notes:

(1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 31 December 2013 and 31 December 2012 divided by the number of ordinary shares of 1,242,760,588.

(2) **Other investments**

	31 December 2013 RMB'000	31 December 2013 RM'000
Investment in quoted shares in Malaysia-at cost	105,597	50,000
Disposal in the market	(34,949)	(18,303)
Loss on disposal of share	(70,648)	(31,697)

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

Unaudited Condensed Consolidated Statement Of Changes in Equity

12 months ended 31 December 2013	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 2013	6,226	64	449,936	-	(4,150)	100,629	-	2,030,801	2,583,506
Net profit for the period	-	-	-	-	-	-	-	392,401	392,401
Treasury share – share buy back	-	-	-	(4,006)	-	-	-	-	(4,006)
Transfer to statutory reserves	-	-	-	-	-	1,320	-	(1,320)	-
Dividend declared	-	-	-	-	-	-	-	(43,511)	(43,511)
Balance at 31 December 2013	6,226	64	449,936	(4,006)	(4,150)	101,949	-	2,378,371	2,928,390

12 months ended 31 December 2013	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 2013	2,726	29	163,474	-	(1,875)	45,818	45,246	967,870	1,223,288
Currency Translation difference	130	-	52,614	-	-	1,196	(7,715)	124,237	170,462
Net profit for the period	-	-	-	-	-	-	-	207,032	207,032
Treasury share – share buy back	-	-	-	(2,081)	-	-	-	-	(2,081)
Transfer to statutory reserves	-	-	-	-	-	711	-	(711)	-
Dividend declared	-	-	-	-	-	-	-	(22,349)	(22,349)
Balance at 31 December 2013	2,856	29	216,088	(2,081)	(1,875)	47,725	37,531	1,276,079	1,576,352

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 2012 and the accompanying explanation notes attached to this financial report

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECMEBER 2013

Unaudited Condensed Consolidated Statement Of Changes in Equity (Continue)

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

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 2012 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 2013

Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	552,088	657,692	291,282	320,297
Adjustment for				
Interest income	(7,157)	(7,014)	(3,776)	(3,416)
Loss on disposal of fixed assets	438	-	231	-
Depreciation of property, plant and equipment	30,600	24,961	16,145	12,156
Amortisation of land use rights	316	317	167	154
Loss on other investment	40,025	30,623	21,117	14,913
Acquisition cost for other investment by issuing of share	-	6,716	-	3,270
Interest expenses	3,415	8,261	1,802	4,023
Operating profit before working capital changes	619,725	721,556	326,967	351,397
Decrease in inventories	32,003	4,763	16,885	2,320
Decrease in trade and other receivables	121,336	59,840	64,017	29,142
(Decrease) in trade payables	(35,285)	(10,310)	(18,616)	(5,021)
(Decrease)/ Increase in accrued liabilities and other payables	(13,644)	3,218	(7,199)	1,567
Cash generated from operations	724,135	779,067	382,054	379,405
Interest received	7,157	7,014	3,776	3,416
Interest paid	(3,415)	(8,261)	(1,802)	(4,023)
Income tax paid	(165,005)	(195,198)	(87,057)	(95,061)
Net cash generated from operating activities	562,872	582,622	296,971	283,737
Cash flows from investing activities				
Purchase of property, plant and equipment	(78,239)	(66,951)	(41,279)	(32,605)
Disposal of other Investment	34,949	-	18,439	-
Net cash used in investing activities	(43,290)	(66,951)	(22,840)	(32,605)
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	87,000	64,900	45,901	31,606
Repayment of bank loans	(87,000)	(59,600)	(45,901)	(29,025)
Dividends Paid	(38,981)	(48,584)	(20,566)	(23,660)
Shareholder's loan	1	(71,708)	1	(34,922)
Treasury share – Share buy back	(4,006)	-	(2,114)	-
Net cash used in financing activities	(42,986)	46,743	(22,679)	22,764
Net increase in cash and cash equivalents	476,596	562,414	251,452	273,896
Cash and cash equivalents at 1 January	1,889,491	1,327,077	894,674	661,283
Effect on exchange rate on cash and bank balances on opening	-	-	102,221	(14,997)
Effect on exchange rate changes and translation	-	-	25,317	(25,508)
Cash and cash equivalents at 31 December	2,366,087	1,889,491	1,273,665	894,674

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanation notes attached to this financial report.

