



# **China Stationery Limited**

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

**(Company Registration No.: 40535)**

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

**(Malaysian Branch Registration No.: 995224-W)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED  
31 MARCH 2017**

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### 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 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
<b>Revenue</b>	B1	118,273	123,389	75,908	79,031	118,273	123,389	75,908	79,031
Cost of sales		(69,875)	(58,506)	(44,846)	(37,473)	(69,875)	(58,506)	(44,846)	(37,473)
<b>Gross profit</b>		48,398	64,883	31,062	41,558	48,398	64,883	31,062	41,558
Other income/(loss)		130	(44)	83	(28)	130	(44)	83	(28)
Selling and distribution expenses		(1,753)	(2,427)	(1,125)	(1,554)	(1,753)	(2,427)	(1,125)	(1,554)
Administrative expenses		(11,065)	(7,042)	(7,102)	(4,510)	(11,065)	(7,042)	(7,102)	(4,510)
Other expenses		(4)	(2)	(3)	(1)	(4)	(2)	(3)	(1)
Finance costs		-	-	-	-	-	-	-	-
<b>Profit/(Loss) before taxation</b>	B2	35,706	55,368	22,916	35,463	35,706	55,368	22,916	35,463
Income tax expense		(9,534)	(14,640)	(6,119)	(9,377)	(9,534)	(14,640)	(6,119)	(9,377)
<b>Total comprehensive Profit after tax</b>	B2	26,172	40,728	16,797	26,086	26,172	40,728	16,797	26,086



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### 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 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
<b>Profit attributable to:-</b>									
- Equity holders of China Stationery Limited		26,172	40,728	16,797	26,086	26,172	40,728	16,797	26,086
<b>Shares</b>									
- Equity holders of China Stationery Limited		1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761
<b>Earnings per share</b>									
- Basic (cents/sen)	B12	2.11	3.28	1.35	2.10	2.11	3.28	1.35	2.10

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2016 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 RMB 1: RM 0.6418 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 31 March 2017 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### Condensed Consolidated Statements Of Financial Position

	Unaudited	Audited	Unaudited	Audited
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RMB'000	RMB'000	RM'000	RM'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	603,454	516,985	387,297	333,714
Land use rights	13,544	13,623	8,692	8,794
Investment property	145	145	93	94
Deferred tax asset	98,637	101,968	63,305	65,820
	715,780	632,721	459,387	408,422
<b>Current assets</b>				
Inventories	20,384	15,674	13,082	10,118
Trade and other receivables	261,184	320,135	167,628	206,647
Cash and bank balances	1,890,978	1,854,412	1,213,630	1,197,023
	2,172,546	2,190,221	1,394,340	1,413,788
<b>Less:</b>				
<b>Current liabilities</b>				
Trade and other payables	58,139	22,633	37,315	14,610
Amount due to a shareholder	10,833	5,188	6,952	3,349
Income tax payable	5,693	8,172	3,654	5,275
	74,665	35,993	47,921	23,234
Net current assets	2,097,881	2,154,228	1,346,419	1,390,554
<b>Non-current liability</b>				
Deferred income tax liabilities	41,853	41,314	26,861	26,668
	41,853	41,314	26,861	26,668
<b>Net assets</b>	<b>2,771,808</b>	<b>2,745,635</b>	<b>1,778,945</b>	<b>1,772,308</b>



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited	Audited	Unaudited	Audited
	As at 31 March 2017 RMB'000	As at 31 December 2016 RMB'000	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
<b>EQUITY</b>				
Share capital	6,226	6,226	2,856	2,856
Reserves	2,765,582	2,739,409	1,776,089	1,769,452
<b>Total equity</b>	<b>2,771,808</b>	<b>2,745,635</b>	<b>1,778,945</b>	<b>1,772,308</b>
Net asset per share attributable to equity holders of the Company (RMB/RM)	2.23	2.21	1.43	1.43

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2016 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 March 2017 and 31 December 2016 divided by the number of ordinary shares of 1,242,760,588.
- (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 0.6418 (Source: <http://www.oanda.com/currency/historical-rates/>) at 31 March 2017 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### Unaudited Condensed Consolidated Statement Of Changes in Equity

3 months ended 31 March 2017	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 2017	6,226	64	449,936	(4,007)	(4,150)	103,731	-	2,193,835	2,745,635
Net profit for the period	-	-	-	-	-	-	-	26,172	26,172
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 31 March 2017	6,226	64	449,936	(4,007)	(4,150)	103,731	-	2,220,008	2,771,808

  

