annual report

Pelikan

Pelikan International Corporation Berhad
(Company No. 63611-U)
(Incorporated in Malaysia)

06


What’s our passion?
What’s our purpose?


What’s our inspiration?
What’s our goal?
What’s our promise?

Vision

To be globally recognized 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 establish a strong Pelikan brand presence worldwide by building up brand awareness from school children to adults.

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

Contents

Financial Highlights

		2006	2005
Revenue	RM'000	**659,537**	511,074
Profit before taxation	RM'000	**84,332**	62,573
Profit for the financial year	RM'000	**81,299**	64,656
Profit for the financial year attributable to equity holders of the parent	RM'000	**75,318**	55,036
Equity attributable to equity holders of the parent	RM'000	**407,996**	337,194
Basic earnings per share (sen)	sen	**29.56**	27.23
Fully diluted earnings per share (sen)	sen	**24.10**	21.49
Net assets per share attributable to equity holders of the parent (sen)	sen	**184.18**	212.25
Dividends per share - declared and paid (sen)	sen	**10.00**	12.00
Dividend per share - proposed/paid (sen)	sen	**5.00**	6.00

Financial Calendar

		Type of Meeting
06	**22 Feb***	• Remuneration Committee Meeting • Nomination Committee Meeting • Audit Committee Meeting • Board Meeting Announcement of 4th Quarter financial results for the financial period ended 31 December 2005
	26 April*	• Audit Committee Meeting • Board Meeting Announcement of 1st Quarter financial results for the financial period ended 31 March 2006
	23 June	• Board Meeting • 24th Annual General Meeting Noted Agenda for the 24th Annual General Meeting
	29 Aug*	• Audit Committee Meeting • Board Meeting Announcement of 2nd Quarter financial results for the financial period ended 30 June 2006
	23 Nov*	• Audit Committee Meeting • Board Meeting Announcement of 3rd Quarter financial results for the financial period ended 30 September 2006

		Type of Meeting
07	**26 Feb***	• Remuneration Committee Meeting • Nomination Committee Meeting • Audit Committee Meeting • Board Meeting Announcement of 4th Quarter financial results for the financial period ended 31 December 2006
	30 April*	• Audit Committee Meeting • Board Meeting Announcement of 1st Quarter financial results for the financial period ended 31 March 2007
Proposed Meetings	**18 June**	• Board Meeting • 25th Annual General Meeting Note Agenda for the 25th Annual General Meeting
	23 Aug*	• Audit Committee Meeting • Board Meeting Review of 2nd Quarter financial results for the financial year ended 30 June 2007
	22 Nov*	• Audit Committee Meeting • Board Meeting Review of 3rd Quarter financial results for the financial year ended 30 September 2007
	27 Dec	Board Meeting Presentation of Audit Plan for year 2007 and discussion on proposed meetings calendar for year 2008

* 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.

Pelikan International Corporation Berhad's major developments since listing on Bursa Malaysia Securities Berhad

Apr 05
Completion of corporate exercise by Diperdana Holdings Berhad (now Pelikan International Corporation Berhad)

June 05
Distribution to Parkson Vietnam

Aug 05
Resumed worldwide distribution rights of "Correcting and Gluing" products from Henkel KGgA

Feb 06
Acquisition of Pelikan Hardcopy Holding AG Group's Swiss facilities which produce toner powder & inkjet catridges

Mar 06
- New production line in Malaysia for whiteboard & permanent markers
- Acquisition of the remaining 51% stake in Productos Pelikan SA de CV, Mexico
- New subsidiary in Middle East
- Acquisition of 49% stake in Pelikan (Thailand) Co. Ltd.

Apr 06
- Direct distribution of Pelikan products in Shanghai
- New subsidiary in Singapore

June 06
- New subsidiary in Taiwan
- New subsidiary in Poland

July 06
Commence Hardcopy manufacturing line for inkjet cartridges in Malaysia

Aug 06
New subsidiary in Shanghai

Sep 06
New subsidiary in Indonesia

Jan 07
Acquisition of remaining business of Hardcopy

Apr 07
Acquisition of German Hardcopy AG

8 April 2005 marks the day that Pelikan International Corporation Berhad ("Pelikan International") was successfully listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Since then, Pelikan International has been actively pursuing its mission and achieving its vision. Some of the highlights are as below:

05	**APRIL** Completion of corporate exercise by Diperdana Holdings Berhad (now Pelikan International) involved the disposal of its entire logistics business to Konsortium Logistik Berhad and the acquisitions of Pelikan Holding AG and Pelikan Japan K.K..
	JUNE Distribution of Pelikan products in Parkson Vietnam, in addition to Parkson Malaysia.
	AUGUST Resumed the worldwide distribution rights of Pelikan's "Correcting and Gluing" products from Henkel KGgA.
	DECEMBER Expiry of Pelikan licensing agreement with agent in Iran. The distribution of Pelikan products is now via a wholly owned subsidiary in Dubai, Pelikan Middle East FZE.
06	**FEBRUARY** Acquisition of Pelikan Hardcopy Holding AG Group's Switzerland facilities involved in the production of toner powder and inkjet cartridges. Ongoing discussion with PHH Group for the acquisition of the remaining business (Czech Republic, China and Scotland).
	MARCH Commencement of a new production line in Puchong, Malaysia facility for whiteboard markers and permanent markers. Acquisition of the remaining 51% equity interest in Productos Pelikan SA de CV, Mexico. Incorporation of a new wholly owned subsidiary, Pelikan Middle East FZE. Acquisition of 49% equity interest in Pelikan (Thailand) Co Ltd.
	APRIL Incorporation of a new wholly owned subsidiary, Pelikan Singapore Pte Ltd. Distribution of Pelikan products in Parkson Shanghai.
	JUNE Incorporation of a new wholly owned subsidiary in Taiwan, Pelikan Taiwan Co Ltd. Incorporation of a new wholly owned subsidiary in Poland, Pelikan Polska Sp zoo.
	JULY Commencement of the Hardcopy manufacturing line producing inkjet cartridges in Puchong, Malaysia facility.
	AUGUST Incorporation of a new wholly owned subsidiary on the People's Republic of China, Pelikan Trading (Shanghai) Co Ltd.
	SEPTEMBER Incorporation of a new subsidiary in Indonesia, PT Pelikan Indonesia.
07	**JANUARY** Acquisition of the remaining Hardcopy business with completion of the acquisition of 100% equity interest in Pelikan Hardcopy Holding AG.
	APRIL Acquisition of 90% equity interest in German Hardcopy AG ("GHAG"), Germany. The remaining 10% shares are held by GHAG.

NOTICE IS HEREBY GIVEN THAT the 25th Annual General Meeting of Pelikan International Corporation Berhad will be held at Sunway Resort Hotel & Spa, Bahamas 1, Level 12, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 18 June 2007 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 2006 together with the Directors' and Auditors' Report thereon. **Resolution 1**

2. To approve the declaration of a final dividend of 5 sen per share, of which 2 sen per share tax exempt and 3 sen per share less 27% income tax for the financial year ended 31 December 2006. **Resolution 2**

3. To approve the payment of Directors' Fees for the financial year ended 31 December 2006. **Resolution 3**

4. To re-elect Loo Hooi Keat as Director of the Company who is retiring pursuant to Article 127 of the Company's Articles of Association. **Resolution 4**

5. To re-elect Haji Abdul Ghani bin Ahmad as Director of the Company who is retiring pursuant to Article 127 of the Company's Articles of Association. **Resolution 5**

6. 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 6**

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following Resolutions:-

ORDINARY RESOLUTION 1

7. Authority To Allot Shares Pursuant To Section 132D Of The Companies Act, 1965. **Resolution 7**

   "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 of the Company being AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

ORDINARY RESOLUTION 2

8. Proposed Renewal Of Authority To Purchase The Company's Own Shares. **Resolution 8**

"That subject always to the Companies Act, 1965 ("the Act"), the Company's Articles of Association, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), and the approvals of all relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up ordinary share capital through Bursa Malaysia, provided that:-

(a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the existing issued and paid-up ordinary share capital of the Company;

(b) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits available for dividend and share premium account of the Company; and

(c) the authority conferred by this resolution shall continue to be in force until:-

 (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
 (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
 (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is earlier,

AND THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

(i) cancel all the shares so purchased; and/or
(ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia; and/or
(iii) retain part thereof as treasury shares and cancel the remainder.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."

SPECIAL RESOLUTION 1

9. Proposed Amendments To The Memorandum Of Association Of The Company. **Resolution 9**

"THAT the amendments to the Memorandum of Association of the Company as set out in Appendix I attached to the Annual Report 2006 be and hereby approved and adopted AND THAT the Board of Directors be and is hereby authorised to give effect to the said amendments."

SPECIAL RESOLUTION 2

10. Proposed Amendments To The Articles Of Association Of The Company. **Resolution 10**

"THAT the amendments to the Articles of Association of the Company as set out in Appendix II attached to the Annual Report 2006 be and hereby approved and adopted AND THAT the Board of Directors be and is hereby authorised to give effect to the said amendments."

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT the final dividend of 5 sen per share, of which 2 sen per share tax exempt and 3 sen per share less 27% income tax in respect of the financial year ended 31 December 2006, if so approved at the 25th Annual General Meeting, will be paid on 14 September 2007 to depositors whose names appear in the Record of Depositors at the close of business on 17 August 2007.