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

A. EXPLAINATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

1(a). Basis of preparation

i) 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 2012 and the accompanying explanatory notes attached to this unaudited financial report.

ii) Changes in accounting policies
There are no changes in accounting policies for the fourth quarter ended 31 December 2013.

iii) 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.

iv) 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.

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

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Impairment loss on other investment

Other investment is financial assets categorised as fair value through profit or loss. The fair value of other investment traded in active markets is based on quoted market prices at the end of the reporting period. The management deemed the quoted market price as the fair value of the other investment. The surplus or shortfall between the fair value with the carrying amount is recognised in profit or loss.

Income tax

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

Allowance for inventory obsolescence

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

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

1(b). Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended IFRS and IFRS Interpretations Committee (“IFRSC”) that are mandatory for application from that date. This includes the following IFRS and IFRSC, which are relevant to the Group:

Reference	**Description**
IAS 1	Presentation of Financial Statements - Amendments to review the way other comprehensive income is presented
IAS 24	Related Party Disclosure - Revised definition of related party
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues
Improvements to IFRSs 2010	

The adoption of these new/revised IFRS and IFRSC did not result in substantial changes to the Group’s accounting policies nor any significant impact on these financial statements.

1(c) IFRS not yet effective

At the date of authorisation of these financial statements, the following IFRS and IFRSC were issued but not yet effective:

Reference	Description	Effective date (annual periods beginning on or after)
IFRS 1	Amendments for government loan with a below-market rate of interest when transitioning to IFRSs	1 January 2013
IFRS 7	Financial Instruments Disclosures: Amendments related to the offsetting of assets and liabilities	1 January 2013
IFRS 9	Financial Instruments - Classification of Financial Assets and Financial Liabilities	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 19 (as revised in 2011)	Employee Benefits- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits Projects	1 January 2013
IAS 27 (as revised in 2011)	Separate Financial Statements	1 January 2013

The directors do not anticipate that the adoption of the above IFRS and IFRSC in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 31 December 2013.

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 2012 were not subject to any audit qualification.

3. Seasonality or cyclicality 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.

6. Changes in share capital and debts

During quarter three of the financial year the Company has repurchase 10,000,100 shares at the cost of RMB 3,992,013 / RM 2,073,452 which were held as treasury shares.

7. Segment information

	12 months ended 31 December 2013		
	Patented Products RMB'000	Non-Patented Products RMB'000	Total RMB'000
Revenue	440,049	1,359,638	1,799,687
Segment results	239,890	555,563	795,453
Other income			7,287
Selling and distribution expenses			(158,655)
Administrative expenses			(48,172)
Other operating expenses			(40,410)
Finance expenses			(3,415)
Profit before taxation			552,088
Income tax expense			(159,687)
Total Profit after tax			392,401
Other segment information:			
Capital expenditure			78,239
Depreciation of property, plant and equipment			30,600
Amortisation of intangible assets			316

	12 months ended 31 December 2013		
	Patented Products RM'000	Non-Patented Products RM'000	Total RM'000
Revenue	232,170	717,345	949,515
Segment results	126,566	293,115	419,681
Other income			3,845
Selling and distribution expenses			(83,706)
Administrative expenses			(25,416)
Other operating expenses			(21,320)
Finance expenses			(1,802)
Profit before taxation			291,282
Income tax expense			(84,251)
Total Profit after tax			207,031
Other segment information:			
Capital expenditure			41,279
Depreciation of property, plant and equipment			16,145
Amortisation of intangible assets			167

Note:

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7. Segment information (Continue)

	12 months ended 31 December 2012		
	Patented Products RMB'000	Non-Patented Products RMB'000	Total RMB'000
Revenue	624,055	1,356,573	1,980,628
Segment results	345,161	524,841	870,002
Other income			7,205
Selling and distribution expenses			(132,863)
Administrative expenses			(47,768)
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

	12 months ended 31 December 2012		
	Patented Products RM'000	Non-Patented Products RM'000	Total RM'000
Revenue	303,915	660,651	964,566
Segment results	168,094	255,597	423,691
Other income			3,509
Selling and distribution expenses			(64,704)
Administrative expenses			(23,263)
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:

(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: RM 0.4870 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 been or could be converted in RM at this or any other rate.