3 months ended 31 March 2017	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 2017	2,856	29	216,088	(2,132)	(1,875)	48,923	312,558	1,197,011	1,773,458
Currency Translation difference	-	-	-	-	-	-	(11,309)	16,796	5,487
Net profit for the period	-	-	-	-	-	-	-	-	-
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 31 March 2017	2,856	29	216,088	(2,132)	(1,875)	48,923	301,249	1,213,807	1,778,945

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 2016 and the accompanying explanation notes attached to this financial report

Note:

- 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 0.6418 (Source: <http://www.oanda.com/currency/historical-rates/>) as at 31 March 2017 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### Unaudited Condensed Consolidated Statement Of Changes in Equity

<b>3 months ended 31 March 2016</b>	<b>Share Capital</b>	<b>Capital Reserve</b>	<b>Share Premium</b>	<b>Treasury Shares</b>	<b>Merger Deficit</b>	<b>Statutory Reserves</b>	<b>Translation Reserves</b>	<b>Retained Earnings</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Balance at 1 January 2016	6,226	64	449,936	(4,006)	(4,150)	101,949	-	2,165,866	2,715,885
Net profit for the period	-	-	-	-	-	-	-	40,729	40,729
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 31 March 2016	6,226	64	449,936	(4,006)	(4,150)	101,949	-	2,206,595	2,756,614

  

<b>3 months ended 31 March 2016</b>	<b>Share Capital</b>	<b>Capital Reserve</b>	<b>Share Premium</b>	<b>Treasury Shares</b>	<b>Merger Deficit</b>	<b>Statutory Reserves</b>	<b>Translation Reserves</b>	<b>Retained Earnings</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance at 1 January 2016	2,856	29	216,088	(2,133)	(1,875)	47,773	300,412	1,236,123	1,799,274
Currency Translation difference	-	-	-	-	-	-	(98,584)	(57,647)	(156,231)
Net profit for the period	-	-	-	-	-	-	-	26,087	26,087
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 31 March 2016	2,856	29	216,088	(2,133)	(1,875)	47,773	201,828	1,204,563	1,669,130

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 2016 and the accompanying explanation notes attached to this financial report.



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
	RMB'000	RMB'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	35,706	55,368	22,916	35,463
Adjustment for				
Interest income	(116)	(213)	(74)	(136)
Depreciation of property, plant and equipment	14,330	12,880	9,197	8,250
Amortisation of land use rights	79	79	51	51
Fixed assets written-off	2,933	-	1,882	-
Operating profit before working capital changes	52,932	68,114	33,972	43,627
(Increase)/Decrease in inventories	(4,710)	604	(3,023)	387
Decrease in trade and other receivables	58,951	8,144	37,835	5,216
Increase in trade payables and other payables	35,505	26,377	22,787	16,894
Cash generated from operations	142,678	103,239	91,571	66,125
Interest received	116	213	74	136
Interest paid	-	-	-	-
Income tax paid	(8,141)	(9,056)	(5,225)	(5,800)
Net cash generated/(used in) from operating activities	134,653	94,396	86,420	60,461
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(103,732)	-	(66,575)	-
Proceeds from disposal of property, plant and equipment	-	-	-	-
Net cash used in investing activities	(103,732)	-	(66,575)	-
<b>Cash flows from financing activities</b>				
Shareholder's loan	5,645	4,689	3,623	3,003
Treasury share – Share buy back	-	-	-	-
Net cash used in financing activities	5,645	4,689	3,623	3,003
<b>Net increase/(decrease) in cash and cash equivalents</b>	36,566	99,086	23,468	63,464
<b>Cash and cash equivalents at 1 January</b>	1,854,412	1,794,411	1,197,023	1,188,797
Effect on exchange rate on cash and bank balances on opening	-	-	(6,861)	(39,477)
Effect on exchange rate changes and translation	-	-	-	(66,272)
<b>Cash and cash equivalents at 31 March</b>	1,890,978	1,893,497	1,213,630	1,146,512

\* Amount less than RMB 1,000

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2016 and the accompanying explanation notes attached to this financial report.

Note:

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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### A. EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

#### 1(a). Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) including related interpretations. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group’s principal operations are conducted in the PRC and thus the financial statements are presented in Renminbi (RMB), being the functional and presentation currency of the Group. All values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

#### Significant accounting estimates, assumptions 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 end of the reporting period 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 areas involving a higher degree of judgements are described below:

#### 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.

#### 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 the end of each reporting period, and makes allowance 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. No allowance had been recognised in the current year (2016: Nil).

#### 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 the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### **1(b) Interpretations and amendments to published standards effective in 2016**

On 1 January 2016, the Group adopted the new or amended IFRS and IFRIC interpretations that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRSs and IFRIC interpretations.