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 17 August 2007 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
25 May 2007

NOTES:

1. A Member who is entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead and the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. A proxy may but need not be a member of the Company and if the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor and shall be in the form as set out in the Articles of Association of the Company (or in a form as near to it as circumstances allow or in any other form which is usual or which the Directors may approve) and shall be deemed to include the right to demand or join in demanding a poll.
4. The Proxy Form, to be valid, must be lodged at the Registered Office of the Company at Lot 3410, Mukim Petaling, Batu 12$^1/_2$, Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

EXPLANATORY NOTES TO SPECIAL BUSINESS:

Ordinary Resolution 1
Authority To Allot Shares Pursuant To Section 132D Of The Companies Act, 1965

The proposed Ordinary Resolution 1, 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 of the Company. 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.

Ordinary Resolution 2
Proposed Renewal Of Authority To Purchase The Company's Own Shares

The proposed Ordinary Resolution 2, if passed is likely to potentially benefit Pelikan International Corporation Berhad ("PICB") and its shareholders in the following manner:-

(i) enable PICB to have an additional option of utilizing its financial resources more efficiently;

(ii) all things being equal, any purchase of the Company's own shares, regardless whether the shares so purchased were retained as treasury shares or cancelled, would result in a lower number of shares being used for the purpose of computing Earnings per Share ("EPS"), which in turn is expected to have a positive impact on the market price of PICB's shares;

(iii) PICB may be able to stabilize the demand and supply of its shares in the open market and thereby support its fundamental value; and

(iv) if the shares so purchased are kept as treasury shares, PICB may have the opportunity to realize capital gains if the shares so purchased are resold on Bursa Malaysia at price(s) higher than their purchase price(s). Alternatively, the shares so purchased may be distributed as share dividends to reward shareholders.

Please refer to Share Buy Back Statement dated 25 May 2007 which is dispatched together with the Annual Report 2006 for further information.

Special Resolution 1
Proposed Amendments To The Memorandum Of Association Of The Company

The Proposed Amendments to the Memorandum of Association of the Company is to allow the Company to purchase its own shares.

Special Resolution 2
Proposed Amendments To The Articles Of Association Of The Company

The Proposed Amendments to the Articles of Association of the Company are to align the Articles of Association of the Company with the recent amendments made to the Listing Requirements of Bursa Malaysia Securities Berhad as well as Companies Act, 1965.

Directors who are standing for re-election at the 25th Annual General Meeting of the Company are as follows:

a) Loo Hooi Keat
b) Haji Abdul Ghani bin Ahmad

The profiles of the above Directors are set out on pages 21 to 22. Their shareholdings in the Company and its subsidiaries are set out on page 128 of the Annual Report.

What’s our pas

Pelikan

sion?

...innovative

Our driving dedication is to innovation. Not just to create better products... but also to find innovative solutions to protect our natural resources and safeguard the world we live in. We have evolved through time. Innovation keeps us ahead.

The Pelikan Story

1800s

Pelikan is an established German stationery brand and company since 28 April 1838 - the date on its very first price lists. It was founded by a chemist Carl Hornemann and taken over by Hornemann's plant manager, Günther Wagner in 1871. The company logo is actually based on the Wagner's family crest! From a colour and ink factory Pelikan had grown to offer office products for copying, stamping, sticking and erasing and introduced Indian ink. In 1899, the company's 236 strong workforce achieved a turnover of one million Gold Marks.

SCHUTZMARKE

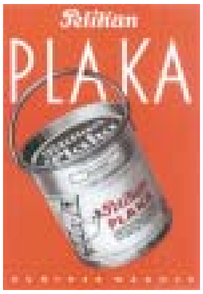
1900s

Rapid growth saw the turnover reaching 2 million Gold Marks at the turn of the century.

Pelikan's trademark fountain pens were developed in 1929. In the 1930s, Pelikan released its first watercolour paintbox making opaque colours available to school children for the first time. A cheaper version of their fountain pen, now known as Model 100, was also launched.

Pelikan celebrated its centenniel celebrations with 3,700 employees from its operations in Hanover, Vienna, Danzig, Milan, Barcelona, Bucharest, Sofia, Warsaw, Budapest, Zagreb, Buenos Aires, Rio de Janeiro and Santiago de Chile.

The industrial boom in the 1950s propelled Pelikan's expansion of products. In 1978, it emerged as a public limited company with a rapidly developing network of subsidiaries that produced office printers, projectors, data carriers, technical drawing aids and even cosmetic products. Pelikan was involved in several corporate changeovers that saw parts of it sold off. Through it all the Pelikan brand grew as a leading name in writing instruments for all - from school children to fine writing instruments connoiseurs. Pelikan Holding AG started trading on the Swiss stock exchange in 1986.



The year 2000 and beyond witnessed the reconsolidation of several of Pelikan's operations and business divisions seperated in the 1990s. In 2003, Pelikan Holding AG moved to its new office building on the Werftstrasse, Hanover, Germany. The Pelikan logo and identity were updated, 125 years after its initial registration. On 8 April 2005, Pelikan International acquired Pelikan Holding AG and Pelikan Japan K.K. through a reverse takeover and successfully transformed its business from logistics and related services into the manufacture and distribution of writing instruments, school stationery, art, painting and hobby products, office stationery and printer consumables.

2000

Formerly known as Diperdana Holdings Berhad, Pelikan International now owns the global business of Pelikan including the brand and distribution rights. Helmed by Mr. Loo Hooi Keat as its Executive Chairman, its operations span across 5 continents supported by 7 manufacturing facilities and 20 owned sales & marketing offices, including the Malaysian operations.

Today, Pelikan is one of the market leaders and pioneers in writing instruments and stationery industries worldwide. Pelikan is globally renowned for the diversity of its stationery supplies and offers high quality products from high-valued writing instruments to hobby paints to office stationery for use by children, students, parents, teachers, office workers and pen collectors. Pelikan strives to maintain a solid reputation for high quality, innovation, reliability, diversity and creativity in its product offerings. Pelikan is proud of its German tradition, heritage, technology and craftsmanship and aims to continuously improve on its quality standards across all its product categories.

Pelikan Products in Brief

What sets Pelikan apart from other producers of writing instruments is our expertise in ink. Our experience in the production of inks dates back to 1838 and makes us one of the world's foremost ink producers. Pelikan writing instruments are not only attractively designed, but totally reliable - partly because the inks are

Writing Instruments

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.

Our fine writing range are the highlight of the range. Appreciated by afficionados 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.

- Fountain Pens
- Ballpoint Pens
- Rollerball Pens
- Mechanical Pencils
- Fineliners
- Ink Eradicators

School

Pelikan has created an array of award-winning painting products to unleash the unlimited creativity of children. We have always worked in cooperation with educators to develop products specially to the ergonomic needs of the young. Anyone who has been accustomed to Pelikan quality since childhood tends to remain loyal to the brand - something that Pelikan is particularly proud of.

- Wax Crayons
- Fibre-Tip Pens
- Opaque Paints
- Brushes
- Erasers

specially coordinated with the different instruments. We are also passionate about creating the finest tools of expression for every stage of life; and strive to deliver perfection through research and innovation. The fact that Pelikan patents are often used by other manufacturers is ample proof of the outstanding calibre of our research and development.

Hobby

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.

- Hobby Paints
- Transparent Water Colours
- Painting Blocks
- Textile Painting
- Painting Accessories

Office

Pelikan Hardcopy

Pelikan's office range covers everything needed in the course of daily office work; including writing, erasing, stamping, copying, marking and hardcopy products. Our office products undergo constant enhancements, with innovations targeted in particular at ergonomic aspects and maximising life service.

- Refills
- Marking Crayons
- Pagemarkers
- Carbon Papers

- Stencils
- Sealing Wax
- Stamp Pads
- Presentation Materials

- Inkjet Cartridges
- Laser Toners
- TTR
- Impact Products
- Photo Papers

What's our pur

pose?

...creative

A child's imagination is
a treasure house of ideas.
We seek to unleash the
creative
expression of the future
generation in myriad ways.
Beyond emerging a creative
array of art materials;
we also work with parents and
teachers to foster programmes
that encourage children to express
their unique individuality.

Corporate Information

Board of Directors

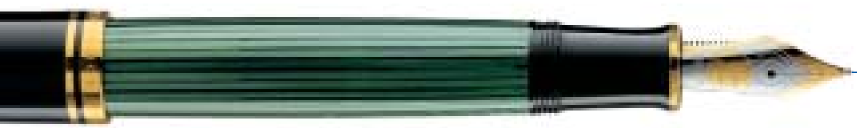
Loo Hooi Keat Executive Chairman

Tan Sri Musa bin Mohamad Independent Non-Executive Director

Syed Hussin bin Shaikh Al Junid Independent Non-Executive Director

Haji Abdul Ghani bin Ahmad 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
Yap Kim Swee

Remuneration Committee Members
Tan Sri Musa bin Mohamad (Chairman)
Loo Hooi Keat
Syed Hussin bin Shaikh Al Junid
Yap Kim Swee

Nomination Committee Members
Tan Sri Musa bin Mohamad (Chairman)
Syed Hussin bin Shaikh Al Junid
Haji Abdul Ghani bin Ahmad
Yap Kim Swee

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

Auditors
Messrs. 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

Share Registrar
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Malaysia
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Fax: +603 4042 6352

Registered Office
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Malaysia
Tel: +603 8062 1223
Fax: +603 8062 2500

Principal Bankers
Public Bank Berhad
CIMB Bank Berhad
CIMB Bank (L) Limited

Stock Exchange Listing
Main Board of
Bursa Malaysia Securities Berhad
Stock Name: PELIKAN
Stock Code: 5231

Website
www.pelikan.com

Loo Hooi Keat

Malaysian aged 52 • Appointed 22 April 2005 and subsequently as Executive Chairman on 26 April 2005

Executive Chairman
Member of Audit Committee
Member of Remuneration Committee

Loo Hooi Keat 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 in Malaysia where he obtained his Certified Public Accountant accreditation. Since then, he has gained experience in various international companies in Malaysia, namely as Group Accountant for 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. He is also the President and Board member of Pelikan Holding AG, a subsidiary of the Company listed on the Zurich Stock Exchange.