8. Subsequent events

There is no other item, transaction or event of a material or unusual nature has arisen in the interval between 31 December 2013 and the date of announcement of fourth quarter consolidated results.

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 78.24 million (RM 41.28 million) during the 12 months period ended 31 December 2013.

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 2013	**31 December 2013**
	RMB'000	**RM'000**
Unpaid capital contribution in Ruiyuan (1)	34,218	18,431
Unpaid capital contribution in Sakura Stationery (1)	36,174	19,484
Construction cost for the New Plant (2)	190	102
Total	**70,582**	**38,017**

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 2013 of USD 1: RMB 6.1104 and USD 1: RM 3.2913.

(2) Our Group has unpaid capital expenditure in Sakura Plastics, Ruiyuan and Sakura Stationery of an amount of approximately RMB 0.19 million for the construction of the two (2) additional new buildings on the New Plant Land.

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	63	120	63

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 2012 and 31 December 2013, 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 and bank borrowings.

15. Reserves

	As at 31 December		As at 31 December	
	2013	**2013**	**2012**	**2012**
	RMB'000	**RM'000**	**RMB'000**	**RM'000**
Capital reserve	64	29	64	29
Share premium	449,936	216,088	449,936	163,474
Treasury shares	(4,006)	(2,081)	-	-
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	101,949	47,725	100,629	45,818
Translation reserves	-	37,531	-	45,249
Retained earnings	2,378,371	1,276,079	2,030,801	967,870
Total	**2,922,164**	**1,573,496**	**2,577,280**	**1,220,565**

(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.

15. Reserves (continue)

(c) Treasury shares

During the annual general meeting of the company held on 28 June 2013, shareholders of the Company have approved the Company to repurchase its own shares. During quarter three of the financial year the Company has repurchased 10,000,100 shares at the cost of RMB 3,992,013 / RM 2,073,452 which were held as treasury shares.

Movement in the treasury shares is as follow:

	Number of shares	RMB	RM	Average cost per share
As at 1 January 2013	-	-	-	-
Repurchase share during quarter three	10,000,100	3,992,013	2,073,452	0.2073
As at 31 December 2013	10,000,100	3,992,013	2,073,452	0.2073

(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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

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

1. Review of the performance of the Group

Our revenue decreased by approximately RMB 180.94 million or approximately 9.14% from approximately RMB 1,980.63 million in preceding period ended 31 December 2012 ("4Q2012") to approximately RMB 1,799.69 million in current period ended 31 December 2013 ("4Q2013") mainly due to decrease in sales of our Patented products.

Sales of Patented Products decreased by approximately RMB 184.01 million or approximately 29.49% from approximately RMB 624.06 million in 4Q 2012 to approximately RMB 440.05 million in 4Q 2013 mainly attributed decrease in sales volume for plastic tape printers in 4Q 2013. The decrease mainly due to economic slowdown in Europe and America market.

Sales of Non-Patented Products increased by approximately RMB 3.07 million or approximately 0.23% from approximately RMB 1,356.57 million in 4Q 2012 to approximately RMB 1,359.64 million in 4Q 2013 was mainly attributed by increase in sales volume from our filing and storage products and expandable files products in 4Q 2013.

On Overall, our gross profit ("GP") decrease by approximately RMB 74.55 million or approximately 8.57% from approximately RMB 870 million in 4Q 2012 to approximately RMB 795.45 million in 4Q 2013 with an average GP margin of 44.20% and 43.93% for 4Q 2013 and 4Q 2012 respectively.