The adoption of these new or amended IFRS and IFRIC Interpretations did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

### **2(c) IFRSs and IFRICs issued but not yet effective**

Below are the mandatory new or amended IFRS and IFRIC interpretations that have been published, and are relevant for the Company's and the Group's accounting periods beginning on or after 1 January 2017 and which the Company and the Group have not early adopted:

#### **Effective for the Company's and the Group's annual accounting period beginning on 1 January 2017**

- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7: Disclosure initiative

#### **Effective for the Company's and Group's annual accounting period beginning on 1 January 2018**

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

#### **Effective for the Company's and Group's annual accounting period beginning on 1 January 2019**

- IFRS 16 Leases

The directors do not anticipate that the adoption of the above new or amended IFRS in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption except for IFRS 15, IFRS 9 and IFRS 16. Management is currently evaluating the potential impact of the application of IFRS 15, IFRS 9 and IFRS 16 on the financial statements of the Group in the period of their initial application.



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### **1(d) Summary of significant accounting policies**

#### **Consolidation**

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

The Group was formed as a result of the Restructuring exercise for the purpose of the Company's listing on the Main Market of Bursa Malaysia Securities Berhad. The acquisition pursuant to the Restructuring exercise under common control has been accounted for using the pooling-of-interests method of consolidation. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the restructuring has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method was used for the entities in existence up to the Group's Restructuring exercise.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group or when such control ceases, respectively.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Business combination is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss.

Where accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

#### **Land use rights**

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over its remaining useful life of 50 years. Land use rights represent up-front payment to acquire long-term interests in the usage of land.



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Plant and machinery	10 years
Furniture, fixtures and office equipment	5 to 10 years
Buildings	20 years
Motor vehicles	5 years

No depreciation is provided on properties under construction work-in-progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Construction work-in-progress is stated at cost and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at end of each reporting period as a change in estimates.

### Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 20 years and after taking into account their estimated residual values, using the straight-line method.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

### Research and development costs

Research costs are expensed as incurred, except for development costs which related to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.



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### **Financial assets**

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the end of each reporting period with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

### Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets, if any.

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### **Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows comprise cash on hand and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



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### Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share premium account.

### Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Group grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

### Financial liabilities

The Group's financial liabilities include trade and other payables and accrued liabilities.

Financial liabilities are recognised when the Group become a party to the contractual agreements of the instruments. All interest related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### Provisions

Provisions are recognised when the the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.



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### Operating leases

#### Where the Group is the lessee

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

#### Where the Group is the lessor

Assets leased out under operating leases are included in investment property. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

### Value added tax

The Group's sales of goods in the PRC are subjected to Value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the statement of financial position. The Group's export sales are not subject to VAT.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.



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### Employee benefits

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the “Scheme”), whereby the subsidiaries of the Company in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

### Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

### Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value-in-use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

### Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is recognised on a time-apportioned basis using the effective interest method, provided that it is probable that the economic benefits will flow to the Group and the amount can be measured reliably.

Rental and related income from investment properties are recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred. Contingent rents are mainly determined as a percentage of tenant’s revenue during the month and/or based on the landlord’s traffic movement during the month. These leases are for terms of two to three years with options to review at market rates thereafter.





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### **Foreign currencies**

Functional and presentation currency

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

### **Conversion of foreign currencies**

#### Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Non-monetary items that are measured in term of historical cost in a foreign currency are translated using the exchange rates at the date of the translation.

### **Operating segments**

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.



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### **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 2016 were not subject to any audit qualification.

### **3. Seasonality or cyclical nature 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**

There were no other issuance, cancellations, repurchase, resale and repayment of debt and equity securities, except the shares held as treasury shares as disclosed under item 15(c), share cancellation and resale of treasury shares.



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### 7. Segment information

	<u>3 months ended 31 March 2017</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	<u>Products</u>
	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	27,637	90,636	118,273
<b>Segment results</b>	14,388	34,010	48,398
Other income			130
Selling and distribution expenses			(1,753)
Administrative expenses			(11,065)
Other operating expenses			(4)
Finance expenses			-
<b>Profit before taxation</b>			35,706
Income tax expense			(9,534)
<b>Total Profit after tax</b>			26,172
<b>Other segment information:</b>			
Capital expenditure	24,239	79,493	103,732
Depreciation of property, plant and equipment	3,348	10,982	14,330
Amortisation of intangible assets	16	63	79