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.

Tan Sri Musa bin Mohamad

Malaysian aged 64 • Appointed to the Board on 1 August 2005

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

Tan Sri Musa bin Mohamed 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 at University Sains Malaysia ("USM"). He served as a Foundation Dean of Pharmacy at 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 the 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.

Syed Hussin bin Shaikh Al Junid

Malaysian aged 54 • Appointed to the Board on 1 July 1996

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

Syed Hussin bin Shaikh Al Junid 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.

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.

Haji Abdul Ghani bin Ahmad

Malaysian aged 65 • Appointed to the Board on 4 September 2001

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

Haji Abdul Ghani bin Ahmad attended a Diploma Course in "Customs and Excise Management and Enforcement" at 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 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

Malaysian aged 60 • Appointed to the Board as Director on 22 May 2006

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

Yap Kim Swee 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, a legacy firm of 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 in audit and business advisory service, he has extensive knowledge in the operations of companies in various industries covering manufacturing, financial, insurance, telecommunications, housing development and plantation.

Currently, he sits on the Board of Equine Capital Berhad, a public company listed on Bursa Malaysia Securities Berhad 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.

Loo Hooi Keat

Executive Chairman

Loo Hooi Keat, a Malaysian aged 52, 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 in Malaysia where he obtained his Certified Public Accountant accreditation. Since then, he has gained experience in various international companies in Malaysia, namely as Group Accountant for 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 Group Corporate Services

Ng Cheong Seng, a Malaysian aged 35, 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 Services.

Gunther Andrée

Head of Group Product Development

Gunther Andrée, a German aged 58, has a Master of Science as well as a Master of Business Administration. He joined Pelikan 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, Hanover, Germany. Before he joined Pelikan, he had similar functions at “Rotring”.

Group Management Team

Thorsten Lifka
Head of Group Production and R&D

Thorsten Lifka, a German aged 41, joined Pelikan Hardcopy Production AG in 2006 as Managing Director. He graduated from a German university with Diploma in Chemistry, and subsequently obtained a PhD in natural science. After having worked as academic researcher for German and Japanese universities, he joined Agfa-Gaevert Group in 1996 as R&D manager, where he developed new products and production processes in digital offset plate making. With 6 years of international experience as plant manager in Sao Paolo, Brazil and an assignment to build and start-up a new production site in Wuxi, China in the graphics industry, Thorsten Lifka is now heading the production plants, R&D facilities and industrial sales division of Pelikan Hardcopy global operations and leads the set-up of Pelikan new ink jet production facility Malaysia.

Loo Seow Beng
Head of Group Procurement

Loo Seow Beng, a Malaysian aged 49, 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 Hanover, then Pelikan Holding AG, responsible for the coordination of sales in Asia/Rest of World. He is now in charge of international procurement.

Hans Paffhausen
Head of Europe

Hans Paffhausen, a Swiss aged 57, has a Master of Process Chemistry. He joined Pelikan Hardcopy Europe in 1977 and was appointed as CEO of Pelikan Hardcopy Europe in 1995. From 1977 to 1995, he held various positions with increasing responsibilities in departments such as Research and Development, Engineering and Production and General Management. These positions included 4 years as General Manager of Pelikan Scotland Limited and 3 years as CEO of Pelikan Ink in the United States. In 1988, he took over responsibility of all Pelikan factories in the Hardcopy and PBS divisions in Europe. From 1993 to 1995, he further served as Chief Operating Officer for Pelikan worldwide prior to the Pelikan Hardcopy acquisition by Nu-kote in 1995 (split of the Pelikan group). In 1999, together with the management team, he made a Management Buyout (MBO) from Nu-kote and a private equity investor in Zurich. In January 2007, his ownership in Pelikan Hardcopy Holding AG was transfarred to Pelikan International Corporation Berhad ("Pelikan International") with the completion of the acquistion of Pelikan Hardcopy Holding AG Group by Pelikan International.

Peter Raijmann
Head of Finance and Administration Europe

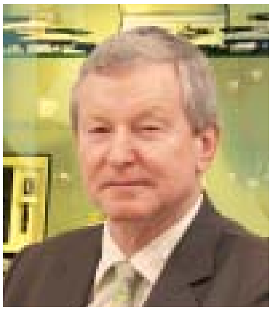
Peter Raijmann, a Dutch aged 47, has a Bachelor in Business Administration. He joined Pelikan Group in 1991 as a Group Controller for Europe. In 1996 he was appointed as Head of Controlling department in Hanover, and in 2004 as Head of Finance and Administration in Europe.

Claudio Esteban Seleguan
Head of
Latin America/USA/Canada

Claudio Esteban Seleguan, an Argentinean aged 45, 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 Productos Pelikan S.A. de C.V., Mexico.

Safuan Basir
Head of South East Asia, Middle East and Africa

Safuan Basir, a Malaysian aged 39, 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), 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 a leading conglomerate in Malaysia and an international firm serving companies.



Eckhard Seewöster
Head of Sales / Marketing Germany

Eckhard Seewöster, a German aged 63, started with an apprenticeship as a carpenter and spent 6 years in the army where he resigned as First Lieutenant. He joined Pelikan Hanover in 1969 as a sales employee. He is now the Head of Sales/Marketing responsible for Germany.

Azuma Ikeda
Head of Japan and South Korea

Azuma Ikeda, a Japanese aged 53, 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 10 years.

William Liu
Head of People's Republic of China, Hong Kong and Taiwan

William Liu, a Taiwanese aged 49, graduated with a Bachelor of Agriculture from National Chung Hsing University, Taiwan. He has had more than 20 years experience in the Taiwan consumer market. He was the Country Manager for Pelikan business in Taiwan since 1998 and was appointed as head of People's Republic of China, Hong Kong and Taiwan in 2007.

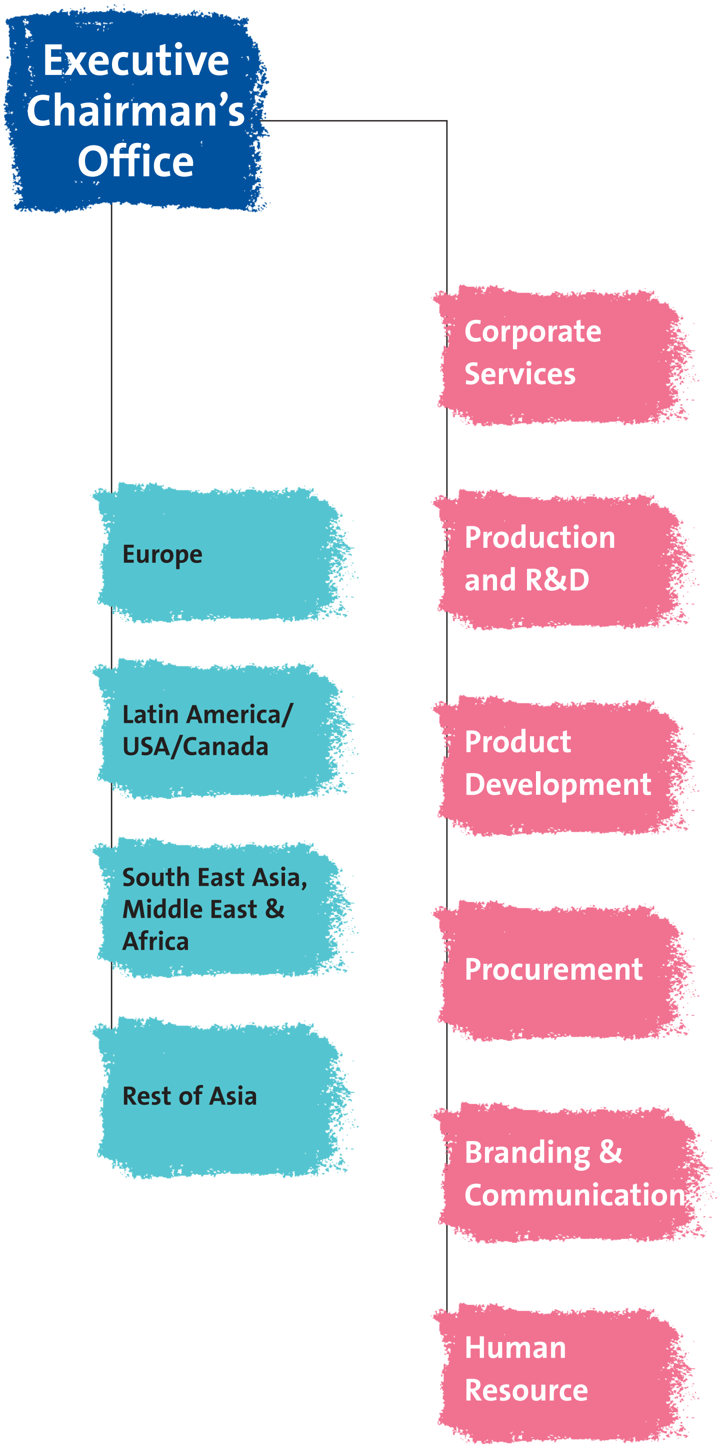
Group Corporate Structure

as of 31 March 2007

Pelikan International Corporation Berhad

- 87.6% Pelikan Holding AG (Switzerland)
  - 49.9% Products Pelikan SA de CV (Mexico) — 50.1%
  - 25.0% Pelikan Japan K. K. — 75.0%
  - 100% Pelikan Vertriebsgesellschaft mbH & Co. KG (Germany)
  - 100% Pelikan Italia S.p.a (Italy)
  - 100% Pelikan Benelux N.V./S.A. (Belgium)
  - 100% Pelikan Hellas EPE (Greece)
  - 100% Pelikan S.A. (Spain)
  - 100% Pelikan PBS - Produktionsgesellschaft mbH & Co. KG (Germany)
- 100% Pelikan Produktions AG (Switzerland)
- 100% Pelikan Singapore Pte Ltd
- 100% Pelikan Taiwan Co Ltd
- 100% Pelikan Production (Malaysia) Sdn Bhd
- 100% Pelikan Middle East FZE (Dubai)
- 100% Pelikan Polska Sp zoo (Poland)
- 100% Pelikan Trading (Shanghai) Co Ltd
- 100% PT Pelikan Indonesia
- 20.8% Konsortium Logistik Bhd
- 49.0% Pelikan (Thailand) Co Ltd
- 100% Pelikan Hardcopy Holding AG (Switzerland)
  - 100% Pelikan Holding Europe Ltd (Scotland)
    - 100% Pelikan Hardcopy Scotland
    - 100% Dongguan Pelikan Hardcopy
    - 100% Grief-Weke (Germany)
    - 100% Pelikan Hardcopy Production (Switzerland)
      - 100% Pelikan Hardcopy CZ (Czech Republic)
      - 100% Pelikan Hardcopy (International) (Switzerland, with branches in Europe)