Our profit after tax ("PAT") decrease by approximately RMB 73.09 million or approximately 15.7% from approximately RMB 465.49 million in 4Q 2012 to approximately RMB 392.40 million in 4Q 2013 with an average PAT margin of 21.8% and 23.5% respectively for 4Q 2013 and 4Q 2012. The lower PAT margin in 4Q 2013 was mainly due to loss on disposed the quoted share (Pelikan share) of RMB 40.03 million, higher advertisement cost of RMB 23 million and lower sale revenue.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2013		Preceding Quarter 30 September 2013	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	385,175	203,218	462,445	242,182
Profit Before Taxation ("PBT")	88,230	46,550	135,976	71,209
Profit After Taxation ("PAT")	63,891	33,709	96,889	50,739

The Group recorded revenue of approximately RMB 385.18 million in the current quarter, which lower than third quarter by 16.7% mainly due to economic slowdown in of Europe and America market.

The GP margin for current quarter is 42.52% as compare to 44.95% in preceding quarter remain fairly constant.

The PBT margin for current quarter is 22.91% as compare to 29.4% in preceding quarter. The decrease in PBT margin for current quarter was mainly due to increase in advertisement cost of RMB 23 million.

The PAT margin for the current quarter is 16.59% as compare to 20.95% in preceding quarter. The decrease in PAT was mainly due to cost increased as stated above.

1. **Prospects**

In FY2014, the Group expects its growth to continue to be underpinned by our innovative Patented and Non-Patented.

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.

3. Prospects (continue)

The factors that are likely to influence the Group performance for FY2014 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
Supplier unable to supply the equipment on time due to technical issue so affect our production schedule and launching time.

Barring unforeseen circumstances, the Group is optimistic about its performance in FY2014.

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	22,994	12,132	150,704	79,511
Deferred income tax liabilities	1,345	709	8,983	4,739
	24,339	12,841	159,687	84,250

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) Utilization of IPO proceeds

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

		Proposed Utilization Amount RM'000	Actual Utilization Amount RM'000	Deviation Amount RM'000	Expected Utilisation Period After Our Listing
(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 36 months*
(4)	Working capital	10,000	10,000	-	Within 12 months
(5)	Estimated listing expenses	10,300	10,300	-	Within 6 months
	Total	**85,500**	**60,138**		

*The Board resolved the time frame for eventual utilisation of purchase of machineries for R&D for a further period of twelve (12) months until 24 Feb 2015 to facilitate the intended R&D activities carry out by The Group.

7. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 December 2013 were as follows:

	RMB'000	RM'000
Amount due to a shareholder (1)	39	21
Bank borrowing (2)	54,400	29,284

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 6.60% 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 on or paid by the Group in the current quarter under review.

10. Disclosure item of Profit & Loss:-

		Quarter Ended 31 December 2013		Year to Date Ended 31 December 2013	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	1,716	927	7,157	3,776
2)	Interest expense;	775	419	3,415	1,802
3)	Depreciation and amortization;	8,400	4,519	30,916	16,312
4)	Loss on disposal of fixed assets	438	231	438	231
5)	(Gain) or loss on disposal of quoted or unquoted investments or properties;	-	-	40,025	21,117
6)	Foreign exchange (gain) or loss;	3,963	2,091	17,631	9,302

11. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 December 2013 and 31 December 2012 are analysed as below:

	As at 31 December 2013		As at 31 December 2012	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	2,377,177	1,275,355	2,028,814	966,902
- Unrealised	1,194	641	1,987	968
Total Group Retained Earnings	2,378,371	1,275,996	2,030,801	967,870

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12. Earning per share

	Quarter Ended 31 December 2013	Preceding Year Corresponding Quarter 31 December 2012	Quarter Ended 31 December 2013	Preceding Year Corresponding Quarter 31 December 2012	Year to Date Ended 31 December 2013	Year to Date Ended 31 December 2012	Year to Date Ended 31 December 2013	Year to Date Ended 31 December 2012
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to equity holders of the company	63,891	68,248	33,709	33,238	392,401	465,489	207,031	226,694
Weighted average number of ordinary share in issue ('000)	1,242,760	1,184,147	1,242,760	1,184,147	1,242,760	1,184,147	1,242,760	1,184,147
Earning Per Share - Basic (cents/sen)	5.14	5.76	2.71	2.81	31.57	39.31	16.66	19.14

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.