

# annual report



**Pelikan International Corporation Berhad**

(Formerly known as Diperdana Holdings Berhad)

(Company No. 63611-U)

(Incorporated in Malaysia)

# 05

# contents

## EXPRESSIONS OF JOY

- 4 Vision, Mission
- 5 Financial Calendar
- 9 Notice of 24th Annual General Meeting
- 11 Statement Accompanying Notice of 24th Annual General Meeting

## DIVERSITY

- 14 The Pelikan Story
- 20 Pelikan Products In Brief
- 24 Corporate Information
- 25 Financial Highlights/Product Groups
- 26 Group Corporate Structure
- 27 Group Organisational Structure

## SELF-EXPRESSION

- 30 Board of Directors' Profile
- 32 Group Management Team

## INNOVATION

- 36 Executive Chairman's Statement
- 41 Group Operations Review
- 44 Notables
- 45 Awards
- 46 Corporate Citizenship
- 47 Calendar of Events

## CREATIVITY

- 54 Shareholder Communications & Investor Relations
- 55 Statement of Corporate Governance
- 63 Statement of Internal Control
- 64 Board Committees

## QUALITY

- 72 Statement of Directors' Responsibility
- 73 Financial Statements
- 126 Analysis of Shareholdings
- 132 List of Group Properties
- 134 Group Corporate Directory

Proxy Form



# expressions of joy

To generate value for its shareholders,  
Pelikan is dedicated to creating  
products of enduring quality.

Products that go beyond mere  
function and genuinely enhance the  
user's experience.

Products designed in joy to be used  
for the joy of expression.

Loo Hooi Keat, *Executive Chairman*



# Vision

To be globally recognised as a market-leading brand offering a range of products that reflects the highest standards of quality, innovation, and timeless German heritage.

# Mission

To create products that inspire creativity and imagination, encouraging people to express themselves in diverse ways, be it through painting, writing or drawing.

To strive continuously to enhance shareholders' value and pursue for higher returns.

# Financial Calendar

## Financial Calendar 2005

Month	Date	Time	Types of Meeting	Agenda
February 2005	24-02-2005* (Thursday)	10.00 a.m. 11.00 a.m.	Audit Committee Board	<ul style="list-style-type: none"> <li>• To discuss and approve the 4th quarter financial results for the financial period ended 31 December 2004.</li> <li>• To discuss and approve 2005 Budget.</li> <li>• To review status of Internal Audit activities and Statement of Internal Control.</li> <li>• To receive updates from Internal Audit and Risk Management department.</li> <li>• To note the Semi Annual Returns as at 31 December 2004.</li> <li>• To note Directors' Circular Resolutions In Writing.</li> </ul>
April 2005	26-04-2005* (Tuesday)	3.00 p.m. 4.30 p.m.	Audit Committee Board	<ul style="list-style-type: none"> <li>• To discuss and approve the Audited Financial Statements for the financial year ended 31 December 2004 together with the Directors' and Auditors' Report thereon.</li> <li>• To discuss and approve the 1st quarter financial results for the financial period ended 31 March 2005.</li> <li>• To adopt the Statement of Internal Control 2004.</li> </ul>
May 2005	27-05-2005 (Friday)	11.00 a.m.	23rd Annual General Meeting ("23rd AGM")	<ul style="list-style-type: none"> <li>• To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2004 together with the Directors' and Auditors' Report thereon.</li> <li>• To approve the payment of the Directors' Fees for the financial year ended 31 December 2004.</li> <li>• To re-elect Loo Hooi Keat as Director who retires pursuant to Article 63 of the Company's Articles of Association.</li> <li>• To appoint Auditors and to authorise the Directors to fix their remuneration.</li> <li>• To consider and if thought fit, approve the issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965.</li> <li>• To propose change of name to Pelikan International Corporation Berhad.</li> </ul>

## Financial Calendar

### Financial Calendar 2005

Month	Date	Time	Types of Meeting	Agenda
August 2005	05-08-2005* (Friday)	9.30 a.m. 10.30 a.m.	Audit Committee Board	<ul style="list-style-type: none"> <li>• To discuss and approve the 2nd quarter financial results for the financial period ended 30 June 2005.</li> <li>• To receive updates from Internal Audit and Risk Management department.</li> <li>• To discuss the deviation between audited and unaudited financial results for the financial year ended 31 December 2004.</li> <li>• To note Directors' Circular Resolutions In Writing.</li> <li>• To note announcements made to Bursa Malaysia Securities Berhad ("Bursa Malaysia").</li> <li>• To update Directors' Continuing Education Programme.</li> </ul>
November 2005	14-11-2005* (Monday)	9.30 a.m. 10.30 a.m.	Audit Committee Board	<ul style="list-style-type: none"> <li>• Presentation of 2005 audit plan by External Auditors.</li> <li>• To discuss and approve the 3rd quarter financial results for the financial period ended 30 September 2005.</li> <li>• To receive updates from Internal Audit and Risk Management department and presentation of 2006 Internal Audit Planning Memorandum.</li> <li>• To note Directors' Circular Resolutions In Writing.</li> <li>• To note announcements made to Bursa Malaysia.</li> </ul>
December 2005	29-12-2005 (Thursday)	10.00 a.m.	Board	<ul style="list-style-type: none"> <li>• To discuss and approve the Proposed Acquisition of Pelikan Hardcopy.</li> <li>• To note Directors' Circular Resolutions In Writing.</li> <li>• To note announcements made to Bursa Malaysia.</li> <li>• To note circulars received from Bursa Malaysia.</li> </ul>

\* Dealings by Directors during Closed Period

- Directors must not engage in dealings during the Closed Period.

- Closed Period commences from one (1) month prior to the targeted date of announcement to the Bursa Malaysia Securities Berhad ("Bursa Malaysia") of the quarterly results, up to one (1) full market day after the announcement of the Company's results for the financial quarter under the provision of paragraph 14.04(b) of the Bursa Malaysia Listing Requirements.

- The Board and Audit Committee meetings in February and April 2005 took place at the Conference Room of the Company at Lot 6, Jalan Sultan Mohamed 3, Bandar Sultan Suleiman, 42000 Port Klang, Selangor Darul Ehsan, Malaysia.
- The Board and Audit Committee meetings in August, November and December 2005 took place at the Conference Room of the Company at 3rd Floor, Lot 3410, Mukim Petaling, Batu 12½, Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia.
- 23rd AGM took place at Concorde II (Level 2), Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan, Malaysia.

## Financial Calendar 2006

Month	Date	Time	Types of Meeting	Agenda
February 2006	22-02-2006* (Wednesday)	9.30 a.m. 9.45 a.m. 10.00 a.m. 11.00 a.m.	Remuneration Nomination Audit Committee Board	<ul style="list-style-type: none"> <li>• To review and approve the remuneration package of Executive Director for 2005 and approve the remuneration package of Executive Director for 2006.</li> <li>• To discuss and approve the Terms of Reference of Remuneration Committee.</li> <li>• To review the composition of the Board of Directors.</li> <li>• To discuss the re-election of Directors retirement by rotation in accordance with Article 63 of the Company's Articles of Association at the 24th Annual General Meeting ("24th AGM").</li> <li>• To discuss and approve the Terms of Reference of Nomination Committee.</li> <li>• To discuss and approve the 4th quarter financial results for the financial period ended 31 December 2005.</li> <li>• To receive updates from Internal Audit and Risk Management department.</li> <li>• To note Directors' Circular Resolutions In Writing.</li> <li>• To note announcements made to Bursa Malaysia.</li> <li>• To note circulars received from Bursa Malaysia.</li> </ul>
April 2006	26-04-2006* (Wednesday)	9.30 a.m. 10.30 a.m.	Audit Committee Board	<ul style="list-style-type: none"> <li>• To review the Recurrent Related Party Transactions.</li> <li>• To discuss and approve the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' and Auditors' Report thereon.</li> <li>• To receive updates from Internal Audit and Risk Management department.</li> <li>• To discuss and approve the 1st quarter financial results for the financial period ended 31 March 2006.</li> <li>• To review the statements and reports for inclusion in the Annual Report 2005.</li> <li>• To approve the convening of 24th AGM.</li> <li>• To approve the Special Business to be considered at the 24th AGM.</li> <li>• To discuss the Proposed Bonus Issue.</li> <li>• To note Directors' Circular Resolutions In Writing.</li> <li>• To note announcements made to Bursa Malaysia.</li> <li>• To note circulars received from Bursa Malaysia.</li> </ul>

## Financial Calendar

### Financial Calendar 2006

Month	Proposed Date	Proposed Time	Types of Meeting	Proposed Agenda
June 2006	23-06-2006 (Friday)	2.30 p.m. 4.00 p.m.	Board 24th AGM	Kindly refer Notice of 24th AGM on page 9 and 10.
August 2006	28-08-2006* (Monday)	9.30 a.m. 10.30 a.m.	Audit Committee Board	<ul style="list-style-type: none"> <li>• To discuss and approve the 2nd quarter financial results for the financial period ended 30 June 2006.</li> <li>• To receive updates from Internal Audit and Risk Management department.</li> <li>• To note Directors' Circular Resolutions In Writing.</li> <li>• To note announcements made to Bursa Malaysia.</li> <li>• To note circulars received from Bursa Malaysia.</li> </ul>
November 2006	27-11-2006* (Monday)	9.30 a.m. 10.30 a.m.	Audit Committee Board	<ul style="list-style-type: none"> <li>• To discuss and approve the 3rd quarter financial results for the financial period ended 30 September 2006.</li> <li>• To receive updates from Internal Audit and Risk Management department.</li> <li>• To note Directors' Circular Resolutions In Writing.</li> <li>• To note announcements made to Bursa Malaysia.</li> <li>• To note circulars received from Bursa Malaysia.</li> </ul>
December 2006	27-12-2006 (Wednesday)	10.00 a.m.	Board	<ul style="list-style-type: none"> <li>• Presentation of 2006 audit plan by External Auditors.</li> <li>• To discuss the Proposed Meeting Dates for year 2007.</li> </ul>

\* Dealings by Directors during Closed Period.

- Directors must not engage in dealings during the Closed Period.

- Closed Period commences from one (1) month prior to the targeted date of announcement to the Bursa Malaysia Securities Berhad ("Bursa Malaysia") of the quarterly results, up to one (1) full market day after the announcement of the Company's results for the financial quarter under the provision of paragraph 14.04(b) of the Bursa Malaysia Listing Requirements.

- The Board and Audit Committee meetings in February and April 2006 took place at the Conference Room of the Company at 3rd Floor, Lot 3410, Mukim Petaling, Batu 12½, Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia.

# Notice of 24th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 24th Annual General Meeting of Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) will be held at Sunway Pyramid Convention Centre, Isis Room, Level 11, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 23 June 2006 at 4.00 p.m. for the following purposes:-

## AGENDA

### AS ORDINARY BUSINESS:

- |    |  |                |
|----|--|----------------|
| 1. | To receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2005 together with the Directors' and Auditors' Report thereon.                 | (Resolution 1) |
| 2. | To approve the declaration of a final dividend of 6 sen less 28% income tax for the financial year ended 31 December 2005.   | (Resolution 2) |
| 3. | To approve the payment of Directors' Fees for the financial year ended 31 December 2005.   | (Resolution 3) |
| 4. | To re-elect Syed Hussin bin Shaikh Al Junid as Director of the Company who is retiring pursuant to Article 63 of the Company's Articles of Association.  | (Resolution 4) |
| 5. | To re-elect Tan Sri Musa bin Mohamad as Director of the Company who is retiring pursuant to Article 68 of the Company's Articles of Association.   | (Resolution 5) |
| 6. | To re-elect Yap Kim Swee as Director of the Company who is retiring pursuant to Article 68 of the Company's Articles of Association.   | (Resolution 6) |
| 7. | To re-appoint Messrs. Ong Boon Bah & Co. as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. | (Resolution 7) |

### AS SPECIAL BUSINESS:

- |    |  |                |
|----|--|----------------|
| 8. | To consider and, if thought fit, to pass the following Resolution:-<br><br>ORDINARY RESOLUTION<br><br>Authority To Allot Shares Pursuant To Section 132D Of The Companies Act, 1965<br><br>"THAT, subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad and other relevant government/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue new ordinary shares of RM1.00 each in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." | (Resolution 8) |
| 9. | To transact any other business for which due notice has been given in accordance with the Company's Articles of Association.   |                |

## Notice of 24th Annual General Meeting

### Notice Of Dividend Entitlement

NOTICE IS HEREBY GIVEN THAT the final dividend of 6 sen less 28% income tax in respect of the financial year ended 31 December 2005, if so approved at the 24th Annual General Meeting, will be paid on 18 September 2006 to depositors whose names appear in the Record of Depositors at the close of business on 21 August 2006.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- a. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 21 August 2006 in respect of ordinary transfers; or
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Ng Cheong Seng (MIA 17444)  
Lim Yew Heang (MAICSA 7007653)  
Company Secretaries

Selangor Darul Ehsan  
1 June 2006

#### Notes:

1. A Member who is entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy must be deposited with the Registered Office of the Company at Lot 3410, Mukim Petaling, Batu 12<sup>1/2</sup>, Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

### Explanatory Notes to Special Business:

#### Ordinary Resolution

The proposed Ordinary Resolution if passed, will give the Directors of the Company authority to issue and allot shares from the unissued share capital of the Company up to an aggregate of not exceeding 10% of the issued share capital. This is to avoid any delay and cost involved in convening a general meeting to specifically approve issuance of such shares should the need arises. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

# Statement Accompanying Notice of 24th Annual General Meeting

## **Directors who are standing for re-election at the 24th Annual General Meeting of the Company are as follows:**

- a. Syed Hussin bin Shaikh Al Junid
- b. Tan Sri Musa bin Mohamad
- c. Yap Kim Swee

The profiles of the above Directors are set out on pages 30 to 31. Their shareholdings in the Company and its subsidiaries are set out on page 126 of the Annual Report.

## **Details of attendance of Directors at Board Meetings**

A total of five (5) Board Meetings were held during the financial year ended 31 December 2005.

The details of attendance of the Directors are set out in the Statement of Corporate Governance appearing on pages 55 to 62 of the Annual Report.

## **Date, time and venue of the 24th Annual General Meeting**

The 24th Annual General Meeting of the Company will be held as follows:

Date : Friday, 23 June 2006  
Time : 4.00 p.m.  
Venue : Sunway Pyramid Convention Centre  
Isis Room, Level 11  
Persiaran Lagoon  
Bandar Sunway  
46150 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia.



# diversity

The background is a solid dark blue. Overlaid on this is a large, lighter blue circular graphic. Inside the circle is a stylized illustration of a pelican feeding its young. The adult pelican is on the left, facing right, with its head tilted down. It has a small white dot on its forehead. To its right is a nest containing several small, stylized birds, each with a white dot on its forehead. The entire scene is rendered in a minimalist, graphic style.

Pelikan is renowned for the diversity of its stationery supplies. We offer writing instruments, art, painting and hobby products and printer consumables for use at home, school and office by students, parents, teachers, office workers and pen collectors.