Investment holding companies | Production companies | Sales and distribution companies


Executive Chairman's Office
Europe
Latin America/ USA/Canada
South East Asia, Middle East & Africa
Rest of Asia
Corporate Services
Production and R&D
Product Development
Procurement
Branding & Communication
Human Resource


What's our inspir

Pelikan

ation? ... colorful

Dynamic and passionate,
Pelikan paints a
world with a vivid array of
colorful
products and shades.
Our inspiration is unbounded.
We cater to toddlers as well as
artisans. To those who doodle
on pads as well as those who
make a professional living.
We desire to satisfy everyone’s
urge to create and express.

Executive Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of Pelikan International Corporation Berhad ("Pelikan International") for the financial year ended 31 December 2006.

In a nutshell, 2006 was a year of solid consolidation. The year's spotlight was in merging strengths and emerging Pelikan International as the rightful home of all Pelikan products. We are proud to announce that as of January 2007, about 99% of Pelikan's product lines and business operations have reconsolidated under our corporate umbrella. Finally, we are closer to achieving our vision of reunifying all of Pelikan's businesses and territories that was once divested two decades ago. We believe that with this great milestone achieved, the Group is prepared for greater missions in the years to come.

GLOBAL ECONOMY 2006

The global economy and trade grew vigorously in 2006 recording growth of about 5.4%, despite the rising oil prices in the first half of 2006 leading to inflation concerns. The strong growth in global Gross Domestic Product ("GDP") was mainly attributable to the rapid expansion in developing economies, surging at 7%, a rate almost double of the developed economies. The United States ("US") grew at an estimated 3.4% and the economy has managed to maintain its overall expansion largely due to the growth in US exports resulting from the US dollar depreciating against most major currencies. Though many fear that the US will head towards a recession amidst high inflation levels and weak dollar due to excessive private consumption spending and housing market woes, the general consensus forecasts a 'soft landing' for the US economy in 2007.

A large part of the stronger global economy was attributable to the recovery in Europe, which turned out to be stronger than expected in early 2006. GDP grew by 3.3% in the first half of 2006, fueled mainly by private consumption and investment spending rather than exports. Though economy cooled down in the second half, consumer confidence and demand remained robust, resulting in an overall 2.5% GDP growth rate in 2006, almost double the growth rate in 2005. Labour market was healthy and unemployment rates reached a 15 year low by end of 2006. The strong and resilient economic performance of Europe and the strength of the Euro currency have substantially benefited the Group as over half of Pelikan's businesses are derived from our European operations. Germany proved to be the engine of growth for the region. With high investment levels generated by improvements in competitiveness, robust export growth and strong domestic consumption thanks to the World Cup, business confidence and sentiments were positive all year round. Growth prospects for Germany remained favourable albeit a slower growth prediction in 2007 and the Group anticipates a steady growth performance, both domestically and export business, for the coming year. As for the rest of Europe, Italy and France showed positive improvement against a background of higher consumption and stronger employment growth. Interestingly, the Eastern European growth rates surged to 6% last year. This is good news for Pelikan as these

emerging economies are one of our key markets for growth and regional export in 2007 and beyond.

Asia, arguably the alternative global economy growth engine, accounts for half of the world's growth and thus also responsible for the strong global growth in 2006. Rapid growth rates of the Asian emerging economies namely China and India at 10.9% and 9.3% respectively, were driven by consumption, investment and exports. The rest of Asia also achieved steady growth, supported by high commodity prices and favourable financial conditions. Almost all the Asian currencies appreciated against the US dollar in late 2006. Whilst the newly industrialized countries of Asia (Korea, Hong Kong and Taiwan) are predicted to perform moderately this year, the ASEAN countries (Malaysia, Singapore, Thailand, Indonesia, Philippines) are expected to continue their strong growth. In Japan, somewhat faster economic growth was achieved towards the end of 2006 despite weaker domestic demand reflected in a widening of external surplus. The value of the Yen however fell to a 20-year low despite a robust economy with strong fundamentals such as higher private investment, rising export growth, and strong corporate profits.

The recovery in Europe turned out to be stronger than expected in early 2006.

The Group's revenue increased by 29% to RM659.5 million from RM511.1 million in the previous year.

The Latin America region achieved a growth rate of 5.5% in 2006 with Chile, Argentina and Brazil leading the pack. High oil prices in 2006 have benefited the oil-exporting countries such as Ecuador, Peru and Venezuela and strong commodity prices have boosted exporters of agricultural products. However for this year, Latin America may be affected by the decline in the US economy due to the close trading ties, and there are concerns of inflationary pressures. Nonetheless, with a tighter monetary policy steadying domestic consumption, stronger macroeconomic policy frameworks are expected in place this year, hence overall boosting business confidence and fueling strong growth in the region.

Middle East's boom in 2006 was largely enjoyed by the oil-exporting economies that generated record high oil revenues. However, the non-oil exporters also enjoyed accelerating growth last year due to favourable market conditions and strong flows of foreign direct investment ("FDI"). Apart from external shocks, potential decline in oil prices and geopolitical uncertainties, the region's outlook remains positive for business.

Stronger economic fundamentals in many key economies are contributing to stronger investor confidence worldwide. Global growth as a whole is projected to slowdown in 2007 from the rapid pace of last year before picking up momentum again in 2008. Despite the recent financial markets vulnerability, businesses and corporations recorded all time high achievements with earnings and profits beating expectations. Therefore market outlook for 2007 seemed to be favourable, with our main markets for growth - Asia, Latin America and Middle East showing promising prospects for this year. This scenario sets a positive background for Pelikan as it seeks to establish its branding and create a strong presence in the education sectors of developed and developing nations. Globally, education has always been a growth sector, and better economic growth reflects greater ability to boost educational funds. Higher budgets by governments worldwide in schools and education-related industries such as tertiary education are positive boosts for Pelikan.

** All economic figures and data were taken from the World Economic Outlook 2006.*

FINANCIAL PERFORMANCE

I am proud to announce that in 2006, the Group reported a significantly better financial performance than in 2005. In the financial year ended 31 December 2006, the Group's revenue increased by 29% to RM659.5 million from RM511.1 million in the financial year ended 31 December 2005. The Group also recorded a profit for financial year ended 31 December 2006 of RM81.3 million, almost a 26% jump from the previous year. Pelikan's global operations and business strategies implemented over the past year have proven to be largely successful, as shown by the better than expected financial performance of the Group. The higher sales growth was also attributable to the Group's continuous geographical expansion of the Pelikan business, particularly outside of Europe.

In the first quarter of 2006, the Group recorded a profit before tax of RM18.8 million on revenue of RM149.0 million, a stark difference compared to the first quarter results of the preceding year because of the net loss incurred from the logistics business that was disposed to Konsortium Logistik Berhad. The Group's revenue for the second quarter of 2006 was RM195.1 million compared to RM201.5 million in the corresponding quarter for 2005, the drop mainly attributable to translation difference as a result of weaker EUR and USD against Ringgit over the period. The Group recorded an improvement in the profit before tax for the 6 months ended 30 June 2006 from RM32.7 million in the corresponding period in 2005 to RM58.8 million, an increase of 80%. The second quarter results were in line with expectations and usually records an exceptional performance due to the strong "back to school" season in Europe and Latin America.

Financial performance remained strong in the third quarter of 2006 with a turnover of RM160.4 million and a profit before tax of RM24.3 million. The Group recorded an improvement in the profit before tax for the 9 months ended 30 September 2006 from RM59.2 million in the corresponding period in 2005 to RM83.1 million, an increase of 40%. Expenses during the third quarter were higher due to additional expenditure on advertising and promotional ("A&P") activities and preliminary expenses for the setting up of overseas subsidiaries/business units in line with market expansion strategy of the Group. Benefits of these additional expenses will be seen in the mid-term in the coming financial years.

As anticipated, for the fourth quarter of 2006, the Group's revenue decreased to RM155.0 million compared to RM160.4 million in the preceding quarter. The Group usually achieves lower sales in the last quarter due to sales seasonality which records higher revenue in mid year resulting from the "back to school" season in Europe and Latin America. The Group is constantly trying to mitigate this business cycle effect by introducing more products and penetrating into new markets. With the expansion of existing markets especially in Asia, the Group aimed to generate higher sales in the last quarter as the schooling year generally starts in January. Turnover for the last quarter of 2006 was higher by 11% compared to the corresponding quarter of 2005, therefore reaffirming that geographical expansion strategies are progressing in the right direction.