	<u>3 months ended 31 March 2017</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	<u>Products</u>
	RM'000	RM'000	RM'000
<b>Revenue</b>	17,738	58,170	75,908
<b>Segment results</b>	9,235	21,827	31,062
Other income			83
Selling and distribution expenses			(1,125)
Administrative expenses			(7,101)
Other operating expenses			(3)
Finance expenses			-
<b>Profit before taxation</b>			22,916
Income tax expense			(6,119)
<b>Total Profit after tax</b>			16,797
<b>Other segment information:</b>			
Capital expenditure	15,557	51,018	66,575
Depreciation of property, plant and equipment	2,149	7,048	9,197
Amortisation of intangible assets	12	39	51

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: RM 0.6418 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 31 March 2017 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts 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>3 months ended 31 March 2016</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>
<b>Revenue</b>	28,761	94,628	123,389
<b>Segment results</b>	16,839	48,044	64,883
Other income			(44)
Selling and distribution expenses			(2,427)
Administrative expenses			(7,042)
Other operating expenses			(2)
Finance expenses			-
<b>Profit before taxation</b>			55,368
Income tax expense			(14,640)
<b>Total Profit after tax</b>			40,728
<b>Other segment information:</b>			
Capital expenditure			-
Depreciation of property, plant and equipment	3,002	9,878	12,880
Amortisation of intangible assets	18	61	79

	<u>3 months ended 31 March 2016</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>
<b>Revenue</b>	18,421	60,421	79,031
<b>Segment results</b>	10,785	30,772	41,557
Other income			(28)
Selling and distribution expenses			(1,554)
Administrative expenses			(4,510)
Other operating expenses			(1)
Finance expenses			-
<b>Profit before taxation</b>			35,463
Income tax expense			(9,377)
<b>Total Profit after tax</b>			26,086
<b>Other segment information:</b>			
Capital expenditure			-
Depreciation of property, plant and equipment	1,943	6,307	8,250
Amortisation of intangible assets	12	39	51

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: RM 0.6405 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 31 March 2016 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented been or could be converted in RM at this or any other rate.



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### 8. Subsequent events during the financial year.

There were no subsequent events or transactions that required recognition or disclose in the consolidated financial statement.

### 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 103.73 million (RM 66.58 million) during the 3 months period ended 31 March 2017.

### 12. Capital commitment

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

	As at	As at
	31 March 2017	31 March 2017
	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan <sup>(1)</sup>	38,587	24,769
Unpaid capital contribution in Sakura Stationery <sup>(1)</sup>	40,792	26,184
<b>Total</b>	<b>79,379</b>	<b>50,953</b>

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 March 2017 of USD 1: RMB 6.8905 and USD 1: RM 4.423.



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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	15	10	15	10

### 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 March 2017 and 31 December 2016, 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.

### 15. Reserves

	As at 31 March		As at 31 December	
	2017	2017	2016	2016
	RMB'000	RM'000	RMB'000	RM'000
Capital reserve	64	29	64	29
Share premium	449,936	216,088	449,936	216,088
Treasury shares	(4,007)	(2,132)	(4,007)	(2,132)
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	103,731	48,923	103,731	48,823
Translation reserves	-	301,249	-	312,558
Retained earnings	2,220,008	1,213,807	2,193,835	1,197,011
<b>Total</b>	<b>2,765,582</b>	<b>1,776,089</b>	<b>2,739,409</b>	<b>1,770,602</b>

#### (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

During the annual general meeting of the company held on 26 May 2016, shareholders of the Company have approved the Company to repurchase its own shares. The Company has repurchased 10,000,800 shares at the cost of RMB 4,007,059 / RM 2,073,830 which were held as treasury shares.

Movement in the treasury shares is as follow:

	Number of shares			Average cost per share
		RMB	RM	
As at 1 January 2017	10,000,800	4,007,059	2,073,830	0.20737
Repurchase share	-	-	-	-
As at 31 March 2017	10,000,800	4,007,059	2,073,830	0.20737

#### (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 decreased by approximately RMB 5.12 million or approximately 4.15% from approximately RMB 123.39 million in preceding period ended 31 March 2016 to approximately RMB 118.27 million in current period ended 31 March 2017 mainly due to decrease in sales of our Patented and Non-Patented products.

Sales of Patented Products decreased by approximately RMB 3.99 million or approximately 18.88% from approximately RMB 94.63 million in preceding period ended 31 March 2016 to approximately RMB 90.64 million in current period ended 31 March 2017. The decrease was mainly due to high competition and economic slowdown in global market.

Sales of Non-Patented Products Decreased by approximately RMB 1.12 million or approximately 3.9% from approximately RMB 28.76 million in preceding period ended 31 March 2016 to approximately RMB 27.64 million in current period ended 31 March 2017 was mainly due to high competition and economic slowdown in global market.