# The Pelikan Story



01



02

01 The City of Hannover's magistrate certificate stating that Carl Hornemann founded the Company in Hannover, 1932.

02 Registration of the Pelikan trademark at the Kaisers Patent office was made on the 26 June 1895 and was entered into the entry scroll on the 26 February 1896.

03 Günther Wager circa 1875.

04 Fritz Beindorff 1898.

05 The house on Engelbosteler Damm in Hannover.

06 Pelikan started to produce Indian ink in 1896. The foreign companies that were at that period dominating this market segment could not compete.



03



04



05



06

## 1830s

In 1832 chemist Carl Hornemann founded a colour and ink factory in Hannover Germany. However, Pelikan regards the 28 April 1838 as the founding date, as this was the date on the very first price list. All company anniversaries are based on this date.

## 1840s

In 1842, Hornemann started larger scale production in the Hainholz area of Hannover, after previously having to cook and press ink in a farmyard 30km away from Hannover.

## 1870s

In 1871, Günther Wagner took over the company, having joined as a chemist and plant manager in 1863. In 1878, he registered his family crest, a Pelican, as the company logo. To facilitate trade with the Austrian Empire, a factory was built in Eger, which later moved to Vienna.

## 1880s

The factory was enlarged in 1881, and the company employed an additional 39 people including Fritz Beindorff. It was his job to visit customers in Austria, Russia and Italy. In 1888, Fritz Beindorff married Günther Wagner's eldest daughter, and took over the company.

## 1890s

Office products for copying, stamping, sticking and erasing were added to the range, necessitating another expansion of the factory. Pelikan started to produce Indian ink. The foreign companies that had so far dominated the market could not compete. In 1899, the company's 236-strong workforce achieved a turnover of one million Gold Marks.



07



08



09

## 1900s

1901 saw the birth of Pelikan's famous ink series 4001, followed in 1904 by Pelikanol, a white adhesive paste which was still being used in the 1960s. In 1906, the company purchased 13,000 square metres of office and production space on the Podbielskistrasse. Turnover had now reached 2 million Gold Marks.

## 1910s

The magazine Der Pelikan first appeared 1912, featuring the ideas of famous artists and teachers as well as art lessons, techniques and materials. In 1913, the size of the factory doubled. 1057 people were now employed and turnover increased to 4.4 million Gold Marks.

## 1920s

In 1929, the Pelikan fountain pen was born, with its distinctive green shaft, technically innovative ink flow, transparent ink window and innovative differential piston mechanism.

## 1930s

In 1931, Pelikan released its first watercolour paint box, making opaque watercolours available to school children for the first time, and replacing transparent watercolours. In 1934, a cheaper version of the Pelikan fountain pen, now known as Model 100, was launched. A mechanical pencil was also released carrying the Pelikan brand name, as was Plaka, a hobby/decoration paint that still remains popular. In 1938, the 100th anniversary catalogue was designed by Professor O.H.W. Hadank, the same man who redesigned the Pelikan logo as it would remain for the next 60 years. 3,700 employees celebrated in Pelikan factories in Hannover, Vienna, Danzig, Milan, Barcelona, Bucharest, Sofia, Warsaw, Budapest, Zagreb, Buenos Aires, Rio de Janeiro, Santiago de Chile and in many delivery facilities abroad. Fountain pen Model 100N was introduced.



10



11



14



13



12

07 The year 1901 saw the birth of Pelikan's famous ink series 4001. To lend this ink greater authority, the design of its label is based on the then 1,000-Reichsmark bill.

08 Manufacturing facilities, 1906.

09 Poster advertising Artist's Watercolors, Ludwig Hohlwein, 1901.

10 The magazine Der Pelikan first appeared 1912, featuring the ideas of famous artists and teachers as well as art lessons, techniques and materials. The magazine was published up to 1971.

11 Poster by Cesar Klein 1919.

12 A brochure produced in 1925 advertising Pelikanol. The white adhesive paste was invented in 1904 and was still being used in the 1960s.

13 An advertising leaflet for the AUCH Pelikan, 1936.

14 Plaka brochure, 1934.

## The Pelikan Story



15



16



17

### 1950s

Post-war trauma ended and the German industrial boom began. Pelikan released fountain pen Model 400. Easily recognisable by its black and green striped shaft, it became the most popular fountain pen in its price range.

### 1960s

The Pelikan school fountain pen Pelikano was introduced. Developed with the assistance of handwriting educators and expert fountain pen makers, its ink cartridge filling system and ergonomic form made it so popular that it fast became the most popular school fountain pen, recommended by teachers.

### 1970s

In 1972, Pelikan produced its first ink eradicator "Tintentiger" and in 1974 the name was changed to "Pelikan Tintenblitz". Known since 1977 as Super-Pirat, it is still Germany's most popular ink eradicator. In 1973 writing instrument production was moved to Peine/Vöhrum, approximately 30km east of Hannover. Pelikan products are still produced there. In 1974, Pelikan developed simplified handwriting for beginners in collaboration with educators, making the Pelikano fountain pen even more popular. In 1978, Pelikan became a public limited company, with shares divided among the Beindorff family and 46 other owners. The company's balance sheet stood at DM 607.8 million. An array of hobby and game products were added to the product range. Subsidiary companies produced office printers, projectors, data carriers, technical drawing aids and cosmetic products.

### 1980s

In 1982, excessive expansion of the product range and the takeover of the Photocopier Company Lumoprint in Hamburg resulted in insolvency. A reverse split of the shares took place and in 1984 Pelikan was taken over by Condorpart (Switzerland). The company was split up and parts were sold. Operations were from then onwards run by Pelikan International (later Pelikan Holding) in Switzerland. Pelikan Holding AG – Zug/Switzerland started trading on the Swiss stock exchange in 1986.



18



19

15 A brochure of the fountain pen model 400, 1950. This was a very successful range introduced after World War II. Pelikan was an active contributor to the German economy and at that time, employed approximately 5,000 in its workforce.

16 Brochure "Das Ei des Kolumbus", 1960.

17 In 1978, Pelikan became a public limited company, with shares divided among the Beindorff family and 46 other owners.

18 A toy brochure with Wim Thoelecke, 1975.

19 In 1929, the first Pelikan fountain pen was introduced. It was well known for its trademark Green shaft and technically innovative ink flow. The differential piston mechanism was a true revolution of its time as it is today.

## The Pelikan Story

### 1990s

In 1993, Pelikan's first limited edition fountain pen was released under the name Blue Ocean. 5000 of these transparent blue pens were produced. In 1994, the range of printing consumables, inkjet cartridges, etc became a separate division and was sold to the American company Nucote in 1995. In 1996, Goodace Sdn Bhd, subsequently named Pelikan Holding Sdn Bhd (now known as PBS Office Supplies Holding Sdn Bhd), a company owned by Loo Hooi Keat from Malaysia took over the majority of Pelikan Holding AG shares.

### 2000s

The year 2000 and beyond witnessed the reconsolidation of several Pelikan's operations and business divisions separated in the 1990s: In 2000, Pelikan resumed the distribution of printing products from Pelikan Hardcopy. In 2002, Pelikan Holding AG re-purchased the 'Office General' business from Henkel KGaA. In 2004, Pelikan Holding AG prematurely resumed the distribution of Pelikan's products in Belgium, The Netherlands and Luxemburg. In August 2005, the Group resumed the global distribution rights of 'Correcting and Gluing' products (except Germany, Austria and Switzerland) under the Pelikan brand from Henkel KGaA.

In 2003, Pelikan Holding AG moved to its new office building on the Werftstrasse, Hannover, Germany. Around the same time, 125 years after its initial registration, the Pelikan Logo and corporate identity were updated. The period 1929-2004 symbolises 75 years of fountain pen production by Pelikan. Hence in 2004, a limited edition 75th Anniversary Pen was launched to mark the occasion. Only 75 pieces of this prestigious writing instrument were made.

On 8 April 2005, Pelikan Holding AG was acquired through a reverse takeover by the Company, which also took a controlling interest in Pelikan Japan K.K.. The Company subsequently changed its name from Diperdana Holdings Berhad to Pelikan International Corporation Berhad on 6 June 2005.

#### Blue Ocean

Produced in limited editions of only 5,000 pens worldwide, of which 1,000 pieces were released as part of a set with the matching Blue Ocean ball pen.



#### 75th Anniversary Pen

Patented in 1928, the "Anniversary Pen" spans the period from 1929 to 2004. The engraved number "75" on the cap and the barrel immortalises the anniversary. With a limited edition of just 75 pieces, the "Anniversary Pen" is a rarity.



21



20

20 The manufacturing facilities on Engelbosteler Damm in Hannover, 1895.

21 Pelikan headquarters finally moved to Hannover, Werftstrasse in 2003.



The nib is the heart of the Pelikan fountain pen.

## Corporate Overview

Pelikan is a world renowned brand. For 168 years Pelikan has built a solid reputation for quality and innovation and is recognised globally as a pioneer in various product categories.

We enjoy impressive financial advantages. Our established European operations underpins our earnings and cash flows, and our business is highly cash-generative as minimal reinvestment is required.

Today, Pelikan's growth opportunities are considerable. We relaunched the Blanco and Pelifix brand of correcting and gluing products; strengthened our distribution channels; reduced our production costs; and expand aggressively into Asia, Eastern Europe and Latin America.

## The New Pelikan

2005 was a milestone in the history of Pelikan, when it was acquired by Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International").

In 2005, Pelikan International successfully transformed its business from logistics and related services to the manufacture and distribution of writing instruments, art, painting and hobby products, office stationery and printer consumables. This involved:

- Disposal of its entire logistics business undertaking to Konsortium Logistik Berhad for a total consideration of RM80,000,000,
- Acquisition of 64.94% equity interest in Pelikan Holding AG for a total consideration of RM299,000,000 by issuing:
  - 56,733,333 new ordinary shares of RM1.00 each at an issue price of RM1.50 per share,
  - RM98,900,000 nominal value of 3% Irredeemable Convertible Unsecured Loan Stocks at 100% of nominal value of RM1.00 each, and
  - RM115,000,000 nominal value of 3% Redeemable Convertible Unsecured Loan Stocks at 100% of nominal value of RM1.00 each
- Issuance of 27,974,160 new ordinary shares of RM1.00 each at an issue price of RM1.50 per share pursuant to the Voluntary General Offer, hence increasing its equity interest in Pelikan Holding AG to 87.64%
- Acquisition of 75% equity interest in Pelikan Japan K.K. for a total consideration of RM18,000,000 by issuing 12,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.50 per share

## The Patent Registration of the Pelikan Trademark and Logo

Almost two decades prior to the introduction of trademark laws on the 12th May 1894, the company GÜNTHER WAGNER applied for its first trademark at the county court of Hannover.

After the introduction of the entry scroll at the Kaisers Patent office, the trademark was registered on the 26th June 1895 and entered into the scroll on the 26th February 1896. The application date is registered on the entry document.

One day earlier on the 25th February 1896, the original Pelikan font and logo designs were entered into the scroll. Both of these are now patented in 150 countries worldwide.

# Pelikan

registered on 25th February 1896

As time has passed, the original form and style of the trademark have been adjusted and modified to suite the Zeitgeist of the time. The following graphs display how the trademark has evolved over the years.

## *Pelikan*

registered on 20th December 1984

## *Pelikan*

Since 2003



1895



1913



*Pelikan*

1926



*Pelikan*

1957

# Pelikan Products in Brief

## Writing with Pelikan

Writing instruments by Pelikan are the ideal solution for all writing requirements. Our standard range includes more than 30 series of writing instruments, ensuring that everyone can find the perfect writing instrument to meet his or her needs.

Pelikan fountain pens, ballpoint pens, mechanical pencils and rollerball pens are not only attractively designed, but totally reliable – partly because the inks are specially coordinated with the different instruments. Our experience in the production of inks dates back to 1838 and the expertise we have acquired over the years has made us one of the world's foremost ink producers.



**Uncommon materials** and singular design. Fine writing instruments find admirers among connoisseurs and casual users alike. It's nearly always love at first sight – or first stroke. Fascination and passion, far more than the sum of its parts. Finely crafted in more than 300 individual steps, a testimony to dedication, precision and perfection. Designed to inspire.



### Fine Writing Instruments from Pelikan

Fine writing instruments are a highlight of Pelikan's product range. Appreciated by aficionados of cultivated writing, they have become collectors' items. These works of art combine exquisite materials, singular styling and traditional craftsmanship to create unique writing instruments of unbeatable quality. The fact that Pelikan patents are often used by other manufacturers is ample proof of the outstanding calibre of our research and development.

Superlative quality is particularly evident in the Pelikan Limited Editions and Special Editions, which are meticulously hand crafted to the very highest standards. Precise and intricate work guarantees an enjoyable and comfortable writing experience. Elegant design – whether classic or modern – enhances the aristocratic character of these products.

Developed back in 1929, the 'Souverän' non-blotting fountain pen with its hallmark black and green striped sleeve is one of the best-known premium writing instruments of all time.



#### Souverän

Pelikan's classic. The non-blotting fountain pen with its traditional black and green striped sleeve, developed back in 1929 is one of the best-known premium writing instrument series. Today, they are presented to state visitors as gifts from Germany.

### Pelikan in School

The Pelikan range includes writing utensils for children and young people as well as an array of award-winning painting products. From a very early stage, the company worked in close cooperation with teachers and educators to develop products geared specially to the ergonomic needs the young – a practice that continues till this day. The reason why Pelikan products are so popular with children and young people is that they are deliberately designed to meet their needs.

This is particularly true of the prize-winning Pelikan paintboxes which are the number one sellers in the German market and have been used by generations of school children to express their creativity.

Pelikan products are constantly adapted to include the latest technical findings. As a result, anyone who has been accustomed to Pelikan quality since childhood tends to remain loyal to the brand – something that Pelikan is particularly proud of.



## Pelikan Products in Brief



### **Pelikan's Hobby World**

Pelikan offers a wide range of hobby products whose simple application ensures the best possible results. Especially popular with amateur artists, designers and craft enthusiasts are our brilliant Plaka casein and water-based poster paints and our light-fast, luminous textile paints. Pelikan hobby products mean that creativity need know no bounds.



### **Pelikan in the Office**

Pelikan offers a huge selection of office stationery. The range covers everything needed in the course of daily office work, including writing, erasing, stamping, copying, marking and hardcopy products. Our writing instruments for the office undergo constant enhancements, with innovations targeted in particular at ergonomic aspects and maximising service life. Rollerball pens and fineliners from Pelikan are sturdy and yet pleasant to handle, ensuring first-class writing quality to facilitate office work.



The Pelikan 100 – a display showing its anatomy, 1930.