For the first quarter of 2007, the Company reported a jump of 60% in turnover from RM149.0 million in the corresponding quarter last year to RM239.6 million this year. The first quarter's revenue was also substantially higher than the RM155.0 million reported in the preceding quarter. The significant increase was mainly attributable to the consolidation of the sales from Pelikan Hardcopy Holding AG Group ("PHH Group") from February 2007 onwards. The Hardcopy business, which has a more stable month-to-month sales, partly addresses the Group's sales seasonality it faced in its existing business.

INVESTOR RELATIONS

Much of Pelikan International's success is attributed to the continuous support and interests from its investors and shareholders and this spurs our commitment in building a good relationship with the investing community. The management has been actively meeting investors, financial analysts, fund managers and business journalists from major local and international institutions to promote the Company's portfolio since its debut listing on 8 April 2005.

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 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 organizing roadshows and factory visits. As a result, the management team has succeeded in building closer relations with its investing partners and we continue to explore investing opportunities together.

DIVIDENDS

Pelikan International is a strong dividend payer, committed to delivering results and rewarding our investors and shareholders as the Company thrives. Pelikan International has so far declared eight consecutive quarterly dividend payments since listing. For the fourth quarter of 2006, the Board of Directors of Pelikan International has proposed to declare a final dividend of 5 sen per share, of which 2 sen per share are tax exempt and 3 sen per share less 27% tax, amounting to approximately RM11.5 million for the financial year ended 31 December 2006. The proposed final dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting ("AGM"). With this proposed final dividend, the gross dividend payout of the Company for the financial year ended 31 December 2006 represents 45.4% of the consolidated profit after tax and minority interest of the year, which also represents a yield of 4.3% based on the closing share price of the Company of RM3.48 as at 29 December 2006. If approved, the final dividend will be payable on 14 September 2007.

Following the announcement of Pelikan International's first quarter 2007 results, the Board of Directors declared a first interim dividend of 2 sen less tax, which will be paid on 30 July 2007.

CORPORATE DEVELOPMENTS

As mentioned, 2006 was a busy year for the Group as we were committed to reconsolidate the Pelikan brand and operating units as well as expand the business into new growth areas, particularly the emerging markets of Asia, Latin America, Middle East and Eastern Europe.

The major corporate milestones that developed in 2006 were the acquisition of the PHH Group's manufacturing facilities in Switzerland, which produced the toner powder and compatible inkjet cartridges, in February 2006, as well as the acquisition of the remaining 51% stake in Productos Pelikan SA de CV, our Mexican subsidiary, effectively making it 93.82% own by the Group as of March 2006. The Mexican operation is an important base for the Group to run and expand the sales and distribution networks of the whole North and Latin America continent.

At the same time, the Group acquired the Pelikan businesses in Thailand and Taiwan. Pelikan International also formed new subsidiaries in Singapore, Dubai for Middle East, Poland, China and Indonesia, as well as Switzerland and Malaysia for the Hardcopy business.

The acquisition of the remaining business of PHH Group, the largest independent non OEM (Original Equipment Manufacturer) manufacturer and distributor of imaging supplies and printer consumables in Europe that was scheduled for completion by end of 2006, was finally approved by the shareholders of Pelikan International as of January 2007. The delay in the consolidation resulted in a month's loss of revenue by this profitable company, but nonetheless we are excited by this merging and we expect an increase in our turnover to over RM1 billion and a substantial profit growth in 2007.

Last but not least, a subsidiary of the Company, Pelikan Holding AG further completed the acquisition of German Hardcopy AG, a manufacturer and distributor of hardcopy related products under the Geha, Emtec, Boeder, I-change trademarks as well as OEM printer supplies and assortments in April 2007. The acquisition immediately increases sales of the Group by another EUR25 million per annum. We believe that with the operations of Pelikan Hardcopy, which share the same business activities, the Group is ready to reap the benefits of economies of scale and common cost savings.

With the quest of re-consolidating all Pelikan's operations almost completed, the Group also endeavour to expand organically. The acquisition of PHH Group promised amongst others cross selling and cost savings opportunities as the Group has started to roll out these plans subsequent to the completion of the acquisition in end January 2007.

PROSPECTS

Now that we have got our pulse on Pelikan International's worldwide operations, we are pleased to announce that our mission for the last few years has been accomplished. As of January 2007, we have reconsolidated the Group - both geographically and in terms of brand and product lines. Our operational structure is in place with the establishment of regional headquarters that all report to Pelikan International. The challenges faced during this process have enriched our understanding of Pelikan's global operations and was an insightful journey into understanding the passion that many share for the Pelikan brand.

We have reconsolidated the group - both geographically and in terms of product lines. Our operational structure is in place with the establishment of regional headquarters that all report to Pelikan International.

The acquisition of PHH Group was a major achievement for the Company as we did not expect to consolidate and reunify the brand so quickly. We believe that this significant acquisition will yield tremendous synergies and cost savings that will be reinvested into the Group in our research and development ("R&D"), advertising and promotional ("A&P") activities and branding exercises worldwide. The consolidation of the Pelikan's traditional business with the Hardcopy printer consumables business will complement and complete the Pelikan Group in terms of product categories and will give the Group an edge over the other competitors in terms of larger distribution networks and sales.

Over the next few years, we are set on two main objectives. The first is to expand the Pelikan presence in Asia, with core focus in China and India; the Middle East and Latin America. We have already identified the countries to establish and grow for 2007 and strategies to expand the business for each market. The next is to regain our position as the world's market leader and pioneer in new writing technologies. Pelikan has a solid reputation for achieving high standards of German quality, craftsmanship and innovation within our product range. On the manufacturing front, the Group now has 7 plants in operation, including our latest factory established in Puchong, Malaysia. These work in tandem with our technology centre in Switzerland to focus more on research, innovation and rigorous product development processes for new products and enhancements to existing products.

Pelikan will take a 'going back to school' approach in line with our branding strategy to create long-term loyalty with the new generation of writers, artists and artisans.

Coming back to basics, Pelikan will take a 'going back to school' approach in line with our branding strategy to create long-term loyalty with the new generation of writers, artists and artisans. At Pelikan, we are passionate about creative expression and seek to narrow the gap between writing and technology. This has proven a successful strategy in Europe where Pelikan actively engages children through contests and competitions and at the same time work with teachers to create better instruments for teaching and learning. Studies show that the pre-school segment is rapidly growing as a potential market. This year, Pelikan will introduce a 'Mini-Friends' campaign with non-toxic, no-mess and ergonomically designed colouring and writing products specially catered for little hands. This is just another example of how at Pelikan we are committed to our promise to be a brand that creates the best premium instrument for every stage of life.

BOARD OF DIRECTORS

I would like to welcome Mr. Yap Kim Swee who joined Pelikan International's board as an independent non-executive Director on 22 May 2006. Subsequently, he was appointed as a member of the Audit Committee on 26 June 2006. Mr. Yap Kim Swee made his first appearance as a Director in Pelikan International's 24th AGM last June.

APPRECIATION

Our achievements for 2006 would not have been possible without the strong dedication, loyalty and support of the employees and management team of Pelikan International. I would like to express special thanks to them for their hardwork, tremendous efforts and their firm belief in Pelikan, the Company and the brand over the past years. On behalf of the Board, I would also like to thank the investors and shareholders of Pelikan International for their continuous support and encouragement. The Board also offers its heartfelt gratitude to all our business partners and associates for their continuous support and commitment.

Loo Hooi Keat
Executive Chairman

Selangor Darul Ehsan
Malaysia

Here are some highlights of Pelikan International's corporate activities in 2006.

January 25 - 29

Pelikan participated in the Paperworld Fair in Frankfurt, Germany. The theme for Pelikan's annual Paperworld dinner for all Pelikan members in 2006 was "Malaysian Night". Pelikan International along with Tourism Malaysia played host to an evening of dinner and dance at Holiday Inn, Frankfurt.

February 22

Pelikan International Corporation Berhad Board of Directors' meeting and Audit Committee meeting, amongst others to discuss and approve the fourth quarter results for the financial year ended 31 December 2005.

April 26

Pelikan International Corporation Berhad Board of Directors' meeting and Audit Committee meeting, amongst others to discuss and approve the first quarter results for the financial period ended 31 March 2006 and the audited year end results for the financial year ended 31 December 2005.

June 23

Pelikan International Corporation Berhad Board of Directors' meeting and 24th Annual General Meeting held at Sunway Pyramid Convention Centre, Bandar Sunway. A Pelikan Gala Dinner themed "Colour Your World" was held thereafter to celebrate the first year anniversary of Pelikan International Corporation Berhad's successful listing on Bursa Malaysia Securities Berhad and Pelikan's 168th year since establishment.

August 29

Pelikan International Corporation Berhad Board of Directors' meeting and Audit Committee meeting, amongst others to discuss and approve second quarter results for the financial period ended 30 June 2006.

Pelikan International Corporation Berhad held an Extraordinary General Meeting at Sheraton Subang Hotel.

September 27 - October 1

Pelikan International Corporation Berhad - International Conference in Ningbo & Shanghai, China, which was attended by the senior management teams of Pelikan Group.

November 23

Pelikan International Corporation Berhad Board of Directors' meeting and Audit Committee meeting, amongst other to discuss and approve third quarter results for the financial period ended 30 September 2006.