Overall, our gross profit ("GP") decreased by approximately RMB 16.48 million or approximately 26% from approximately RMB 64.88 million in preceding period ended 31 March 2016 to approximately RMB 48.40 million in current period ended 31 March 2017 with an average GP margin of 52.58% and 40.92% for year 2016 and year 2017 respectively. Reduce in GP margin mainly due high competition caused reduction in selling price and low production volume caused increase in production cost.

Our profit after tax ("PAT") decreased by approximately RMB 14.56 million or approximately 35.75% from approximately RMB 40.73 million in preceding period ended 31 March 2016 to approximately RMB 26.17 million in current period ended 31 March 2017 with an average PAT margin of 33% and 22.13% respectively for year 2016 and year 2017 respectively. Reduce in PAT margin mainly due reason state above and end March 2017 approximate RMB 2.9 million of fixed assets written off.





# China Stationery Limited

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(Company Registration No.: 40535)

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(Malaysian Branch Registration No.: 995224-W)

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### 2. Variation of results against immediate preceding quarter

	Current Quarter 31 March 2017		Preceding Quarter 31 December 2016	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	118,273	75,908	127,073	79,166
Profit Before Taxation (“PBT”)	35,706	22,916	(30,181)	(18,803)
Profit After Taxation (“PAT”)	26,172	16,797	(44,369)	(27,642)

The Group recorded revenue of approximately RMB 118 million in the current quarter, which was 7% lower than last quarter mainly due to long holiday in Chinese New Year started from end January to beginning of February.

The PBT margin for current quarter is 31 % as compare to -23.75 % in preceding quarter. The low PBT margin for preceding quarter was mainly due to RMB 93 million of advertisement cost incurred in November 2016.

### 3. Prospects

In FYE2017, we foresee a challenging year under the current economic environment and slow recovery of sale revenue after fire incident on 4 April 2014.

The economic recession of global market whereby it resulted in sharp decline of export sales. Therefore we intend to focus our effort on the customer groups in the domestic market.

Nevertheless, we forecast the Group continuing to grow underpinned by our innovative products. At China Stationery we pride ourselves in our research and development, our market analysis and our ability to produce items that the market requires. This comes from having years of experience in the sector we are involved in.

Our award-winning brands such as “Sakura”, “Nachi” and “Foldersys” are already recognised in this part of the world, and efforts are being made to penetrate new markets. Considering these products are wholly recyclable, we expect the response to pick up in line with the global population being more conscious of the environment.

Considering our competitive edges, such as lower production costs and high quality, there is no real ceiling to what we can achieve. While we seek to break into new exciting markets, we will maintain our bread and butter business, participating in trade shows, sales fairs and advertising on billboards and other media in China.



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### 3. Prospects (continue)

The factors that are likely to influence the Group performance for FY2017 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 Global Economy

Currently export sale contributed approximately 89% of our total revenue. But due to the unforeseen economic slowdown in the global market, 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 equipment 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 foresee a challenging year in FY2017.



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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	5,664	3,635	5,664	3,635
Deferred tax expenses	3,870	2,484	3,870	2,484
	9,534	6,119	9,534	6,119

#### 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

There were no corporate proposals announced but not completed as at the date of this Interim Financial Report.

### 7. 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.

### 8. Dividends

No dividends were declared on or paid by the Group in the current quarter under review.

### 9. Disclosure item of Profit & Loss:-

		Quarter Ended 31 March 2017		Year to Date Ended 31 March 2017	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	(116)	(74)	(116)	(74)
2)	Depreciation and amortization;	14,409	9,248	14,409	9,248
3)	Foreign exchange (gain) or loss;	797	511	797	511



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

#### 10. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 March 2017 and 31 December 2016 are analysed as below:

	As at 31 March 2017		As at 31 December 2016	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	2,164,272	1,178,036	2,136,991	1,379,428
- Unrealised	56,784	36,444	60,654	39,152
	2,221,056	1,214,480	2,197,645	1,418,580
Less: Consolidation adjustment	(1,048)	(673)	(2,028)	(1,309)
Total Group Retained Earnings	2,220,008	1,213,807	2,195,617	1,417,271



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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### 11. Earning per share

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit/(Loss) attributable to equity holders of the company		26,172	40,728	16,797	26,086	26,172	40,728	16,797	26,086
Weighted average number of ordinary share in issue ('000)		1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761
<b>Earnings per share</b>									
- Basic (cents/sen)	1 & 2	2.11	3.28	1.35	2.10	2.11	3.28	1.35	2.10

Notes:

(1) Basic earning per share

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

(2) Diluted earning per shares

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