### Product landmarks for the Pelikan Group

- 1838 – Founded colour and ink factory
- 1896 – Produced Indian Ink
- 1901 – Produced famous ink series 4001
- 1904 – Introduced Pelikanol – a white adhesive paste
- 1929 – Introduced Pelikan fountain pen – technically innovative ink flow and transparent ink window
- 1931 – First water colour paint box introduced
- 1934 – Released cheaper version of fountain pen “model 100”
- 1934 – First release of Plaka – a hobby decoration paint still sold today
- 1960 – Fountain pen “Pelikano” released for school use; invented ink cartridge
- 1972 – Introduction of the first ink eradicator
- 1974 – Introduced first textmarker to Europe
- 1978 – Products increased dramatically – now offers comprehensive range of hobby, game and office products
- 1989 – First “Blanco” product invented and brought to market
- 1993 – Pelikan first limited edition fountain pen released
- 1995 – Introduced new filling system “level” for fountain pens
- 2004 – “75 year anniversary” fountain pen

# Corporate Information

## Board of Directors

- Loo Hooi Keat  
(Executive Chairman)
- Syed Hussin bin Shaikh Al Junid  
(Independent Non-Executive Director)
- Haji Abdul Ghani bin Ahmad  
(Independent Non-Executive Director)
- Tan Sri Musa bin Mohamad  
(Independent Non-Executive Director)
- Yap Kim Swee  
(Independent Non-Executive Director)

## Audit Committee Members

- Tan Sri Musa bin Mohamad (Chairman)
- Loo Hooi Keat
- Haji Abdul Ghani bin Ahmad

## Remuneration Committee Members

- Tan Sri Musa bin Mohamad (Chairman)
- Loo Hooi Keat
- Syed Hussin bin Shaikh Al Junid

## Nomination Committee Members

- Tan Sri Musa bin Mohamad (Chairman)
- Syed Hussin bin Shaikh Al Junid
- Haji Abdul Ghani bin Ahmad

## Company Secretaries

- Ng Cheong Seng (MIA 17444)
- Lim Yew Heang (MAICSA 7007653)

## Registered Office

Lot 3410, Mukim Petaling  
Batu 12½, Jalan Puchong  
47100 Puchong  
Selangor Darul Ehsan  
Malaysia  
Tel: +603 8062 1223  
Fax: +603 8062 2500

## Share Registrar

Tenaga Koperat Sdn Bhd  
20th Floor, Plaza Permata  
Jalan Kampar  
Off Jalan Tun Razak  
Kuala Lumpur, Malaysia  
Tel: +603 4041 6522  
Fax: +603 4042 6352

## Auditors

Ong Boon Bah & Co.  
B-10-1, Megan Phileo Promenade  
189 Jalan Tun Razak  
50400 Kuala Lumpur, Malaysia  
Tel: +603 2163 0292  
Fax: +603 2163 0316

## Principal Bankers

Public Bank Berhad  
Bumiputera-Commerce Bank Berhad  
Bumiputera-Commerce Bank (L) Limited  
CIMB (L) Limited

## Stock Exchange Listing

Bursa Malaysia Securities Berhad  
(Main Board)  
Stock Name: PELIKAN  
Stock Code: 5231

## Website

[www.pelikan.com](http://www.pelikan.com)



### Toledo 1931

The original issue dates back to 1931 and it was a rarity then. As one of the fountain pens in the "Originals of Their Time", the Toledo is only 1,100 pieces available worldwide.

# Financial Highlights

	2005 RM'000	2004 RM'000
Revenue	511,074	112,120
Profit / (loss) from ordinary activities before taxation	66,562	(24,136)
Profit / (loss) from ordinary activities after taxation	64,656	(18,979)
Net profit / (loss) for the financial year	55,036	(18,917)
Shareholders' equity	337,194	51,470
Basic earnings / (loss) per share (sen)	44.55	(40.54)
Fully diluted earnings per share (sen)	26.56	-
Net assets per share (sen)	250.95	147.25
Dividends per share - declared and paid (sen)	12.00	-
Dividend per share - proposed (sen)	6.00	-

## The Spirit of Gaudi

This limited edition is inspired by La Pedrera, a building by Gaudi, one of the most famous Modernist architects in the world. The year 2002 marks the 150th anniversary of the birth of Gaudi. The edition is limited to just 1,000 pieces worldwide.



## Product Groups

Pelikan has three main product groups:

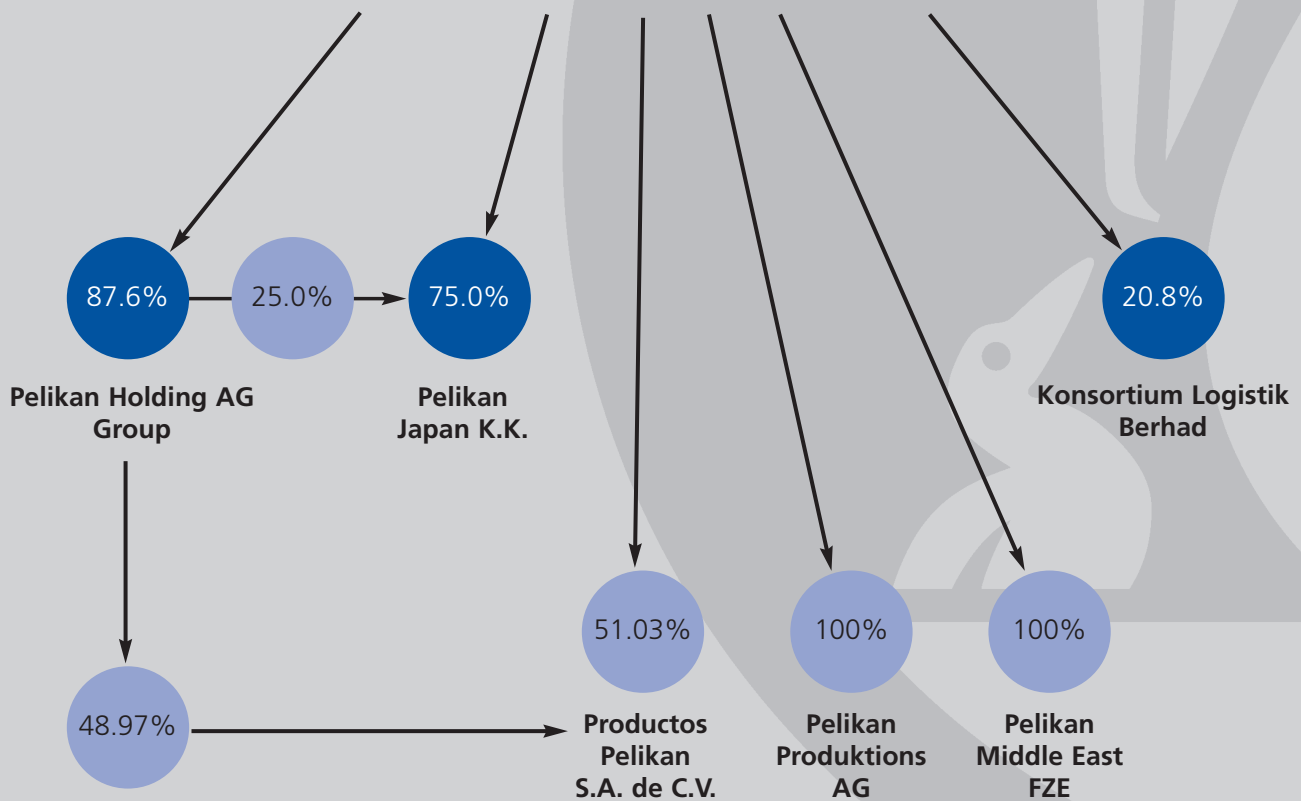
Writing Instruments	Art, Painting and Hobby	Office
Fountain Pens Ballpoint Pens Rollerball Pens Mechanical Pencils Fineliners Highlighters Ink Eradicators	Wax Crayons Fibre-Tip Pens Opaque Paints Brushes Erasers Hobby Paints Transparent Water Colours Painting Blocks Textile Painting Painting Accessories	Refills Marking Crayons Pagemarkers Carbon Papers Stencils Sealing Wax Stamp Pads Presentation Materials Printer Consumables

# Group Corporate Structure

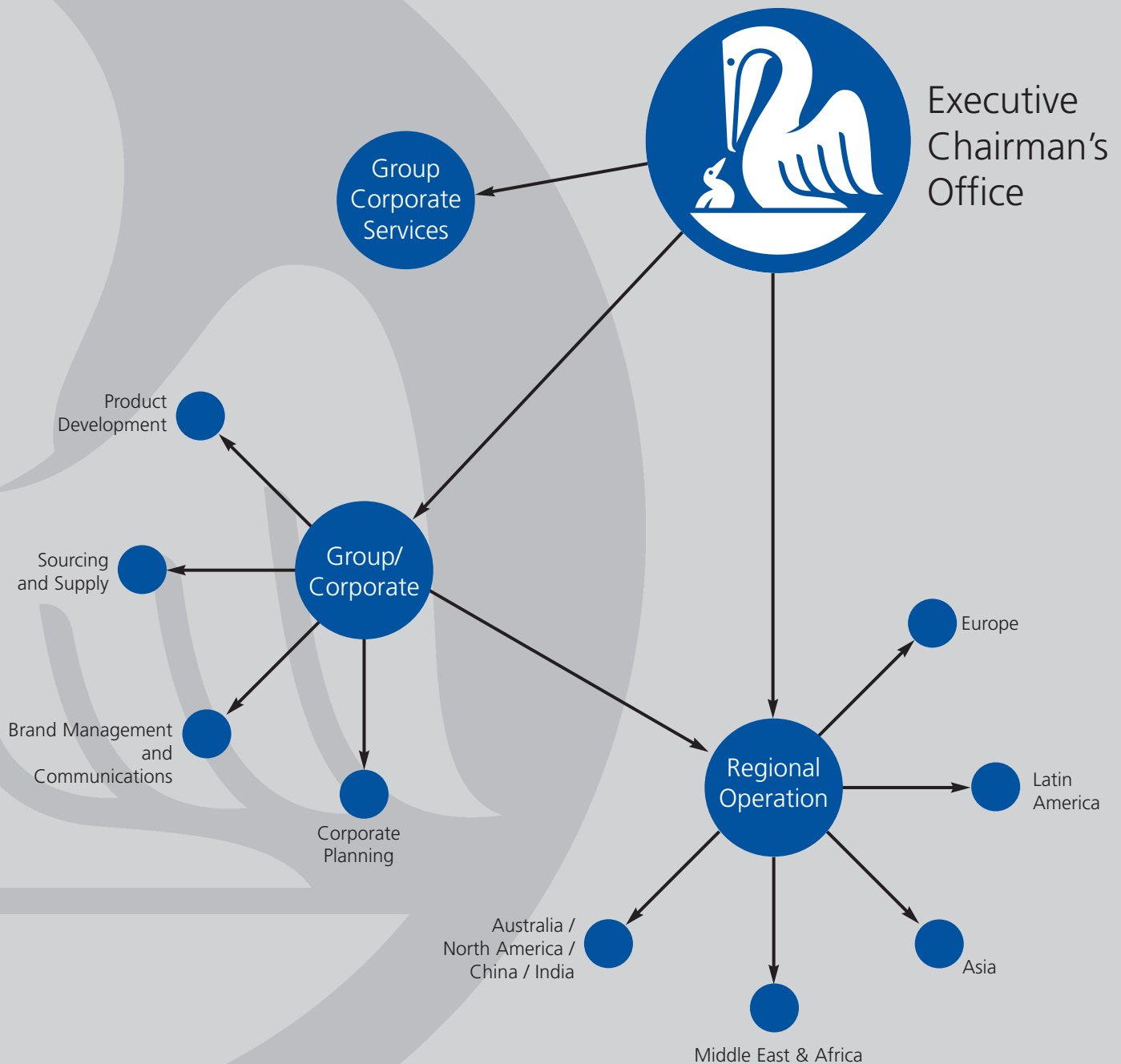


## Pelikan International Corporation Berhad

(Formerly known as Diperdana Holdings Berhad)



# Group Organisational Structure





# self -eXpress ! on

In an increasingly stressful world, hobbies are a vital form of relaxation and self-expression. Hence the fast-mounting popularity of Pelikan's art, painting and hobby products and accessories.



# Board of Directors' Profile



## **Loo Hooi Keat**

Executive Chairman

Member of Audit Committee

Member of Remuneration Committee

Loo Hooi Keat, a Malaysian aged 51, was appointed to the Board as Director on 22 April 2005 and subsequently as Executive Chairman on 26 April 2005.

He is a certified public accountant and a member of the Malaysian Institute of Certified Public Accountants (MICPA). He received his training in accountancy from a reputable international accounting firm where he obtained his Certified Public Accountant accreditation. Since then, he has gained experience in various international companies, namely as Group Accountant for the Sime Darby group of companies (1982-1985) and Lion group of companies (1986-1989). He was the Group General Manager for Business Management of United Engineers (Malaysia) Berhad from 1990 to 1992.

Presently, he is the Executive Vice President of Konsortium Logistik Berhad, a public company listed on the Main Board of Bursa Malaysia Securities Berhad since 1992. He is also President and Board member of Pelikan Holding AG, a subsidiary of the Company listed on the Zurich Stock Exchange since 1995.

Except for certain recurrent related party transactions of a revenue nature which are necessary for the day-to-day operations of the Company and its subsidiaries and for which Loo Hooi Keat is deemed interested, there are no other business arrangements with the group in which he has personal interest.

### Syed Hussin bin Shaikh Al Junid

Independent Non-Executive Director  
Member of Nomination Committee  
Member of Remuneration Committee

Syed Hussin bin Shaikh Al Junid, a Malaysian aged 53, was appointed to the Board as Director on 1 July 1996.

He graduated from the University of Malaya and holds a Bachelor of Economic degree.

He has extensive experience in the property and construction industry and has been involved in the development of several major and successful townships in the Klang Valley. He is also currently overseeing the property development for another local group of companies.

Currently, he sits on the Board of Golden Plus Holdings Berhad, a Public Listed Company involved in investment and property management. He is the Managing Director of Amona Permodalan Holdings Sdn Bhd, an investment holding company with interests in a group of companies mainly involved in the development of properties, project management services, construction, property investment holdings, trading, information technology and multimedia business activities.

### Tan Sri Musa bin Mohamad

Independent Non-Executive Director  
Chairman of Audit Committee  
Chairman of Nomination Committee  
Chairman of Remuneration Committee

Tan Sri Musa bin Mohamad, a Malaysian aged 63, was appointed to the Board as Director on 1 August 2005.

He holds a Bachelor of Pharmacy Degree from the National University of Singapore in 1962 and obtained a Master of Science Degree in Pharmaceutical Technology from the University of London in 1972.

He spent over 20 years in teaching and academic administration in University Sains Malaysia (USM). He served as a Foundation Dean of Pharmacy in USM from 1975 to 1979 and thereafter as the Deputy Vice Chancellor and Vice Chancellor of the same university until he retired in 1995. He then went into corporate life as Chairman in a number of private limited companies and a second-board listed company Poly Glass Fibre (M) Berhad before being invited by the Government to serve as a Minister of Education Malaysia from 1999 to 2004. He is currently the Chairman of Universiti Telekom Sdn Bhd, a subsidiary of Telekom Malaysia Berhad, which runs the Multimedia University in Cyberjaya.

### Haji Abdul Ghani bin Ahmad

Independent Non-Executive Director  
Member of Audit Committee  
Member of Nomination Committee

Haji Abdul Ghani bin Ahmad, a Malaysian aged 64, was appointed to the Board as Director on 4 September 2001.

He attended a Diploma Course in "Customs and Excise Management and Enforcement" in the University of Southern California in Los Angeles, United States of America. In 1991, he attended a course on "Value Added Tax" in the Tax College of Crown Agents in Worthing, England.