Group Operations Review

For 169 years, Pelikan, a world renowned brand, has built a solid reputation for quality and innovation and is recognised as a pioneer in various product categories. We enjoy impressive financial advantages. Our established European operations underpin our earnings and cash flows, and our business is highly cash-generative as minimal reinvestment is required. We have strengthened our distribution channels, reduced our production costs, and are presently expanding aggressively into Asia, Eastern Europe and Latin America. We are dedicated to implement business strategies that will drive growth and create shareholder value. Today, Pelikan's growth opportunities are considerable.

GROUP CORPORATE & ORGANISATIONAL STRUCTURE

The Group restructured its organization to maximise efficiency and bridge the gaps between subsidiaries and operational entities. The organization structure has been redefined into 4 geographical sales regions that are supported by the centralized group services departments. The head office of each region, which reports directly to the Executive Chairman's office, liaises closely with the corporate departments to ensure that every sales organization is performing and accomplishing the common targets set by the Group. Each department, as before, is responsible to ensure that business plans and executions meet the Group's standards across all the markets in each region. To meet the ever-growing demands of a global corporation, the group services departments facilitating the Group's operations have increased to include Corporate Planning, Production and Research and Development ("R&D"), Product Development, Human Resource ("HR"), and Branding and Communications.

With a clearer organisational structure, the Group hopes to break down the barriers of internal communication and enhance delivery, performance and teamwork within the organisation.

CORPORATE SERVICES

The Corporate Services division supports the Executive Chairman's office in carrying out strategic decisions of the Group and is responsible for supporting administratively the other corporate departments and regional operation offices. We have reconsolidated most of the operations and business divisions that were divested in 1990s. In 2000, Pelikan resumed the distribution of printing products from Pelikan Hardcopy Holding AG Group ("PHH Group"). In 2002, we repurchased the 'Office General' business from Henkel KGaA and 2004 we bought back the distribution company 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 under the Pelikan brand from Henkel KGaA. Our most recent achievement in 2006 was acquiring the fixed assets and inventories from PHH Group and completing the purchase of the balance equity interests in our Mexican subsidiary, Productos Pelikan SA de CV.

In January 2007, the Group acquired the remaining business of PHH Group. For the rest of the year, the Corporate Services division will continue working on various targeted corporate projects for the Group such as the acquisition of the remaining equity interests in Pelikan Argentina, implementation of tax planning and transfer pricing strategies, and investment/divestment opportunities for non-operating assets. On-going projects that the Corporate Services division has been consistently working on for the entire Group are mostly financial related such as compliance reporting, enhancing internal control and Management Information System ("MIS"). The Corporate Services division also handles Pelikan International's investor relations and shareholders' communication, and frequently promotes the shares and portfolio of the Company on investor roadshows and analyst briefings.

PRODUCTION AND R&D

Pelikan Group today has 7 manufacturing facilities located in Germany, Switzerland, Czech Republic, Scotland, Mexico, Malaysia and China after the merger and acquisition of PHH Group early this year. Prior to that, when Pelikan International acquired the fixed assets of the Swiss plant, the Company decided to close down the inkjet cartridge production in Switzerland and move the facility to Puchong, Malaysia for cost efficiency purposes. In just 10 weeks, the entire production of the inkjet cartridges was transferred from Switzerland to Malaysia and a new plant was built up in Puchong. The machine transfer was done quickly without any disruption of the production to ensure that business was not affected.

By August 2006, the Malaysian plant with a built up of 5,000 m^2 floor space had begun operations. The plant manufactures our popular Textmarker 490 introduced in 2005, as well as the newly launched permanent and whiteboard markers in March 2006 for worldwide consumption. In addition, the plant started producing compatible inkjet cartridges of over 50 models utilising 11 production lines. The plant is headed by a Swiss production team with 160 staff employed at end of 2006. For 2007, the Puchong plant has a target of 1 million inkjet cartridge pieces per month by second half of the year, for which we are confident that we have the capacity and the capabilities of achieving it.

In our German plant, we have taken several measures over the years to upgrade and replace machine to increase productivity and output. For example, we installed a 3 axes milling-machine in our tool making department to minimize cost and time of manufacturing parts for injection moulding tools, we replaced 3 old machines with 2 new ultra precision turning lathes that produce parts for our high value writing instruments automatically, and we set up a fully automated ultra-sonic cleaning machine for the parts of high value writing instruments that will reduce the cleaning time by more than 50%.

With 7 production facilities, the Group has taken measures to streamline manufacturing across the plants and centralize R&D in Switzerland.

PRODUCT DEVELOPMENT

Last year, Pelikan embarked on a series of interesting and innovative product ideas. Behind closed doors, our product development team in Hanover, Germany along with the R&D department had created exciting new concepts catering to different target groups in various markets that will only be revealed in 2007 and beyond. These long term projects are crucial to create buzz in the market for Pelikan products, to constantly innovate and come up with new product designs for our consumers and to retain our position as market leader and innovator.

In 2006, the Group invested RM10.9 million for R&D alone in keeping up with our solid reputation in design and innovation. Our emphasis on technical and chemical development continues to enhance and expand the Pelikan series and range of products.

Products launched in 2006

Product	Description
Souveran 625	Elements of finest sterling silver and with a precision resin barrel in lucent blue
Piccadilly Circus and Grand Place'	Special Editions
Blue Planet and The Temple of Artemis	Limited Editions
Epoch series	Epoch 363: special aluminium design and caps lacquered with a high-quality leather look and Epoch 364: barrel made of fine American walnut wood
Pura	Metal series,with silver-shiny surface combined with matt-finished aluminium
Enjoy comfort	The ball pen with international large-capacity refill and rubber grip profile
Future chrome	The fountain pen with grip grooves made of soft material and barrel with silver-coloured surface
Style	A youth fountain pen with a pleasant surface
Jojoba Crealight	New light modelling clay
Plaka-lack	With new pearl-effect shades 'Pearly gold', 'Pearly violet' and 'Pearly green'

Our product portfolio focuses mainly on products for schools and hobby such as school writing instruments, Plaka paints, wax crayons, and water colour paints. We are very proud of our school and hobby range of products, many of them have been patented and awarded with design prizes. Our chemical content follows the stringent environmental, health and safety laws of the European Union, and our products are guaranteed to be toxic-free, safe for children and environmentally friendly. The product development team is always looking for new ways and ideas to improve upon the ergonomics and aesthetics of our designs. We launched new writing instruments for schools such as the "Happy Pen", "Style" and "Grand Prix" fountain pens. We also launched our famous ProColor opaque paint box in bright neon colours and a new light modeling clay "Jojoba Crealight" in 7 different colours.

On the awards front, we are proud to announce that for 2006, the "Style" writing instrument was awarded the prestigious Red Dot Design Award for best design. "Style" which comes in 3 different colours, is a modern looking, youth fountain pen that uses ink cartridges. The writing instrument was developed with a combination of both hard and soft materials to give users that smooth grip.

reddot

For the high value writing instrument, we continued with the famous Limited Edition "Seven Wonders of the World" series with the third wonder "Temple of Artemis". Only 440 pieces of this unique fine writing instrument was made. We also launched the highly appealing Limited Edition "Blue Planet", which illustrates the view of planet Earth in all its grandeur from space, in just 540 exclusive pieces.

Pelikan continued with the Special Edition series of "Special Places of Interest" and 2 new pens were launched - Piccadilly Circus, after the famous tourist attraction area in London, and Grand Place, after the most beautiful theater in Brussels. Highlights in 2006 for our classic fine writing instruments include the very popular Souverän 625 sterling silver pen in lucent blue, Epoch 364 model made of fine American walnut wood, and the classic Tradition 215 elegantly striped pen.

In the office range of products, we further increased our product diversity by manufacturing and distributing the

We also have a fierce team of patent lawyers to register and protect our own Pelikan branded printer consumable patents. Together with the ink expertise and technology of Pelikan, the printer consumable range of products will attain better printing quality over a wider range of models at a competitive price. We are also excited about the new colour printer ink cartridges that we launched at the Paperworld Fair 2007 in Frankfurt, Germany called "Power Pad". In the next few years, we are also targeting to produce inkjet cartridges for the increasingly popular photo printers.

new Pelikan permanent and whiteboard markers that comes in 3 different colours and available in 2 different size tips. The product development team has improved and enhanced many of the existing office products such as the stamp pads to give the office range a brand new look. The office range of products contributes a smaller revenue percentage to our business but carries a huge potential for the Group, thus we are very keen on expanding this product range.

Moving forward in 2007, the Group will have an additional product range - printer consumables from PHH Group as part of the product development process. We have a strong team of engineers, chemists, chip programmers and R&D specialists who are constantly developing new ideas and technologies to tackle the complexity of producing toners and ink cartridges without infringing any patents.

BRANDING & COMMUNICATIONS

Our brand is our greatest asset and a highly valuable strength of our Company. The Pelikan trademark was registered in 1878 by one of the founding father's, Günther Wägner, making the Pelikan logo one of the oldest trademarks in Germany. Ever since, the logo has gone through a series of changes and modernization to reflect the brand's progress. Therefore we are very proud of our logo, which symbolises a brand that reflects quality, creativity, innovation, diversity, German tradition and craftsmanship.

Since Pelikan's establishment in Hanover, Germany, the brand has grown from strength to strength. Due to our German heritage and origins, Pelikan is traditionally skewed towards Europe and heavily concentrated in Germany, Austria and Switzerland. Most of our products are made for the European market, resulting in strong distribution networks and brand awareness within the European region. The brand awareness for Pelikan in Germany alone is 95% of the population, and Pelikan remains a market leader for most of the product segments it caters for. Last year, Pelikan was amongst the top 100 "Best Brands" again, organized by several institutions of brand owners and market research, and voted by household consumers in Germany. The Trademark Heaven is a summary of the top 100 trademarks in Germany which qualified for the shortlist. In our efforts to expand our business and reputation outside of Europe, we are also concentrating on building up our brand equity in the new markets as well as the incumbent markets that have been overlooked because of Pelikan's divestments in the 1990's.