He is a retired Director of Customs, having served 32 years in the Royal Customs and Excise Department of Malaysia.

He serves as a Director of several private limited companies including LANG Consultancy Services Sdn Bhd where he provides consultancy services relating to customs, excise, sales tax and service tax, duty exemptions, refund and drawback claims, licenses and incentive under the laws administered by the Royal Customs and Excise Department.

### Yap Kim Swee

Independent Non-Executive Director

Yap Kim Swee, a Malaysian aged 59, was appointed to the Board as Director on 22 May 2006.

He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), a Fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Malaysian Institute of Certified Public Accountants (MICPA).

He started his career in Hanafiah Raslan Mohd & Partners in 1969. In 1972, he joined Coopers & Lybrand (now PricewaterhouseCoopers) as an audit senior and was thereafter appointed as a Director in 1987. He was admitted as a Partner in 1991 and retired from the partnership of PricewaterhouseCoopers in 2002. With his many years experience in audit and business advisory, he has gained extensive knowledge in various industries covering manufacturing, financial, insurance, telecommunication, housing development and plantation.

Currently, he sits on the of Board Equine Capital Berhad, a public listed company involved in investment and property development.

#### Additional notes to Director's Profile:

1. None of the Directors hold any shares, directly or indirectly, in the Company and any of its subsidiaries except for Loo Hooi Keat.
2. None of the Directors have any conflict of interest with the Company.
3. None of the Directors have any family relationship with any Director and/or major shareholder of the Company.
4. None of the Directors have any conviction for offences within the past 10 years other than traffic offences.

# Group Management Team

## **Loo Hooi Keat**

Executive Chairman

Loo Hooi Keat, a Malaysian aged 51, is a certified public accountant and a member of the Malaysian Institute of Certified Public Accountants (MICPA). He received his training in accountancy from a reputable international accounting firm where he received his Certified Public Accountant accreditation. Since then, he has gained experience in various international companies in Malaysia, namely as Group Accountant for the Sime Darby group of companies (1982-1985) and Lion group of companies (1986-1989). He was the Group General Manager for Business Management of United Engineers (Malaysia) Berhad from 1990 to 1992.

## **Ng Cheong Seng**

Head of Corporate Planning

Ng Cheong Seng, a Malaysian aged 34, joined Pelikan Holding AG as Vice President of Corporate Planning in 2003. He is a member of the Association of Chartered Certified Accountants (ACCA), and graduated from the University of London with a Masters in Financial Management. He is now the head of the Group Corporate Planning.

## **Eckhard Seewöster**

Head of Sales/ Marketing Europe

Eckhard Seewöster, a German aged 62, started with an apprenticeship as a carpenter and spent 6 years in the army where he resigned as First Lieutenant. He joined Pelikan Hannover in 1969 as a sales employee. He is now the Head of Sales/Marketing responsible for Europe and North America.

## **Peter Raijmann**

Head of Finance and Administration Europe

Peter Raijmann, a Dutch aged 46, has a Bachelor in Business Administration. He joined Pelikan Group in 1991 as Group Controller for Europe. In 1996 he was appointed as Head of Controlling department in Hannover and in 2004 was appointed Head of Finance and Administration in Europe.

## **Gunther André**

Head of Product Development

Gunther André, a German aged 57, has a Master of Science as well as a Master of Business Administration. He joined the Group in 1998 and is responsible for the worldwide production and product development. He is mainly responsible for the management of the factory in Vöhrum, Hannover, Germany. Before he joined Pelikan, he had similar functions at "Rotring".

## **Claudio Esteban Seleguan**

Head of Latin America

Claudio Esteban Seleguan, an Argentinian aged 44, has a Bachelor in Business Administration. He joined Pelikan Group as a manager of Pelikan Costa Rica in 1989. In 1992, he was appointed as Chief Executive Officer of Pelikan Mexico. He also acts as Regional Manager for Latin America.

### Azuma Ikeda

Head of Japan and South Korea

Azuma Ikeda, a Japanese aged 52, has a Bachelor of Arts in Commerce and a Masters of Business Administration. He joined Pelikan Japan K.K. in 1990 as Finance Manager. He was promoted to Managing Director in 1993 and is responsible for the Japan and South Korea markets. He is also a board member of the Japan Imported Pen Association for the past 9 years.

### Loo Seow Beng

Head of China, Hong Kong, Taiwan and Vietnam

Loo Seow Beng, a Malaysian aged 48, has a Bachelor of Science in Business. Previously, he worked with a large audit firm. He joined Pelikan Singapore-Malaysia Pte. Ltd. in 1995 and was subsequently transferred to Pelikan Hannover, then Pelikan Holding AG, responsible for the coordination of sales in Asia/Rest of World. He is now in charge of business development for China, Hong Kong, Taiwan and Vietnam.

### Safuan Basir

Head of South East Asia, Middle East and Africa

Safuan Basir, a Malaysian aged 38, joined Pelikan Group in 2005 as the Senior Vice President in charged of operations in Asia, Middle East and Africa. He is a Fellow member of The Association of Chartered Certified Accountants (ACCA), United Kingdom and a graduate from Nottingham Trent University. Over the past 10 years, he has had exposure to various Malaysia and regional operational, planning and consultancy work with leading conglomerate in Malaysia and international firm serving companies.

### Geoffroy de Drouas

Head of Brand Management and Communication

Geoffroy de Drouas, a French aged 51, joined Pelikan Group in 2005 as Senior Vice President, Brand Management and Communication. He obtained his Bachelor of Business Administration from Ecole des Cadres, Paris in 1978. He has had extensive experience in various international organizations dealing in luxury brands of cosmetics and fragrances, watches, writing instruments, retail fashion and liquor.



#### Hercules

Another one of the "Originals of Their Time", Pelikan continues the limited editions series with "Hercules". A limited number of only 800 pieces of writing instruments are available worldwide.





# innOvatiOn

Pelikan, founded in the 19th century, grew into a major group worldwide due to its innovative designs and functional products. Now in the 21st century, Pelikan has every intention to continue inventing products that not just enhance efficiency and effectiveness, but safeguard the world we live in.

This is why we have taken the lead in developing lead-free inks for pens and paints.

# Executive Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International") for the financial year ended 31 December 2005. For the Pelikan Group, 2005 was tremendously challenging but rewarding year which saw us successfully enhance our brand and strengthen our position globally.

## Economic Outlook

The global economy in 2005 experienced moderate growth, with a divergence in economic performance between the developed and developing nations. Whilst economic growth in China and India has remained visibly robust, other developing countries are faring less well with a more pronounced decelerating growth seen in the developed markets.

Major risks for the world economy included the larger and widening global imbalances and the tight oil supply capacity. The global imbalances, mostly dominated by the large and increasing external deficit of the United States, resulted in widening surpluses elsewhere, particularly in East Asia and oil-exporting markets. The United States achieved a modest Gross Domestic Product ("GDP") growth rate of 3.5% in 2005 due to its strong household spending, low interest rates, higher corporate profits and improvements in the labour market.

The tight oil supply capacity resulted in persistent higher oil prices. Strong growth in global oil demand particularly from Asia in 2005 overwhelmed the global oil production, which faced shocks from political instabilities and natural disasters amongst others. The price of the crude oil increased on average by about 50% in 2005 and has sparked concern about higher inflation levels worldwide. Although oil prices are expected to remain high in 2006, the continuous surge in oil prices had little impact on Pelikan's global operations as it accounts for a small percentage of our overall production costs.

The economies of the European market grew on average of 1.4% in 2005. The low domestic demand was caused by the feeble growth in private consumption. Amongst the countries, the United Kingdom and Spain performed well whilst Germany, Italy and the Netherlands reported moderate growth. Inflation levels have remained around 2% despite depressing effects on the market from the higher oil prices. The Euro-Dollar exchange rate has fallen due to the continuous decline in the long-term interest rates. The depreciation of the Euro against the Ringgit and other major foreign currencies reduced the cost of Pelikan imports from Germany and boosted export volumes to the rest of the world. For 2006, business investment is expected to pick up in Europe whilst growth in housing investment and their consumption effects are to be favourable.

The Latin America region performed well in 2005 due to higher commodity prices and strong external demand from other developing countries such as China. Although the region is vulnerable to external shocks, strengthening domestic demand, growth in private consumption, improving unemployment and investment levels are observed in Brazil, Argentina and Mexico. The higher oil prices have also benefited countries like Venezuela with oil revenues leading to increases in public spending and investment. The surge in commodity exports has resulted in new investment opportunities for Chile and Peru. Overall Latin America is poised for further growth and expansion, which is good news for the Pelikan business as the brand is widely recognised within this region.

China remains the engine for growth in East Asia, driven by its exports and investment, followed by Singapore and South Korea with stronger than expected growth rates. Indonesia also improved markedly in 2005 due to its oil exporting business and steadier government policies. The recovery of the Japanese economy, supported by its strengthening domestic demand, and the de-pegging of Yuan and Ringgit from the US dollar has benefited the East Asian region, boosting confidence in regional markets. The South Asian markets also performed strongly in 2005. India and Pakistan were strong in their manufacturing and industrial production. Information and Communication Technology (ICT) services and business processing outsourcing demand remained high in India as well. The entire South Asia benefited from the surge for tourism and its related activities post tsunami disaster in 2004.

Middle East is one of the most interesting regions for the Pelikan business. Being global oil exporters, the largest of them – Saudi Arabia, United Arab Emirates and Kuwait, have reported a growth rate between 6 and 7 % in 2005. The increase in oil revenues sparked higher domestic demand through the fiscal spending in increase investment and boost the non-oil sector such as construction and services. The entire region has benefited from the spillover effects of higher oil prices via trade and tourism.

The economic outlook across the globe varies, nonetheless the education sector remains crucial in both the developed and developing countries. The budgets allocated to the education sector has steadily risen over the years with increasing emphasis in reading, writing and art. The upward trend on the governments' investments into schools and education-related activities are encouraging and Pelikan welcomes this positive move as the education sector represents one of its key business area.

In addition, Asia, Latin America and Middle East, have shown promising prospects for economic growth in 2006. Pelikan intends to focus on building its distribution networks, its brand awareness as well as launching new products into these regions. In markets with desire for premium brands, we believe Pelikan will be able to establish itself as a global industry leader based upon its enduring, high quality and innovative products.

### Financial Performance

I am delighted to announce that in 2005 the Company made a significant net profit for the first time in four years. For the financial year ended 31 December 2005, the Group recorded a net profit of RM55.0 million on a revenue of RM511.1 million. These figures include the first quarter's results of the logistics business disposed of to Konsortium Logistik Berhad ("KLB") on 8 April 2005. This disposal followed several years in which the Company found itself struggling in the fiercely competitive and deteriorating logistics industry.

In the first quarter of 2005, the Company incurred a net loss of RM463,000 from its logistics business. However, as anticipated, there was a turnaround in the second quarter when the Company successfully acquired the Pelikan business. This explains the significant jump from quarter one to quarter two financials. In the second quarter, the Group achieved a revenue of RM201.5 million, as a result of high sales during the "back-to-school" season in Europe and Latin America. Net profit from Pelikan business for the second quarter stood at RM30.2 million, giving a cumulative half-year net profit of RM29.7 million.

## Executive Chairman's Statement

Good performance was maintained in the third quarter. Cumulative revenue rose to RM371.8 million and net profit to RM52.7 million. As expected sales slowed down as the end of the "back-to-school" sale season drew near, and the fourth quarter recorded a slightly reduced – but still better than expected – revenue of RM139.3 million and a net profit of RM2.3 million.

### Corporate Developments

#### 2005

The corporate exercise involving the reverse takeover of Pelikan Holding AG, listed on the Zurich Stock Exchange, Switzerland and Pelikan Japan K.K. by the Company was successfully completed on 8 April 2005 in a debut of nearly four years in the making.

Under this exercise, the Company disposed of its entire logistics business to KLB and is now principally a manufacturer and distributor of an international brand of fine writing instruments, art, painting and hobby products, office stationery and printer consumables. Subsequently on 6 June 2005, the Company was renamed Pelikan International Corporation Berhad, listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia") under "Consumer Products".

With the completion of the corporate exercise, the Company acquired a 64.94% equity interest in Pelikan Holding AG and a 75% equity interest in Pelikan Japan K.K. . Following a Voluntary General Offer for the remaining shares of Pelikan Holding AG, the Company owns 87.64% equity interest in Pelikan Holding AG, 75% equity interest in Pelikan Japan K.K., and 20.77% equity interest in KLB.

This was the first major acquisition of an international entity by a Malaysian, and Pelikan International is the first listed international company on Bursa Malaysia to have 95% of its operations located outside Malaysia.

The Company, which was loss-making, now has the ability to grow and expand via its transformation into Pelikan. The corporate exercise also signifies the first step towards realising the Group's vision of acquiring and consolidating all Pelikan entities under one corporate family.

Another significant development took place in April 2005 when Pelikan Quartet in Australia acquired the Geoff Penney Group, one of Australia's largest office products distributors. Pelikan Quartet, in which Pelikan International has an effective equity stake of 20%, has been distributing Pelikan products in Australia and New Zealand for the past 25 years. With this acquisition, we are poised to increase our penetration into the Australian market.

#### 2006

In line with its continued efforts to consolidate Pelikan businesses worldwide, in February 2006, Pelikan International announced its intention to acquire the business of Pelikan Hardcopy Holding AG, the largest independent non OEM ("Original Equipment Manufacturer") manufacturer and distributor of imaging supplies and printer accessories in Europe. Pelikan Hardcopy Holding AG is based in Switzerland, with its main factories in Switzerland, Germany, Scotland, the Czech Republic and China. Pelikan Hardcopy Holding AG has sales organisations all over Europe.

The Hardcopy business, which was separated from the Group through a restructuring exercise over ten years ago, holds a licence allowing it to use the Pelikan brand name and giving it the exclusive right to distribute and/or sell the Group's products in all territories except the USA, Canada and Mexico for a period of 50 years.

The acquisition of the Hardcopy business should deliver major synergies in terms of research & development ("R&D"), production facilities, brand awareness and marketing through the sharing of resources and distribution networks. This, in turn, should boost both cost savings and efficiency. The acquisition should also facilitate the development of a larger range of mutually complimentary products, as well as strengthening Pelikan's branding, advertising and promotional activities.

In March, Pelikan International completed its acquisition of the remaining 51.03% of the equity in its Mexican subsidiary, Productos Pelikan SA de CV ("Productos Pelikan"), in which it already own a 48.97% stake. Pelikan International announced its intention to increase its shareholding to 100% in November 2005. This acquisition will give us total control of management and production in Mexico, and Productos Pelikan is now well positioned to run our distribution and sales operations in the Americas.

In early 2006, Pelikan International successfully completed the purchase of Pelikan businesses in Thailand and Taiwan. The Company has also set up Pelikan Middle East FZE. For the rest of the year, Pelikan International plan to establish sales organisations in China, India, Indonesia and Poland.

### Board Of Directors/Board Committees

Three of the Company's Board of Directors resigned in mid 2005. On behalf of the Board, I would like to extend my appreciation and gratitude to Lee Kiat Hean, Mohamad Taib bin Abdul Wahab and Abdul Malik bin Abdul Rahman for their dedication and contribution to the Group over the years. I would also like to extend a warm welcome to Tan Sri Musa bin Mohamad and Yap Kim Swee who both have joined us as new independent non-executive Directors. Tan Sri Musa bin Mohamad serves as the Chairman of the Audit, Remuneration and Nomination Committees.

### Prospects

The Pelikan Holding AG Group which underwent a major restructuring a decade ago was split into different ownerships for both distributions and products. The core business was then focused mainly in Europe with writing instruments and art, painting and hobby products as its major product groups. As a consequence of the restructuring, the brand image was not significant outside Europe. Over the recent years, Pelikan has made attempts to reconsolidate all of its operations and business divisions that were divested in the 1990s. In 2000, Pelikan resumed the distribution of printing products from Pelikan Hardcopy. In 2002, repurchased the 'Office General' business from Henkel KGaA and 2004 resumed the distribution of Pelikan's products in Belgium, the Netherlands and Luxemburg. In August 2005, the Group resumed the global distribution rights of 'Correcting and Gluing' products (except Germany, Austria and Switzerland) under the Pelikan brand from Henkel KGaA. In February 2006, the Group acquired fixed assets and inventories from Pelikan Hardcopy and is currently in negotiation to complete the balance of the acquisition. In March 2006, the Group completed the purchase of the balance equity in its Mexico subsidiary, Productos Pelikan.

We have already witnessed significant results for the 9 months ended 2005. The Group is continuing to put its resources together to further expand its market. The consolidation of the Group will yield better synergies in its procurement, branding, manufacturing, R&D with centralised support services in accounting, financing and human resource development.

We are expecting to fully consolidate the Hardcopy business by end of 2006. This will significantly increase the Group's revenue by 80% to over RM 1 billion and profit growth of more than 30% in 2007. The merger of both businesses will result in significant cost savings.

We forecast that in 2006 our expanding market share in growing regions, our intended acquisition of the Hardcopy business, and our continuous efforts to achieve cost efficiency and to develop new products will contribute to an increase in Group revenue. With all the initiatives above, the Group is confident of achieving significantly higher results, better performance and profitability for the coming years, and we intend to have a generous dividend payout.

### Appreciation

On behalf of the Board, I would like to thank the management and employees of Pelikan International for their unstinting commitment to the Group and the brand in 2005. The Board also offers its heartfelt gratitude to all our business partners and associates for their continued support.

**Loo Hooi Keat**  
Executive Chairman

Selangor Darul Ehsan  
Malaysia



#### Caelum

The limited edition "Caelum" (in English, "the heavens") is a spectacular creation full of astonishingly staged details of our solar system. "Caelum" is limited to 580 pieces of writing instruments worldwide.

# Group Operations Review

Established in Germany in 1838, Pelikan has come a long way since the days when it was just a chemical plant in Hannover. Today, 168 years later, Pelikan is a manufacturer and distributor of one of the world's most widely recognised brands of fine writing instruments, art, painting and hobby products, office stationery and printer consumables. We have 16 offices worldwide, and offer a vast assortment of over 100 products to people of all ages and aspirations across more than 150 countries.

There is something for everyone in the Pelikan range, and we continue to develop products that inspire people to express themselves through writing, painting and drawing. Each of our product categories serves a different function, but they are all true to the brand's identity and reflect our mission to invent enduring, high-quality, innovative products that will make us a global brand leader in our industry.

## Operational Structure

Following the successful completion of the corporate exercise in April 2005, Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International") restructured the Group's operations into different geographical regions, supported by centralised corporate departments. The new internal organisation will enable us to manage our global business more effectively. In addition, by centralising the operations in each region under a regional head office, we are ensuring that regional decision-making is consistent with the Group's mission and objectives.

Each regional head office will report directly to the Chairman's office, as well as to the Group's corporate departments, namely: Corporate Planning, Product Development, Sourcing & Supply, and Brand Management & Communications. Each department will ensure that business planning and execution meet Group standards across all the markets in each region. We will continue to improve communications between regions and divisions to facilitate smooth operations and transactions as the Group expands.

## Products & Manufacturing

On the product front, 2005 was a year of considerable achievement. A number of innovative new products were introduced, and RM10.7 million was spent on research and development ("R&D") projects, focused mainly on the invention of new products for 2006 and beyond.

In response to fast-evolving industry trends, we speeded up the process of introducing new products. From concept to research to development and launch, our R&D and production teams shortened lead times and devised more efficient methods to deliver products rapidly to the market.

In the fall of 2005, Pelikan's correcting and gluing products were relaunched in Europe after Pelikan automatically resumed the European manufacturing and distribution rights following the expiry of our ten-year agreement with Henkel. Manufacturing margins are high for these products, and in-house production (as opposed to outsourcing to Henkel) has reduced manufacturing costs by about 69% for Blanco correction tape and 61% for Pelifix gluing products. The market has responded favourably to the newly revamped product design.

Investment in our German manufacturing facility included further automation of steel nib production which resulted in lower costs and high dimensional stability. A new high performance moulding machine for ink cartridges was also introduced, reducing the cycle times for cartridge moulding by 30%.

The Textmarker 490 production line in Puchong, Malaysia began mass production of newly designed textmarkers in February 2005 for both local and global consumption. Investment in R&D, product development and machinery amounted to RM1.6 million. Textmarker 490 has six assorted colours, and we estimate a production capacity of 18 million pieces a year. Currently the utilisation of the machine is 67%.

Textmarkers were previously outsourced to a third party for production under the Pelikan brand. In-house manufacturing has reduced costs by 35%, while the transfer of technology from Germany to Malaysia has resulted in a 15% saving in production costs. With this success, we plan to manufacture and assemble more stationery products in-house to further cut costs. This also accords with the Group's objective of relocating production lines closer to resources and the market.

An automated machine for the production of whiteboard and permanent markers was recently set up in the Puchong facility and is scheduled to commence in 2006.

## Group Operations Review

### Procurement

The Group's International Procurement Centre, established in 2003, continued to seek and source cheaper raw materials and products that comply with our stringent quality criteria.

### Distribution

During the year, the Group not only strengthened its distribution but widened its distribution network by entering selected key markets.

Pelikan products were successfully introduced in Vietnam at a departmental store in Ho Chi Minh City which opened in June 2005. Sales were encouraging and we expect to achieve higher numbers when Pelikan enters into more stores in Vietnam in 2006 and beyond.

Europe, however, currently remains our key market, with Germany, Switzerland and Italy as the key markets. In Europe, Pelikan Benelux is a good example of the benefits of acquiring of a local distribution network previously run by agents. Since the acquisition of Pelikan Benelux in January 2004, we have been in full control of the distribution, branding development and marketing of Pelikan products in Belgium, the Netherlands and Luxembourg with the result that doubled in 2005.

The Group now wishes to emulate the success of Pelikan Benelux when entering new markets such as Asia and Latin America. In the long run, we plan to take over all distribution from agents to ensure adequate reinvestment in the brand and the business in accordance with the Group's mission.

### Branding

Pelikan has a brand presence in all continents. It is significantly strong in Europe, especially in Germany where it has a brand awareness of 95%. Pelikan is also widely recognised in Asia, Middle East, Latin America and the USA since many decades ago. However, due to its restructuring in the early 1990s, the brand was divided and concentrated mainly in Europe.

With the consolidation of the global business, we are optimistic that, given the right strategy and communication channels, our brand presence in all these regions will be enhanced. Following the huge success experienced in Germany, we are therefore

seeking to build brand awareness and loyalty in the education sector. We see huge potential in Asia and Latin America by introducing our writing instruments, art, painting and hobby products through school tie-ups and education-related below-the-line activities, aimed at encouraging students and parents to choose Pelikan products.

### Awards

The Pelikan Textmarker 490 and the K12 and K24 watercolour paint boxes all won Red Dot Design awards in 2005.

### Cost Efficiency

In 2005, cost reduction programmes were implemented throughout the Group, including increased automation of production lines to improve productivity; lowering of labour costs in our overseas facilities; transfer of technology to regions closer to emerging markets with cheaper raw materials; reduced operating costs; and Group-wide global materials sourcing.

### Human Resource

As at 31 December 2005, the Group personnel count stood at 922. We now plan to take on more staff globally, particularly in the emerging markets of Asia and the Middle East where we are setting up new offices. Prudent staff recruitment policies will ensure that we recruit and reward high calibre employees.

### Market Outlook

Our core markets in Europe – particularly the German speaking countries, Germany, Austria and Switzerland – are expected to continue delivering steady growth thanks to Pelikan's strong brand heritage. The Group aims to boost performance by enhancing its product offerings in this mature market. Given our excellent infrastructure and strong distribution network in Europe, launching innovative products should generate positive earnings for the Group and reinforce brand awareness among consumers.

Following the relaunch of the Pelikan correcting and gluing business in Europe during the fall of 2005, we are expecting higher sales volume from Blanco and Pelifix products in 2006. Countries such as Italy, Greece and Spain, where these products are strong sellers, are now embarking on extensive advertising and promotional activities.

In 2006, we plan to continue expanding our global market share, and specifically to penetrate the Chinese, South Korean, Indian, Indonesian and Middle Eastern markets. We are currently collaborating with one of the largest leading departmental store chain in China to distribute our fine writing instruments, art, painting and hobby products, office stationery and printer consumables. Our first outlet was launched in Shanghai in May 2006.

We are also eyeing opportunities in markets with a desire for premium brands, such as South Korea and India, so as to increase sales of our fine writing instruments. We are confident that the Pelikan fine writing instruments collection will attract a keen following of avid pen collectors, as already demonstrated by our success in the Japanese fine writing instruments market.

In India, we are in negotiations with a local stationery manufacturer to operate a joint venture production and sales establishment. We have also recently established an office in Sharjah, U.A.E. to cater to the Middle East market following the termination of Pelikan Iran contract last year.

In addition to new markets, we are expanding our presence in Australia, the Americas and Asia. In the Australian and North American markets we are aggressively pushing Pelikan products through our associates and distributors and we endeavour to place more Pelikan products on display shelves, thereby widening our market coverage.

Meanwhile we will continue to increase our presence in the emerging markets of Asia and Latin America where there is huge growth potential for the Pelikan brand. These markets are relatively untapped, and by strengthening our distribution channels and introducing current and new products, we expect to improve worldwide sales.

### Conclusion

In the next few years, Pelikan International will focus on building Pelikan brand visibility, recognition and loyalty throughout the world. Our listing on Bursa Malaysia has enabled us to embark on more ambitious branding and marketing exercises. In particular, we will be initiating advertising and below-the-line promotional activities in Malaysia, and throughout the region in the near future.

At the same time, we will develop stronger distribution networks and broader distribution channels; and we will continue to invent functional and sophisticated products to accommodate ever-changing consumer preferences in our different markets. We will also implement further cost reduction programmes and improve communications throughout the Group to ensure higher productivity, staff efficiency and better margins without compromising quality.

We therefore believe that, barring unforeseen circumstances, 2006 should be a positive year for Pelikan.



#### Pyramids of Giza

Through the edition number, is engraved on the fountain pen, each example is labelled as being unique. The limited edition is 445 pieces worldwide.

# Notables



**Plaka**  
It has now been 70 years since Pelikan first introduced its versatile handcraft colour Plaka. Plaka colours are easily applied to most materials.

## Reputation for Quality & Innovation

- Rigorous product development process for new products and enhancements to existing products
- R&D team consists of 23 staff
- RM10.7 million of R&D expenditure in 2005
- Presently owns approximately 24 patents, 4 utility patents and 27 designs registered in various countries, mostly in Europe

## 2005 Technical Developments

- "Souverän 425" with elements of finest sterling silver
- Special Edition "Place de la Concorde"
- Limited Edition "Colossus de Rhodes"
- Limited Edition "Blue Planet"
- "Epoch 362"
- "Script Silver", a fine writing youth fountain pen
- "Gallery roller", a new ink roller with High-Tech Design
- "Happy pen", a new youth fountain pen
- "Pro Colour" paint box in new colours

## 2005 Chemical Developments

Wax crayons in new contemporary plastic case design.

## Market leader in Germany

Pelikan is the market leader across many product segments.

- |                                   |                  |
|-----------------------------------|------------------|
| • Fountain pens (EUR50 to EUR200) | • Crayons        |
| • Fountain pens (EUR5 to EUR49)   | • Clay           |
| • School pens                     | • Fibre tips     |
| • Paints                          | • Ink cartridges |
| • Ink eradicators                 | • Erasers        |

Source: GfK Research.

## Pelikan appears in Trademark Heaven – "Best Brands", Germany

The trademark ranking "Best Brands" supported by the "Wirtschaftswoche" (a major German economic magazine) together with the Markenverband (Federation of German brand owners), the GfK (market research institute), Sevenonemedia and Serviceplan was conducted for the second time, that is for the year 2005 on 26 January 2005 in Munich.

The "Trademark Heaven" is a summary of the top 100 trademarks which qualified for the shortlist.

The selection of the "Best Brands" is carried out according to a procedure that corresponds to scientific standards and is based on the evaluation of approximately 50,000 households, respectively interviews with over 8,000 persons of all age groups.

Horst Prießnitz, the Managing Director of the Markenverband stated: "We presume that the trademark ranking "Best Brands" will assist in creating positive publicity for the trademark awareness among other advantages by widespread publication in the "Wirtschaftswoche", and will take place again in 2006".

# Awards

Product	Award	Year
ProColor paint box	Design award of the state of Nordrhein Westfalen	1996
	Design award of the state of Hamburg	1997
	"Red Dot" design award	2005
	Design award of PBS Industrie, Düsseldorf	2005
Level 5 fountain pen	Good Design Award of the Chicago Athenaeum Museum of Architecture and Design	1997
	Design prize of the state of Nordrhein Westfalen	1997
	Design award of the iF Forum Design, Hannover	1998
Rondini paint box	"Red Dot" design award	1998
K12 water colour paint box	"Red Dot" design award	2001/05
Rondini wax crayons	Design award of the iF Forum Design, Hannover	2002
Pelikano Junior	"Red Dot" design award	2001
(school fountain pen)	"Red Dot" design award	2003
Pelikano	"Red Dot" design award	2003
(school fountain pen)		
Epoch pen series	"Red Dot" design award	2004
Textmarker 490	"Red Dot" design award	2005



red dot

DESIGN  
AWARD  
WINNER  
1 9 9 8



## Pelikan products win the Red Dot Design Award

In 2005, no fewer than three Pelikan products won the prestigious "Red Dot" Design Award.

- The Textmarker 490
- The ProColor paint box, and
- The K12/K24 water colour paint box

2005 marked the 50th anniversary of the international annual "Red Dot" Design Award. For this jubilee year, 1,857 products from 36 countries were submitted for adjudication by an international jury, and some 1,200 guests from design, cultural, industrial and political professions will attend the glamorous award ceremony to be held in July 2006. In the last few years, Pelikan has received several "Red Dot" Design awards for innovative products like ProColor and Epoch.