We have been focusing on building the brand through education and schools as our main consumer groups are school children, teachers and parents. Pelikan's strength is in its ability to create tools that allow children and adults alike to express their individuality and creativity. We encourage children to express themselves and unleash their imagination be it through writing, drawing or painting, hence our famous tagline "We Make Thinking Visible". To build a long-term brand awareness and loyalty of the young generation, we believe in creating opportunities for children to experiment with our products and at the same time, unearth their hidden talents and artistic wisdom. We have been working closely with schools and teachers in Germany for 30 years, helping to nurture and develop children's creativity and understand their needs. Similarly, we are working closely with teachers and schools in Malaysia, Mexico, Benelux, Spain, and other parts of the world because we believe that through these activities, we are able to engage and identify with children better. Slowly but surely, through immense efforts by the Pelikan team and the wonders of Pelikan products, we will be able to reach out to all school children and parents.

Pelikan is the market leader across many product segments in Germany and is ranked as follows:

- #3 Fountain pens (EUR200 and above)
- #2 Fountain pens (EUR50 to EUR200)
- #1 Fountain pens (EUR5 to EUR49)
- #1 School pens
- #1 Paints
- #1 Ink eradicators
- #1 Crayons
- #1 Clay
- #1 Fibre Tip pens
- #2 Ink cartridges
- #4 Erasers

Source: GFK Research

HR

Pelikan International recognizes the need to manage Pelikan's talents and workforce on a global level in order to carry out the Group's business strategies and achieve the Group's missions. As the Group expands, coordination and communication within the organisation becomes more challenging and a bigger Group requires the right people in the right positions. In order to remain competitive in the international business, the Group needs to put greater emphasis on people investments and strive for common organisational culture. Therefore one of the Group's aims for 2007 after the acquisition of PHH Group is to look after its employees, from training to incentives. We recently set up a Group HR department to ensure harmonious organisation and that functional structures are in line with the Group's objectives. The Group HR is also responsible to implement Group policies such as a succession plan for all retiring employees and a performance related remuneration reward scheme. We hope to accomplish these plans by end of 2007.

MARKET OUTLOOK

Pelikan International is confident that our core markets in Europe will contribute a steady and solid growth this year as we expect the region to generally perform well. With strong brand recognition and established distribution networks, we aim to introduce more new products within Europe to boost sales performance. We are keen on expanding our Eastern European operations, more so now with the merged Hardcopy business. We have already begun distributing Pelikan products in Turkey, Romania and Hungary, and we believe that their successful integration into the European Union will further improve our growth potential.

Asia remains an important region for us in every aspect, with focus largely on China and India. Even though the Pelikan office in Shanghai was set up last September, we have already established 11 "Shop in Shop" outlets in various departmental stores around China and we aim to open up to 100 outlets by 2010. We have also set up a Pelikan trading company in India as first steps into expanding and supporting the Indian market. As demonstrated successfully by Japan and Taiwan, we are enthusiastic on capturing the luxury markets of China, India, South Korea, and Hong Kong with our high valued writing instruments and at the same time, build up our brand presence in these markets. We believe that the luxury market will escalate with the increasing rise of Asian billionaires and high net worth income individuals within the region. Indonesia, newly established this year, is an exciting market for us as we see huge potential in the schools and office segments. Sometime later this year, we intend to establish our direct presence in the Philippines, as opposed to via distributors.

The Latin America region is expected to continue its strong performance. Following the acquisition of our Mexican subsidiary last year, we are poised to strengthen our distribution networks all over the region and support the sales to North America. We plan to set up offices and increase our sales into Venezuela, Peru, Brazil, Ecuador, Chile and Costa Rica, where the brand presence is prominent. The sales in Mexico alone last year increased significantly due to successful marketing strategies and good relationships with schools. Therefore, with 20 countries and over 560 million in population, we are very optimistic about the growth prospects of Latin America.

Middle East and Africa represent a vast and opportune market for Pelikan, particularly the high valued writing instrument range and office supplies. Sales in the Middle East have been very encouraging and because of the strong Pelikan brand awareness, we hope to create long-term brand loyalty in these markets and build up a strong distribution network within the region.

CONCLUSION

We continue with plans to build Pelikan brand visibility, recognition and loyalty throughout the world. Beyond initiating advertising and below-the-line promotional activities in Malaysia, and throughout the region, we will continue to work with schools and inspire the creativity of children. By reaching out to the younger generation during their development phase, we intend to build a lifelong bond between individuals and the Pelikan brand.

At the same time, we are working to enhance our distribution networks and channels, and we will continue to invent functional and sophisticated products to accommodate ever changing consumer preferences in our different markets. We will also continue to 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, 2007 will continue to see Pelikan growing in profits and presence, internationally.

Pelikan's Global Footprint

A strong global brand with worldwide distribution and manufacturing network, Pelikan has an international presence and production facilities in 7 countries. Future production lines are planned in countries with lower cost of raw materials and labour.

- Manufacturing
- Distribution

AUSTRIA

7 April

Pelikan Austria organized a graphology campaign together with Fa. Hackenbuchner held in Salzburg from 10am to 6pm. The idea behind the campaign was to encourage consumers into the shop and to discover the high quality writing instruments.
A graphologist was present to give free expertise of the respective handwriting. Also present were Pelikan sales representatives, the sales manager and owner of the company Hackenbuchner.

8 April

Pelikan Austria again organized a graphology campaign but together with Fa. Wachmann held in Graz from 10am to 6pm.

12 - 14 October

Pelikan Austria participated in a PBS dealers fair held in Wels and was attended by the Pelikan sales force.

10 - 12 November

Pelikan Austria participated in an education fair called 'Interpädagogical' held in Vienna. The fair targeted school and pre-school teachers.

BENELUX

(Belgium, The Netherlands and Luxemburg)

29 Aug - 4 September

Pelikan Benelux launched a new 'Back to School' media campaign featuring posters of little rascals Ziggy & Julie (a girl and a boy) with the Pelikan Junior writing instrument.

18 - 22 October

Pelikan Benelux participated at a fair for all teachers in Namur with a booth of $32m^2$ to show our relevant pedagogical products to the school teachers. Pelikan's "learning to write" products Pelikano Junior and Pelikano were the stars of the event. Tremendous sales was achieved during the fair, but more importantly the feedback from the teachers was very informative and will improve our relations with schools and teachers in general.

19 - 21 February

Pelikan Benelux participated in the 'Paper Show' professional fair. It presented all the novelties of Paper World held in Leuven with a special emphasis on "Back to School" products and designed a special booth for the different brands: Pelikan, Pelikan Hardcopy, Faber-Castell, Porsche Design, Graf von Faber Castell, Geha and Wedo.
A unique booth with a professional and innovative look gave the products an extra dimension and their own unique identity. In total over 1,500 of our direct customers visited the booth and informed themselves on the novelties of Pelikan for 2006.

CHINA

Every Saturday at Parkson Hongqiao store, Pelikan organises drawing and DIY lessons for kids.

COLOMBIA

17 March to 29 April

Pelikan Colombia organized a national event with its distributors, themed 'Make a Goal with Pelikan!' It targeted 56 clients in all principal cities and was focused on clearing the inventories of its 2006 back to school products. For every master carton sold, the distributor received a ballot for a grand raffle where 10 fabulous 21" flat screen television were the main attraction.

1 October

Pelikan Colombia launched its 2nd most important Back to School season with a fiesta of music, food and prizes for over 500 customers-made up of shop assistants, managers, sales personnel and their families too! This bi-annual gathering is always a highly anticipated memorable event as Pelikan implements its "Top of Heart" advertising logic in building a stronger relationship with our customers. Through activities for adults and children we reinforced brand awareness, introduced its new range, and provided the necessary marketing tools to help our distributors boost Pelikan sales at their respective outlets.

28 to 29 October

Pelikan seized the opportunity to celebrate Halloween with the children in Colombia by organizing "Pelikan recreational workshops" at local supermarkets nationwide. Its creative and qualified staff ran the show and introduced kids to the variety of fun ways in which they can use Pelikan products to express and communicate. The highlight of the event was the Creation of Halloween masks using 'Graphic' and 'Metallic markers'.

GERMANY

25 - 29 January

Pelikan participated in the largest annual stationery and office supplies fair, 'Paperworld' in Frankfurt. The new presentation system "Wapsy" was first introduced to the trade and consumers at the fair displaying all Pelikan products from pre-school to kindergarden to hobby and school genres. The presentation system was successful and widely accepted.

March

Pelikan was present at the Office Gold Club, an exhibition of 22 companies in the stationery branch which took place in 6 German cities. Important customers such as ministries, hospitals and large corporations attended the exhibitions.

Förderer des Office gold club

GREECE

10 - 12 December

Pelikan Greece was a sponsor of the annual Education Festival in Athens whereby students of various universities in Greece were invited to attend seminars relating to subjects of their interests. Sponsor companies were allocated space to present their products and interact with these students. Pelikan invited students to participate and write their concerns on a specially developed writing board; with a message "Write what bothers you". Students were given Pelikan instruments such as marker pens, watercolours, fibre-tip pens and Plaka paints, and enjoyed the session with Pelikan. Students also participated in lucky draws.