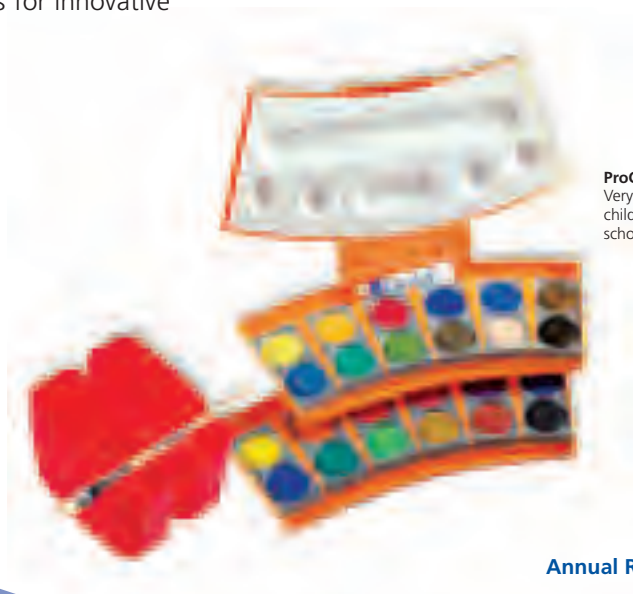
**Textmarker 490**  
The new Textmarker 490 highlighter received the "Red Dot" Design Award for excellent design quality.



**K12 water colour paint box**  
The K12 can be upgraded to K24 with twice as many colour shades by means of a snap-on connection.



**ProColor paint box**  
Very popular with children, used for school or hobby.



# Corporate Citizenship

## MALAYSIA

On May 3, the top three engineering students from the International Islamic University Malaysia (IIUM) departed for two months of Engineering Industrial Training (EIT) at the Engineering Department of Pelikan PBS – Produktionsgesellschaft mbH & Co. KG, Peine OT Vöhrum, Germany. The students were:

- Mohd. Asyraf bin Abdul Aziz, 24, from the Department of Mechatronics Engineering
- Mohd. Taufiq bin Mohd. Yusof, 24, from the Department of Mechatronics Engineering
- Mohd. Taufeeq Arrahman bin Mohd. Kamal, 25, from the Department of Manufacturing and Materials Engineering

The three students were given extensive exposure to the operational procedures, production facilities, new technologies, work culture and ethics that have made Pelikan a leading German brand. Undertaking real tasks as part of the factory's day-to-day operations has given them some experience of what is expected of them in a real-life situation.

Through this initiative, Pelikan aims to create a class of Malaysian engineers that can be benchmarked against their German counterparts in terms of quality standards and productivity. Pelikan also hopes that the programme will form the basis for the transfer of technology.

This is the second batch of IIUM engineers to be trained at Pelikan Hannover. Signed in 2004, the Memorandum of Understanding between IIUM and Pelikan was a first for the university in terms of overseas student training. Pelikan's sponsorship includes training, flights, accommodation and allowances.

01 Three students at the Vöhrum Plant

02 The students report to Mr. Christian Ehlers (second from right) who is the Head of the Engineering Department and oversees the training of the students throughout their internship period.



# Calendar of Events

## Pelikan International Corporation Berhad

(Formerly known as Diperdana Holdings Berhad)

### April 8

The corporate exercise involving the acquisition of Pelikan Holding AG, listed on the Zurich Stock Exchange, and Pelikan Japan K.K. by Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International") through a reverse takeover was successfully completed. The Company disposed of its entire logistics business undertaking to Konsortium Logistik Berhad ("KLB") and acquired the Pelikan business. As of 8 April 2005, Pelikan International held a 64.94% equity interest in Pelikan Holding AG, 75% of equity interest in Pelikan Japan K.K. and 20.77% equity interest in KLB.



### May 5

At the end of the Voluntary General Offer period, the Company acquired an additional 22.7% stake, resulting in a final holding of an 87.64% equity interest in Pelikan Holding AG.

### June 6

The Company changed its name from Diperdana Holdings Berhad to Pelikan International Corporation Berhad with stock name PELIKAN (stock code: 5231) on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

### June 21 – 23

Pelikan International organised a Malaysian Media Trip to Hannover, Germany, bringing journalists from various national newspapers to visit the Pelikan office, the plant in Vöhrum, and the Anderten logistic centre, as well as to meet and greet Pelikan's German staff and to interview Loo Hooi Keat about Pelikan, the Pelikan brand, the corporate exercise involving the Company and the way forward after listing.

### September 7

Irredeemable Convertible Unsecured Loan Stocks with a nominal value of RM98.9 million and Redeemable Convertible Unsecured Loan Stocks with a nominal value of RM115 million were listed on Bursa Malaysia.

### September 22 – 25

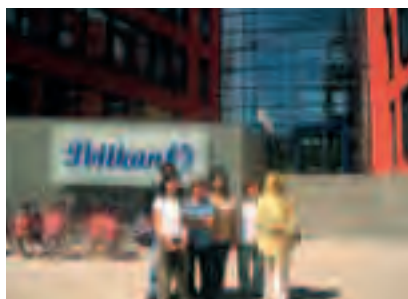
A Pelikan International conference in Bali was attended by the senior managers from all international offices to gather and discuss Pelikan's current and future business.

01 A conference was held in Bali and attended by the senior managers of Pelikan Group.

02 Journalists at the Pelikan Vöhrum Plant learning how to assemble a pen.

03 Pelikan International organised a Malaysian Media Trip to Hannover, Germany, bringing journalists from various national newspapers to visit the Pelikan office, the plant in Vöhrum, and the Anderten logistic centre.

04 Group photo with Mr Loo and all media journalists outside the Pelikan office in Hannover.



# Calendar of Events

## Business Activities

### AUSTRIA

**October 1**

"Shop in Shop" fine writing instruments was launched at Wachmann Schediwy, Graz.

**November 1**

"Shop in Shop" fine writing instruments was launched at Hackenbuchner, Salzburg.

### BENELUX (Belgium, The Netherlands and Luxembourg)

**April 1**

Pelikan Benelux obtained exclusive distribution rights for all Faber-Castell products in Belgium, the Netherlands and Luxembourg, which resulted in a positive contribution to sales.

**August 16**

Pelikan launched a three-wave "Back-to-School" media campaign in Belgium to promote Pelikano Junior pen:

- A billboard campaign near the most important shopping centres, supermarkets and hypermarkets in Belgium from 16 to 22 August
- A truck trailer poster campaign with over a million kilometres driven on the Belgium roads from Aug 16 to 15 September
- A billboard campaign in all major train and subway stations, seen by more than six million passengers a week from 31 August to 6 September

This campaign was supported by dealer mailings via leaflets and trade magazines, dealer and key account promotions, decoration sets for dealers, and posters for shop windows. There was also free publicity in several newspapers. The results of the campaign were encouraging. As the aim was to improve sales and remind dealers of our presence, the campaign was run later in the year to surprise the market. Following the campaign, more accounts in Belgium listed the Pelikano Junior and customers were eager to see more Pelikan marketing activities in 2006.



01



02

01 A billboard campaign in all major train and subway stations, seen more than six million passengers.

02 A truck trailer poster campaign with over a million kilometres driven on the Belgium roads.

### GERMANY

#### January 24 – 28

Pelikan participated in the Paperworld Messe 2005, the largest stationery and writing instruments fair in the world, held annually in Frankfurt, Germany.

For over 100 years now, Pelikan has been influencing the development of the pen. Many patents and innovations are still making history in the field of high-end writing instruments and school and office equipment. Pelikan has been a market leader in these fields for decades, and its new products, as well as its classics, attract wide attention. On January 2005, at Paperworld Messe Frankfurt, the world's most important stationery trade fair, Pelikan premiered the Special Edition Piazza Navona, Tradition 215, Pelikano Junior School fountain pen, Grand Prix roller pen, Gallery fountain pen and the award-winning Textmarker 490.

#### February 28 – March 4

Pelikan participated in the Didacta Fair for teachers, Stuttgart, Germany, to promote brand awareness and boost sales during the school season. Teachers attended the fair to review school products, enquire about the brand, and make purchases.

#### June 1

Pelikan held a Malmobil summer event whereby children gathered to paint at different locations in Hannover, Germany including at the zoo, the Maschseefest and the garden of the Congress Centre.

"Shop in Shop" fine writing instruments was launched in Leipzig in April, Münster (Munich) in May, Berlin in August, Leipzig in October and Konstanz in November.

#### All year round

Pelikan continued to operate Schülerladen, a shop located in a school in Hannover, Germany, where pupils sell Pelikan products so as to learn basic business economics. The shop, which opens all year round, aims to promote brand awareness.

### GREECE

#### April 8 – 11

Pelikan Hellas participated in the "Back to School" trade fair ("Hartosholiki 2005") in Athens. The aim was to introduce all the new Pelikan products to a high proportion of the 1500 customers who attended the fair. The exhibition area was approximately 160 square metres supported by catering service, hobby range activities, fine writing instruments presentations, "photo souvenirs", etc.

#### September 1

Pelikan's gluing and correcting products, Pelifix and Blanco roller, were relaunched, with a major media campaign (press ads and TV) being planned for 2006.



01



02



03

01 Hobby demonstration during the Paperworld Messe 2005 at Frankfurt, Germany.

02 Pelikan participated in the Didacta Fair, Stuttgart, Germany.

03 "Shop in Shop" fine writing instruments was launched in several locations around Germany: Leipzig in April, Münster (Munich) in May, Berlin in August, Leipzig in October and Konstanz in November.



**Kyokko and Gekko**  
Only 200 pieces of limited edition Pelikan Maki-e raden "Kyokko" and "Gekko" were made.

### JAPAN

**August 1**

Limited edition Pelikan Maki-e raden (shell) fountain pens called "Kyokko" and "Gekko" ("Sunlight" and "Moonlight") were launched. Only 200 pieces of each were made.

### MALAYSIA

**November 26**

A Pelikan Art & Hobby Corner was launched in U Parkson, Level 2, 1 Utama Shopping Centre, Bandar Utama, Selangor, was officiated by Tan Sri Musa Mohamad, former Minister of Education in Malaysia, in the presence of Loo Hooi Keat and his wife and senior management from U Parkson, Parkson Group.

**November 26 – January 1**

Free art and hobby classes were conducted by Pelikan every weekend at the 1 Utama Shopping Centre outlet for children aged between four and twelve, demonstrating the Pelikan colour and hobby range to children and their parents.

**01** Pelikan Art & Hobby Corner was launched in U Parkson, 1 Utama Shopping Centre by Tan Sri Musa Mohamad, the former Minister of Education Malaysia.

**02** Free art and hobby classes were conducted by Pelikan every weekend during the school holidays at Pelikan Art & Hobby Corner.

**03** Productos Pelikan was recognised by the Social Security Government Office (STPS) for its continuous improvement in the area of security and health at work.

**04** Walter Hirsche, the Minister of Economy & Transport of Lower Saxony, Germany and Claudio Esteban Seleguan at the Productos Pelikan plant.

### MEXICO

**June 1**

Planta de Productos Pelikan was recognised by the Social Security Government Office (STPS) for its continuous improvement in the area of security and health at work. This forms part of a three-year drive (started in 2004) to achieve a Secure Company Certificate.

**September 30**

Walter Hirsche, the Minister of Economy & Transport of Lower Saxony, Germany and a group of the state's managers visited the Productos Pelikan plant. Mr. Hirsche and his entourage visited various German companies established in Mexico to obtain feedback from the management and evaluate possible future investment. Claudio Esteban Seleguan, Head of Latin America, gave a presentation on the company's future projects, the strategic plans and figures for its export business, its local sales, its performance within the Pelikan International group, and the contribution of each SBU to the total business. Mr. Hirsche and his entourage were well satisfied with the visit and concluded that Productos Pelikan is a clean, modern and well run company.



01



02



03



04

### SPAIN

**September 12**

Pelikan's gluing and correcting products, Pelifix and Blanco roller, were relaunched in Spain and Portugal. Major marketing initiatives included giving samples to school teachers (Grand Prix roller pens, Super Pirat ink eradicators and explanatory brochures) and providing sales sheet for Pelikan salesman and wholesalers.

**October 1**

Pelikan S.A. participated in "Escritura 2005", a fine writing instruments fair, in Zaragoza, Spain.

### SWITZERLAND

**June 15**

A cooperation contract was signed by Pelikan Faber-Castell (Schweiz) AG and the press agency Communications & Press Services, Frau Lombard, Zurich. Pelikan organised a PR day for journalists and dealers in an art gallery in Zurich. The main aim was to showcase Pelikan Fine Writing Instruments, which is lesser known in the market. As a result of the cooperation, articles about Pelikan Fine Writing Instruments appeared in various magazines and newspapers.

### VIETNAM

**June 29**

Pelikan fine writing instruments, art, painting and hobby products and office stationery were distributed in Vietnam through a departmental store in Ho Chi Minh City.

#### Piazza Navona

Named after Rome's historical square in the valley of the Tiber at the foot of the Quirinal Hill: the Piazza Navona. Pelikan produces this edition in the forms of the fountain pen and the ball-pen.



01

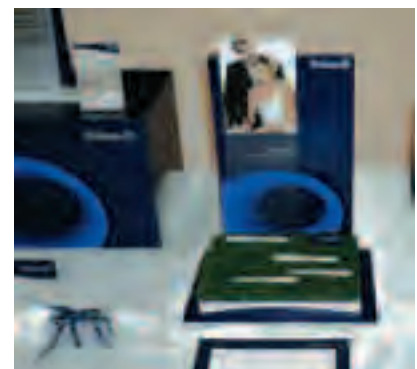


02

**01** Pelikan's gluing and correcting products, Pelifix and Blanco roller, were relaunched, with a major media campaign (press ads and TV) being planned for 2006 in Greece.

**02** Pelikan's gluing and correcting products, Pelifix and Blanco roller, were also relaunched in Spain and Portugal where major marketing initiatives included giving samples of Grand Prix roller pens, Super Pirat ink eradicators and explanatory brochures to school teachers as well as providing sales sheet for Pelikan salesman and wholesalers.

**03** A PR day organised for journalists and dealers in an art gallery in Zurich to showcase Pelikan fine writing instruments.



03



# creat ivity!

Pelikan is devoted to share and nurture creativity by teaching children intriguing new ways to use their imagination. Across our key markets, Pelikan is working together with teachers and parents to do just that – unleash creativity of the future generation.

# Shareholder Communications & Investor Relations

The management of Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International") began developing good relationships with its investors and shareholders prior to the acquisition and listing of Pelikan Holding AG and Pelikan Japan K.K. so as to generate momentum for the acquisition. Following the acquisition, the management met investors, financial analysts and fund managers from major local and international institutions to promote the Company's portfolio.

Pelikan International strives to inform the investing public about the latest corporate happenings and achievements through media interviews and announcements in the press and on the Bursa Malaysia Securities Berhad website. Ad-hoc and upon-request meetings are also held to explain in detail Pelikan's business strategies and operations. The Company conducts regular presentations to disclose corporate performance and developments at Pelikan International's headquarters, as well as organising showroom and factory visits. As a result, the Pelikan International management team has succeeded in building close relations with its investing partners, and we continue to explore investing opportunities together.

Highlights of the Company's shareholder communications and investor relations activities for 2005 included

- Annual General Meeting
- Several important briefings around KL for local investors, financial analysts and fund managers
- Road show by the management team from Germany to meet local financial institutions
- Media trip with Malaysian journalists and television reporters to visit Pelikan's office and manufacturing facilities in Hannover, Germany
- Fund managers' and analysts' trip to visit Pelikan's office, management team and manufacturing facilities in Hannover, Germany

In 2006, the Company has also participated in a road show around Malaysia, Singapore and Hong Kong, as well as taking investment bankers to view the office and manufacturing facility of Productos Pelikan in Mexico.

Looking forward, as many of our shareholders are more familiar with Diperdana's logistics activity than with the new Pelikan writing instruments and stationery business, in 2006 the Executive Chairman has initiated various programmes designed to give shareholders a deeper knowledge and understanding of Pelikan as a brand and company. Among the events envisaged is a Pelikan Gala Dinner for shareholders after the Annual General Meeting in June 2006 to celebrate 168 years of the Pelikan story.

Pelikan International recognises the important role investors and shareholders play in the corporate world today. The Company therefore plans to enhance Pelikan International shareholder value by reaching out to the investing community. In addition, Pelikan International will dedicate resources to support its shareholders in order to maintain an interactive relationship that will encourage more participation, communication and interest in the Company.

Queries about the Company may be referred to Ng Cheong Seng, Company Secretary, whilst information about the Pelikan product range, brand and history can be found on our website at [www.pelikan.com](http://www.pelikan.com).

# Statement of Corporate Governance

The Board of Directors ("the Board") of Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International") is pleased to report to the shareholders on the manner in which Pelikan International group of companies ("the Group") applies the principles and extent of compliance with the Best Practices of Good Corporate Governance as set out in Part 1 and 2 of the Malaysian Code on Corporate Governance ("the Code") and pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Board recognises the importance of achieving best practice in its standards of business integrity and corporate accountability and is committed to subscribe to the recommendations of the Code.

## The Board of Directors

### Composition, Duties and Responsibilities

The Group is led by an experienced Board under the Executive Chairman, Loo Hooi Keat, supported by four (4) Independent Non-Executive Directors. This is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia, which requires at least one-third (1/3) of the Board to comprise of independent Directors.

The Board is satisfied that its current composition fairly reflects the investment of the Company, and that its current size and composition are effective for the proper functioning of the Board. The Independent Non-Executive Directors, as defined under Paragraph 1.01 of the Listing Requirements of Bursa Malaysia, are independent of management and are free from any businesses or other relationships that could materially interfere with the exercise of independent judgment. The independent Directors provide a broader view and an independent and balanced assessment.

The Board takes full responsibility for the overall performance of the Company and of the Group. This includes:

- a) Reviewing and adopting strategic business plans for the Group;
- b) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- c) Managing and overseeing the operations of the Group's businesses; and
- d) Reviewing the adequacy and integrity of the Group's systems of internal controls and management systems including systems for compliance with applicable laws, regulations, rules, directives, and guidelines.

The Board which has strong independent element provides the strategic direction and corporate objectives of the Company and delegates the authority to the Executive Chairman to implement the policies and decisions to the Board.

## Statement of Corporate Governance

### Board Meetings

The Board meets at least four (4) times a year with additional meetings being held as and when required. All Directors have access to the advice and services of the Company Secretaries and/or other independent professional advisors, where necessary, to enable them to discharge their duties effectively and diligently. During these meetings, the Board reviews the Group's financial statements where results are deliberated and considered. Management and performance of the Group and any other strategic issues that may affect the Group's businesses are also deliberated.

During the financial year ended 31 December 2005, the Board met five (5) times, where it deliberated and considered a variety of matters affecting the Group's operations including the Group's financial results, business plan and the direction of the Group.

The Board of Directors' attendance record is as follows:

Name of Director	1st Meeting (24/02/2005)	2nd Meeting (26/04/2005)	3rd Meeting (05/08/2005)	4th Meeting (14/11/2005)	5th Meeting (29/12/2005)	Total Attendance (%)
Loo Hooi Keat (appointed on 22/4/2005)	Not Applicable	Not Applicable	Yes	Yes	Yes	100
Syed Hussin bin Shaikh Al Junid	Absent with Apologies	Yes	Yes	Absent with Apologies	Yes	60
Haji Abdul Ghani bin Ahmad	Yes	Yes	Yes	Yes	Yes	100
Tan Sri Musa Bin Mohamad (appointed on 1/8/2005)	Not Applicable	Not Applicable	Yes	Yes	Yes	100
Yap Kim Swee (appointed on 22/5/2006)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

### Appointment and Retirement of Directors

The Nomination Committee has been tasked to assist the Board to evaluate and recommend candidates for appointments to the Board.

In accordance with the Company's Articles of Association ("the Articles"), all Directors who are appointed by the Board during a financial year are subject to retirement at the following Annual General Meeting. The Articles also provide that at least one-third (1/3) of the Directors for the time being, or if their number is not three or multiple of three, then the number nearest to one-third (1/3) shall retire from office provided always that all Directors including the Executive Chairman/Executive Director shall retire from office at least once every three (3) years but shall be eligible for re-election.

At the forthcoming 24th Annual General Meeting, Syed Hussin bin Shaikh Al Junid is due to retire pursuant to Article 63 of the Company's Articles of Association while Tan Sri Musa bin Mohamad and Yap Kim Swee are due to retire pursuant to Article 68 of the Company's Articles of Association. They have offered themselves for re-election.

## Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia. All Directors have achieved the required Continuing Education Programme points for year 2003/2004 and have also attended trainings for the financial year ended 31 December 2005 for purposes of meeting the requirement of paragraph 15.09 of the Listing Requirements of Bursa Malaysia.

The Company will continuously arrange for further trainings for the Directors as part of the obligations to update and enhance their skills and knowledge which are important for the carrying out of an effective role as Directors in accordance with the best practices particularly of corporate governance set out in the Code.

## Directors' Remuneration

The Directors' remuneration is linked to experience, scope of responsibility, seniority, performance and industry information. Directors' fees are paid to Non-Executive Directors and these are approved by shareholders at Annual General Meetings. Details of Directors' remuneration for the year ended 31 December 2005 are as follows:

Description	Fees (RM)	Salaries (RM)	Bonus (RM)	Defined Contribution Retirement Plan (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Director	-	502,000	150,000	78,000	-	730,000
Non-Executive Director	190,000	-	-	-	-	190,000

The number of Directors whose remuneration falls within the following bands are:

Description	Executive Directors	Non-Executive Directors
Less than RM50,000	-	3
RM50,000 to RM100,000	1	2
RM100,000 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	-	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	1	-

## Accountability and Audit

### Financial Reporting

The Board takes responsibility for ensuring that the financial statements of the Group and of the Company give a true and fair view of the state of affairs of the Group and of the Company as required under Section 169(15) of the Companies Act, 1965. Efforts are made to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The Board also ensures the accurate and timely release of the Group's quarterly and annual financial results to Bursa Malaysia.

### Internal Audit Function

The Group has its own Internal Audit function following the adoption of its Internal Audit Charter by the Audit Committee. The internal audit review of the Group's operations encompass an independent assessment of the Group's compliance with its internal controls and makes recommendations for improvements.

The Group has established an Internal Audit & Risk Management department as an independent appraisal function. This is to provide the Audit Committee and thereafter the management with independent and objective advice on the effectiveness of the Group's businesses and operations. The Group recognizes that it is the management's responsibility to analyze risks and to devise and implement effective systems of internal control. The fulfillment of the above objective is achieved by providing reasonable assurance through an effective and efficient programme of independent review across the Group to the management and to the Board on an on-going basis. This is not confined to but includes:

- a) Appraising the adequacy and integrity of the internal controls and management information systems of the Group;
- b) Ascertaining the effectiveness of operational management in identifying principal risks and to manage such risks through appropriate systems of internal control set-up by the Group;
- c) Ascertaining the level of compliance with the Group's plans, policies, procedures and adherence to laws and regulations;
- d) Appraising the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;
- e) Ascertaining the adequacy of controls for safeguarding the Group's assets;
- f) Conducting special reviews or investigations requested by management or by the Audit Committee; and
- g) In consultation with the management, reviewing operations as a whole from the viewpoint of economy and productivity to which resources are employed and making cost effective recommendations to the management.

### External Audit Function

The Company's independent external auditors fill an essential role by enhancing the reliability of the financial statements of the Group and of the Company and giving assurance of that reliability to users of these financial statements.

The external auditors, Messrs. Ong Boon Bah & Co. had reported to the members of the Company on their findings which has been included as part of the Group's and the Company's financial reports with respect to the audit on the statutory financial statements for the year ended 31 December 2005. In doing so, the Group and the Company have established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and the Board on matters that require the Board's attention.

### Relations with Shareholders and Investors

#### Annual General Meeting

Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. At the Company's AGM, shareholders have direct access to the Board and are given opportunities to ask questions. The shareholders are encouraged to participate in the question and answer session. The Chairman of the Board in the AGM often presents to the shareholders, the Company's operations in the financial year and outlines future prospects of the Group. Further, the Group's Company Secretary could provide shareholders and investors with a channel of communication on which they can provide feedback to the Group. Queries regarding the Group may be conveyed to the Company Secretary at the Company's registered address.

#### Dialogue between the Company and Investors

The Group values dialogue with shareholders and investors as a means of effective communication that enables the Board to convey information with regards to the Group's performance, corporate strategy and other matters that affect shareholders' interest. The Company holds discussion with analysts and institutional shareholders regularly. Presentations based on permissible disclosure are made to explain the Group's performance and major development plans. However, price sensitive information about the Group is not discussed in these exchanges until after the prescribed announcement to the Bursa Malaysia has been made.

## Other Compliance Information

### Share Buybacks

The Company does not have a scheme to buy back its own shares at this time.

### Options, Warrants or Convertible Securities

Following the completion of the corporate exercise involving the disposal of the entire previous logistics business undertaking and the acquisitions of Pelikan Holding AG and Pelikan Japan KK, the following convertible securities were issued on 8 April 2005:

- (i) RM98,900,000 nominal value of 3% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") in the Company, issued at 100% of the nominal value of RM1.00 each; and
- (ii) RM115,000,000 nominal value of 3% Redeemable Convertible Unsecured Loan Stocks ("RCULS") in the Company, issued at 100% of the nominal value of RM1.00 each.

During the year, 23,186,400 ICULS and 53,000 RCULS were converted at a conversion price of RM1.50 nominal amount of the ICULS/ RCULS per share of the Company.

### American Depositary Receipts ("ADR") / Global Depositary Receipts ("GDR")

During the year, the Company did not sponsor any ADR or GDR programme.

### Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, the Directors or the management by the relevant regulatory bodies.

### Non-audit Fees

There is no non-audit fees paid or payable to the external auditors by the Company for the financial year ended 31 December 2005.

### Profit Estimates, Forecasts or Projections

The Company did not make any public release on profit estimates, forecasts or projections for the year.

### Profit Guarantee

During the year, there was no profit guarantee given by the Company.

## Material Contracts

Nature of Contract	Date	Parties	Consideration	Salient Terms
Trust Deed	18.02.2005	PBS, Malaysian Trustees Berhad and the Company	-	A Trust Deed was drawn up to establish a Trust Fund to provide for pension benefits and all other payments to the former employees and retired employees of the subsidiaries of Pelikan Holding AG (ie. Pelikan GmbH, Pelikan Vertriebsgesellschaft mbH & Co. KG, Pelikan PBS-Produktionsgesellschaft mbH & Co. KG, Roto-Werke GmbH and Lehman & Hildebrandt GmbH) in connection with the acquisition of Pelikan Holding AG by the Company.
Profit Guarantee Agreement	23.03.2005	PBS, Pelikan Singapore-Malaysia, the Company and Malaysian Trustees Berhad	-	In connection with the acquisition of Pelikan Holding AG and Pelikan Japan KK by the Company, the vendors PBS and Pelikan Singapore-Malaysia have guaranteed that the Pelikan Holding AG group and Pelikan Japan KK shall achieve:- (a) Aggregate audited consolidated profit after tax attributable to shareholders, adjusted to exclude the pension expenses relating to the removable pension liabilities of the Pelikan Holding AG group, subject to the reimbursement of the said pension expenses to the Company, of RM30 million for each of the financial years ended 31 December 2003 to 2005; and (b) Accumulative audited consolidated profit after tax attributable to shareholders, adjusted to exclude the pension expenses relating to the removable pension liabilities of the Pelikan Holding AG group, subject to the reimbursement of the said pension expenses to the Company, of RM90 million for the three (3) financial years ended 31 December 2003 to 2005.
Trust Deed for the ICULS	05.04.2005	The Company and AmTrustee Berhad	-	The Trust Deed entered into between the Company and AmTrustee Berhad as the trustee for the holders of RM98,900,000 nominal amount of ICULS.
Trust Deed for the RCULS	05.04.2005	The Company and AmTrustee Berhad	-	The Trust Deed entered into between the Company and AmTrustee Berhad as the trustee for the holders of RM115,000,000 nominal amount of RCULS.

**Note:**

"PBS" - PBS Office Supplies Holding Sdn Bhd (formerly known as Pelikan Holding Sdn Bhd). Loo Hooi Keat is the major shareholder of PBS.  
 "Pelikan Singapore-Malaysia" - Pelikan Singapore-Malaysia Pte Ltd. Pelikan Singapore-Malaysia is a subsidiary of PBS.

### Revaluation Policy on Landed Properties

The Group's freehold land and buildings have been adjusted to their fair values at the date of acquisition of Pelikan Holding AG group and Pelikan Japan KK in accordance with the provisions of the relevant accounting standards.

### Recurrent Related Party Transactions ("RRPT")

RRPT entered into by the Company and its subsidiaries during the financial year ended 31 December 2005 are as below. These transactions were carried out on terms, conditions and prices obtainable in transactions with unrelated parties.

	RM'000
Sales of stationeries and office supplies to KLB group	499
Purchase of logistics services from KLB group	218
Rental of buildings from KLB group	160
Sale of data/video projectors and related office equipment to Geha	1,622

KLB group ("Konsortium Logistik Berhad and its subsidiaries") is an associated company of Pelikan International. Loo Hooi Keat, a Director and major shareholder of the Company, is also the Director and shareholder of Konsortium.

Geha-Werke GmbH ("Geha") is a subsidiary of Office Express Network Sdn Bhd. Loo Seow Beng is a Director and major shareholder of Office Express Network Sdn Bhd. He is the brother of Loo Hooi Keat.

# Statement of Internal Control

## Board Responsibilities

The Board of Directors ("the Board") of Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International") is responsible for maintaining a sound system of internal control and for reviewing its adequacy and integrity so as to safeguard the shareholders' investments and the assets of Pelikan International group of companies ("the Group"). The Board and management have implemented a control system designed to identify and manage risks faced by the Group in pursuit of its business objectives. This internal control system, by its nature, can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has in place on-going process for identifying, evaluating, monitoring and managing significant risks faced by the Group during the year. The management is responsible for the identification and evaluation of significant risks applicable to their respective areas of business and to formulate suitable internal controls.

## Risk Management Framework

The Board has extended the responsibilities of the Audit Committee to include the work of monitoring all internal controls on its behalf, including identifying risk areas and communicating these risk areas to the Board. Detailed risk events were identified and discussed and with the approval of the Board, appropriate measures were taken to control and mitigate these risks.

## Internal Control System

The key elements of the Group's risk management strategies are described below:

- a) Clearly defined lines of accountability and delegated authority;
- b) Regular and comprehensive information provided to management, covering operating and financial performance and key business indicators such as resource utilisation, cash flow performance and sales achievement;
- c) Detailed budgeting process where operating units prepare budgets for the coming year, which are approved at both the operating unit level and by the Board;
- d) Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- e) Regular visits to operating units by members of the Board and senior management; and
- f) The Internal Audit & Risk Management department independently reviews the control processes implemented by the management from time to time and periodically reports on its findings and recommendations to the Audit Committee. The duties and responsibilities of the Audit Committee are detailed in the Terms of Reference of the Audit Committee. The Audit Committee, by consideration of both internal and external audit reports, is able to gauge the effectiveness and adequacy of the internal control systems, for presentation of its findings to the Board.

# Board Committees

The Board delegates certain responsibilities to Board Committees. This Committees, which were created to assist the Board in certain areas of deliberation are:

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

## Audit Committee Report

The Board of Directors ("the Board") of Pelikan International Corporation Berhad (formerly known as Diperdana Holdings Berhad) ("Pelikan International") is pleased to present the report of the Audit Committee for the financial year 2005.

## Membership and Meetings of Audit Committee

The Audit Committee comprises the following three (3) members, of which the majority are Independent Non-Executive Directors. The Chairman of the Audit Committee is an Independent Non-Executive Director. The Head of the Internal Audit & Risk Management and representative of the external auditors of the Company were also invited to attend Audit Committee meetings.

Audit Committee Member	1st Meeting (24/02/2005)	2nd Meeting (26/04/2005)	3rd Meeting (05/08/2005)	4th Meeting (14/11/2005)	Total Attendance (%)
Tan Sri Musa Bin Mohamad Chairman (Independent Non-Executive Director) (Appointed on 05/08/2005)	Not Applicable	Not Applicable	Yes	Yes	100
Loo Hooi Keat Member (Executive Chairman) (Appointed on 05/08/2005)	Not Applicable	Not Applicable	Yes	Yes	100
Haji Abdul Ghani Bin Ahmad Member (Independent Non-Executive Director)	Yes	Yes	Yes	Yes	100

## Terms of Reference of the Audit Committee

### Objectives

The primary objective of the Audit Committee is to assist the Board in fulfilling its fiduciary duties relating to corporate accounting and reporting practices of the Company and its subsidiary companies ("the Group"). Additionally, the Audit Committee shall:

- a) Evaluate and appraise the quality of audits conducted by both the Company's internal and external auditors;
- b) Maintain open lines of communication between the Board, internal and external auditors for exchange of views and information, as well as to confirm their respective authority and responsibilities;
- c) Determine the adequacy of the Group's administrative, operating and accounting controls;

- d) Oversee compliance with laws and regulations and observance of a proper code of conduct; and
- e) Provide assurance that the financial information presented by management is relevant, reliable and timely.

### Composition

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not fewer than three (3) members, a majority of whom shall be Independent Non-Executive Director. No alternate Director shall be appointed as a member of the Audit Committee.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants ("MIA") or any other equivalent qualification recognized by the MIA.

The members of the Audit Committee shall elect a Chairman from amongst their members who shall be an Independent Non-Executive Director.

All members of the Audit Committee include the Chairman will hold office only so long as they serve as Directors of Pelikan International. If the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### Attendance at Meeting

Meetings shall be held not less than four (4) times in a financial year inclusive of one (1) with the external auditors without any Board member presence.

In order to form a quorum for the Audit Committee meeting, the majority of members present must be Independent Non-Executive Director. The Company Secretary or his/her nominee shall be the secretary of the Audit Committee. In his/her absence, the Chairman shall appoint the secretary.

### Authority

In carrying out its duties and responsibilities, the Audit Committee will have the following rights:

- a) Have explicit authority to investigate any matter within its terms of reference;
- b) Have the resources required to perform its duties;
- c) Have full and unrestricted access to any information, records, properties and personnel of Pelikan International and of any other companies within the Group;
- d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Audit Committee meetings (if required) and to brief the Audit Committee;

- f) The attendance of any particular Audit Committee meetings by other Directors and employees of Pelikan International shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting;
- g) Be able to convene meetings with external auditors without the presence of the executive Board members, whenever deemed necessary; and
- h) Where an Audit Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s requirements, the Audit Committee must promptly report such matter to Bursa Malaysia.

### Functions

The functions of the Audit Committee are as follows:

- a) To review the followings and report the same to the Board of the Company:
  - (i) the audit plans and audit reports with the external auditors as well as the evaluation of the systems of internal controls;
  - (ii) the assistance given by the Group's employees to the external auditors;
  - (iii) the adequacy of the scopes, functions and resources of the internal audit procedures and that the department has the necessary authority to carry out its work;
  - (iv) the scopes, internal audit programmes, processes and the results of the internal audit processes including actions taken on the recommendations of the internal audit function;
  - (v) the quarterly results and year end financial statements, prior to approval by the Board; and
  - (vi) any related party transactions that may arise within the Company or the Group.
- b) To consider and recommend the appointment of external auditors, their audit fee and any matters of resignation or dismissal.
- c) To approve any appointment and resignation of senior staff members of the Internal Audit & Risk Management department and to review any appraisal of their performance.
- d) To discuss with the external auditors prior to commencement of audit, the nature and scopes of audit as well as problems and reservations arising from the interim and final external audits.
- e) To keep under review the effectiveness of internal control systems and in particular review the external auditors' management letter and management's response.
- f) To consider the major findings of internal investigations and management's response.
- g) To consider any other matters as defined by the Board.

### Summary of Activities of the Audit Committee

During the financial year 2005, the Audit Committee carried out its duties as set out in the terms of reference. Other main activities carried out by the Audit Committee during the financial year included the following:

#### 1. Financial Results

- a) Reviewed the quarterly and year-to-date unaudited financial results of the Group before tabling to the Board for consideration and approval; and
- b) Reviewed the reports and the audited financial statements of the Company and of the Group together with external auditors prior to tabling to the Board for approval.

## 2. External Audit

- Reviewed the external auditors' scopes of work and audit plan for the year and made recommendations to the Board on their appointment and remuneration;
- Reviewed and discussed external auditor's audit report and areas of concern highlighted including management's response to the concerns raised by the external auditors; and
- Discussed on significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements.

## 3. Internal Audit

- Reviewed the internal audit plan, resources planning requirements for the year and assessed the performance of the Internal Audit & Risk Management department;
- Reviewed the internal audit reports which highlighted the audit issues, recommendations, the management responses and directed actions to be taken by the management to rectify and improve the system of internal control; and
- Monitored the implementation programmes recommended by the Internal Audit & Risk Management department arising from its audits in order to obtain assurance that all key risks and controls have been fully dealt with.

## Remuneration Committee Report

### Objective

The Group operates in a competitive environment and it is essential that part of its strategy is to attract, motivate and retain the highest achievers who are able to deliver towards achievement of the business objectives. The level of remuneration and benefits the Company offers is the key to support the objectives and maintaining the Group's market position as an employer of choice. The Company provides competitive salaries and benefits for all its employees, consistent with its business strategy and performance.

### Composition of Remuneration Committee

The Remuneration Committee was established on 6 June 2001 and comprises mainly of Independent Non-Executive Directors as follows:

Name of Remuneration Committee Member	
Tan Sri Musa bin Mohamad	Chairman Independent Non-Executive Director
Loo Hooi Keat	Member Executive Chairman
Syed Hussin bin Shaikh Al Junid	Member Independent Non-Executive Director

The Remuneration Committee recommends to the Board the reward framework to allow the Company to attract and retain its Executive Director giving due regard to the financial and commercial health of the Company. The Remuneration Committee's approach reflects the Group's overall philosophy that all employees should be appropriately rewarded.

### Remuneration Policy

The Company aims to align the interests of its Executive Director as closely as possible with the interests of shareholders in promoting the Group's strategies. Total remuneration comprises fixed salary, Directors' fee, performance related bonus, and benefit-in-kind. Salary and benefits are competitive and are reviewed annually. In making recommendations on the framework for retaining and rewarding senior management, the Remuneration Committee reviews the total reward package, making use of internally and externally published information. The salaries of the Executive Director is set by the Remuneration Committee annually after consideration of the Group's performance, market conditions, the level of increase awarded to employees throughout the business and the need to reward individual performance.

### Quorum

The quorum for meetings shall be a minimum of two (2) members.

### Responsibilities

- a) To recommend to the Board, the remuneration and compensation of the Executive Directors in all its form, drawing from external advice where necessary; and
- b) To establish a formal procedure for developing policy on Executive Directors' remuneration and compensation package.

### Attendance

The Remuneration Committee met once during the year. The recent meeting was attended by all the members of the Remuneration Committee except for Loo Hooi Keat.

## Nomination Committee Report

### Objective

The Nomination Committee was set out to ensure business continuity of the Company and the Group by having in place a succession plan for the Board of Directors ("the Board") and senior management.

### Composition of Nomination Committee

The Nomination Committee was established on 6 June 2001 and comprises exclusively of Independent Non-Executive Directors as follows:

Name of Nomination Committee Member	
Tan Sri Musa bin Mohamad	Chairman Independent Non-Executive Director
Syed Hussin bin Shaikh Al Junid	Member Independent Non-Executive Director
Haji Abdul Ghani bin Ahmad	Member Independent Non-Executive Director

### Nomination Committee Policy

Fundamentally, new appointments to the Board are made by the whole Board and potential Non-Executive Directors are suggested by any Director and reviewed by the Nomination Committee before the candidate is being approached. Any new appointment is made by the Board only after a recommendation from the Nomination Committee. In view of the essential requirement for potential Directors to understand the nature of responsibilities of the Board and the extensive operations of the Group, it is vital for the Chairman to take part in the briefing of any nominees to the Board. Accordingly, the Nomination Committee is structured as a sub-committee of the whole Board so that all Directors can participate in the nomination process.

### Quorum

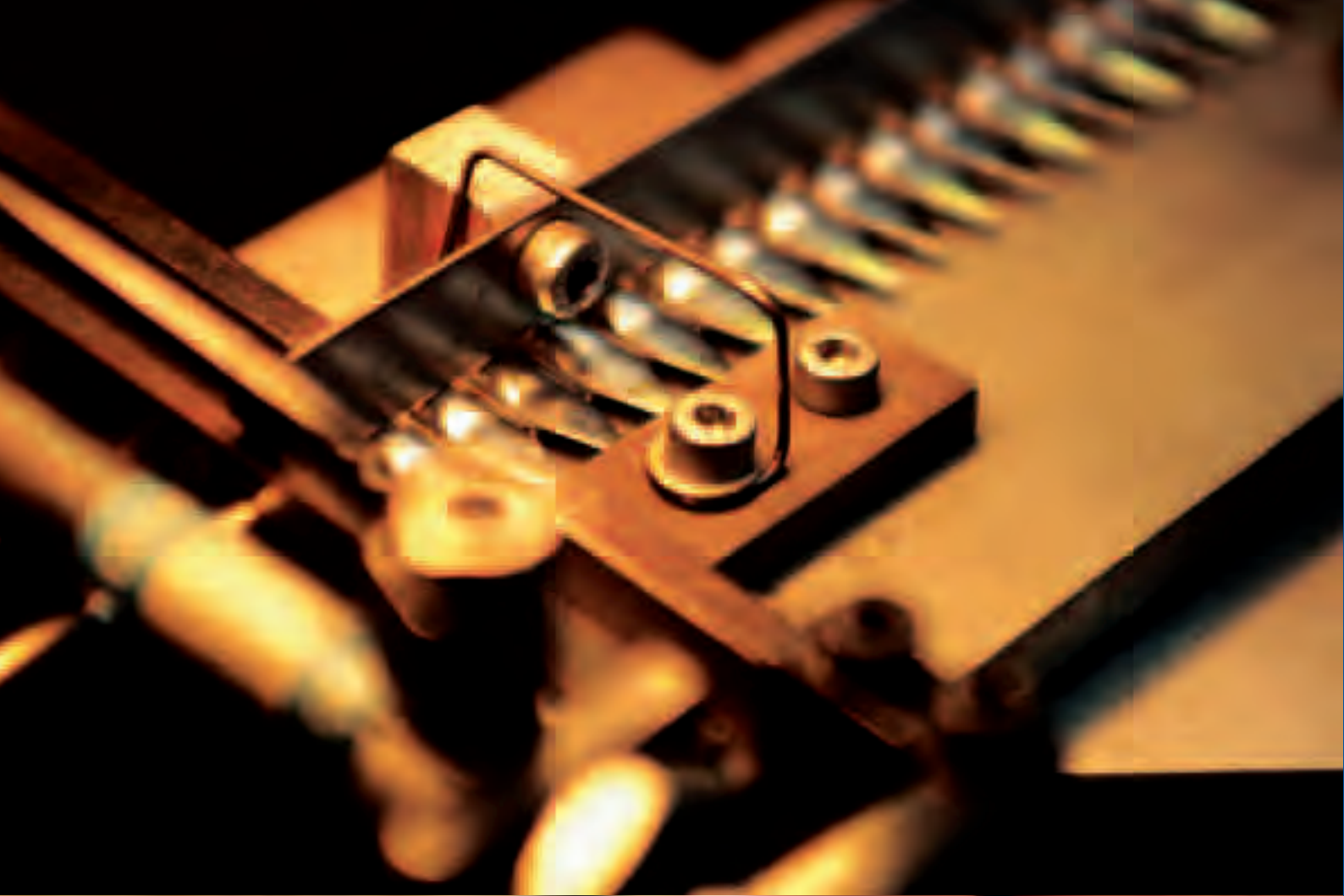
The quorum for meetings shall be a minimum of two (2) members.

### Responsibilities

- a) To review the structure, size, and composition of the Board;
- b) To review formal succession plan in identifying and mentoring potential executive Directors, non-executive Directors and senior management personnel;
- c) To propose and recommend new appointments of potential candidate to the Board; and
- d) To propose and recommend to the Board, the retirement and re-appointment of existing executive and non-executive Directors in accordance with the Articles of Association of the Company.

### Attendance

The Nomination Committee met once during the year. The recent meeting was attended by all the members of the Nomination Committee.





# quality

Ever since 1929 Pelikan has maintained a unique tradition of creating meticulously hand-crafted writing instruments, whose timeless style and uncompromising quality continue to set standards across the world.

# Statement of Directors' Responsibility

For Preparation Of Financial Statements Pursuant To Paragraph 15.27  
Of The Listing Requirements Of Bursa Malaysia

The financial statements of the Group and of the Company are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The Directors are responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- a) Selected suitable accounting policies and applied them consistently;
- b) Made judgments and estimates that are reasonable and prudent;
- c) Ensured that all applicable accounting standards have been followed; and
- d) Prepared financial statements on a going concern basis as the Directors have a reasonable expectation having made appropriate enquiries that the Group and the Company have adequate resources to continue in operational existence in the foreseeable future.

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Board has the overall responsibility to take all steps as are reasonably opened to them to safeguard the assets of the Group to prevent and detect frauds and other irregularities.