ITALY

April - November

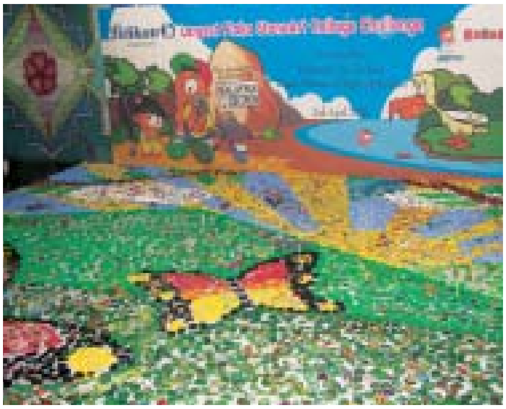
Pelikan Italia launched an advertising campaign covering the whole of Italy through above the line media to support the best selling writing instrument in Italy - Pelikan Grand Prix roller pen. The purpose of the campaign is to heighten the knowledge of students between 8 to 13 year olds about the Pelikan writing system that is write, erase and rewrite with the Grand Prix roller pen and Super Pirat ink eradicator.

MALAYSIA

31 March - 2 April

Pelikan participated in the Smart Kids 2006 convention held in PWTC Kuala Lumpur, the biggest education fair in Malaysia, and was one of the main sponsors and organizers of the Pelikan Stone Art Collage contest. The Pelikan Stone Art Collage was recorded into the Malaysia Book of Records as the largest stone art collage to be held in the nation and many children were encouraged to join Pelikan and be part of this historical event.

9 September



Pelikan, together with the Education Ministry of the Petaling district (Pejabat Pendidikan Daerah Petaling), organized a colouring competition entitled “Karnival Mari Mewarna Bersama Pelikan” which was held at Stadium Malawati Shah Alam. The colouring carnival attracted 21,000 students. The main highlight was a colouring battle held at the stadium. It offered cash and Pelikan products as prizes to the winning students.

MEXICO

September - December

Pelikan Mexico launched a magazine entitled "Educating with Pelikan" that targets teachers and contains pedagogic subjects. The monthly issue for this magazine is 30,000 copies.

Pelikan Mexico also launched a succesful "Markering 360°" campaign that promoted Pelikan products to school children by working closely with schools and explaining the benefits of the Pelikan brand to teachers and headmasters.

MIDDLE EAST

21 - 23 April

Pelikan Middle East participated in the Sharjah Airport International Free Zone (SAIF) 10th Anniversary Exhibition held for 3 days at the Sharjah Expo Center, United Arab Emirates. The exhibition was attended by about 157 investors of SAIF and every investor was given a space to showcase their products/services. The event was officiated by the Ruler of Sharjah H.H. Dr. Shaikh Sultan bin Mohammed Al Qassimi, who visited the Pelikan booth and was gifted a high valued writing instrument by Pelikan.

18 August

Pelikan Middle East & Africa Regional Office held its inauguration 2006 event at A2 103 Sharjah Airport International Free Zone (SAIF). It was attended by Safuan Basir, Head of South East Asia, Middle East & Africa, Nasser Al Atrash, Head of Pelikan Middle East's business operations and his operational team.

POLAND

October - December

Pelikan Polska launched a Christmas promotion for the Pelikan Fine Writing Instruments. Customers were given specially-made Pelikan branded boxes with personalised chocolates and Pelikan Christmas wishes inside the boxes. This Christmas gift promotion was advertised on posters in the retail and wholesale shops.

ROMANIA

August - September

Pelikan launched several activities to support the Back-to-School business together with its local distribution partner in Romania. Amongst others, painting competitions were conducted in 3 local magazines targeting school children (Barbie, National Geographic Junior and Tom & Jerry).

SERBIA

24 - 28 October

Pelikan participated in the BIRO EXPO fair in Belgrade through its local distribution partner.

SINGAPORE

May - July

Pelikan Singapore launched an advertising campaign to promote its office product range, namely the permanent and non-permanent glue using a 'Snail' and the Textmarker 490 using a 'Bird'.

SPAIN

March 23 - 25

Pelikan Spain participated in an annual educational event called 'Expodidáctica 2006' held in Barcelona that targets educators. The event hosts several conferences and symposiums directed to people in teaching and education professions as well as to students of pedagogical careers. There was also a fair targeted to teaching personnel showcasing school products such as books, painting and writing materials. Pelikan Spain exhibited its protagonist products such as Wonderliner, finger paints and textile paints.

SWITZERLAND

June & October

Pelikan Switzerland co-organised consumer workshops with a dealer for Plaka paints.

September

Pelikan Switzerland highlighted child assortment promotions in a local fair.

October

Pelikan Switzerland promoted its fountain pens to teachers.

TURKEY

1 November

Pelikan Europe signed a distribution agreement with Pensan, a stationery manufacturer and distributor based in Istanbul, to be a new distributor for Pelikan products in Turkey as of 1 January 2007.

UNITED STATES

21 - 24 May

Pelikan participated in the New York Stationery Show, the largest industry event in North America, together with its local distribution partner for the United States and Canada.


What’s our

Pelikan

goal?...

The joy of expression.

Adding

Fun

to everyday living. Bringing

a smile to a child's face.

Capturing beauty on a canvas.

Empowering ordinary people

with extraordinary potential.

We believe that no goal is more

worthy than contributing hope

and happiness to the world.

The Board of Directors ("the Board") of Pelikan International Corporation 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

1.0 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 in 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 business 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 system 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.

2.0 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 2006, 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 (22/2/06)	2nd Meeting (26/4/06)	3rd Meeting (23/6/06)	4th Meeting (29/8/06)	5th Meeting (23/11/06)	Total Attendance (%)
Loo Hooi Keat	Yes	Yes	Yes	Yes	Yes	100%
Syed Hussin bin Shaikh Al Junid	Yes	Absent with Apology	Yes	Yes	Yes	80%
Haji Abdul Ghani bin Ahmad	Yes	Absent with Apology	Yes	Yes	Yes	80%
Tan Sri Musa bin Mohamad	Yes	Yes	Yes	Yes	Yes	100%
Yap Kim Swee (appointed on 22/5/2006)	Not applicable	Not applicable	Yes	Yes	Yes	100%

3.0 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.

4.0 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 and have also attended trainings for the financial year ended 31 December 2006 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 obligation 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.

5.0 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 the Annual General Meeting. Details of Directors' remuneration for the year ended 31 December 2006 are as follows:

Description	Fees (RM)	Salaries (RM)	Bonus (RM)	Defined Contribution Retirement Plan (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Director	-	600,000	300,000	108,000	-	1,008,000
Non-Executive Director	228,613	-	-	-	20,000	248,613

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

Description	Executive Directors	Non-Executive Directors
Less than RM50,000	-	1
RM50,000 to RM100,000	-	3
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	-	-
RM650,001 to RM700,000	-	-
RM700,001 to RM750,000	-	-
RM750,001 to RM800,000	-	-
RM850,001 to RM900,000	-	-
RM900,001 to RM950,000	-	-
RM950,001 to RM1,000,000	-	-
RM1,000,001 to RM1,050,000	1	-

6.0 Accountability and Audit

6.1 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

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

6.2 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 the management with independent and objective advice on the effectiveness of the Group's businesses and operations. The Group recognizes that it is management's responsibility to analyse 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 management and to the Audit Committee and Board on an on-going basis. This is not confined to but includes:

a) Appraising the adequacy and integrity of the internal control and management information system of the Group;

b) Ascertaining the effectiveness of operating 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 plan, 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 Group's assets;

f) Conducting special reviews or investigations requested by management or by the Audit Committee; and

g) In consultation with management, reviewing operations as a whole from the viewpoint of economy and productivity with which resources are employed and making cost effective recommendations to management.

6.3 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 financial year ended 31 December 2006. 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.

7.0 Relations with Shareholders and Investors

7.1 The Annual General Meeting

The 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 the 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 the 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.

7.2 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.

8.0 Other Compliance Information

a) Share Buybacks

The Company did not undertake any share buy-back exercise during the Financial year.

b) Options, Warrants or Convertible Securities

On 25 September 2006, the Company made a bonus issue of 35,143,967 new ordinary shares of RM1.00 each on the basis of one (1) new share for every five (5) existing shares held.

During the financial year, 27,509,625 new ordinary shares of RM1.00 each were issued by the Company by virtue of the conversion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and Redeemable Convertible Unsecured Loan Stocks ("RCULS") at the conversion price of RM1.50 per share and adjusted conversion price of RM1.25 per share after the 1 for 5 bonus issue.

All newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company except that they will not be entitled to any rights, dividend and/ or distributions, the entitlement date of which is prior to the date of allotment of such new shares.

c) American Depository Receipts ("ADR") / Global Depository Receipts ("GDR")

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

d) Sanctions and/or Penalties

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

e) 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 2006.

f) Profit Estimates, Forecast or Projection

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

g) Profit Guarantee

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

h) Material Contracts

Natural of Contract	Date	Parties	Consideration	Salient Terms
Sale and Purchase Agreement	15.03.2006	PICB and the PPSA Vendors	USD8,500,000	Sale and Purchase Agreement entered into between the Company and Consorcio Atlas, S.A. de C.V., Grupo Empresarial Olmeca, S,A. de C.V, John Claude Savoir Vilboeuf, Hipolito Gerard Cortes, Martin Garcia Urtiaga, Alberto Weill Brean, Leopoldo Gutierrez de Zubiaurre and Francisco Simon Granados (collectively "the PPSA Vendors") for the acquisition from the PPSA Vendors of the remaining 51.03% stake in the Mexican company, Productos Pelikan S.A. de C.V. for a total cash consideration of USD8,500,000. The transaction was completed on 24 March 2006.
Sale and Purchase Agreement	31.03.2006	PICB and POSH	RM300,000	Sale and Purchase Agreement entered into between the Company and POSH for the acquisition of 49% equity interest in Pelikan (Thailand) Co Ltd at the consideration of RM300,000 to be satisfied by cash. The transaction was completed on 31 March 2006.
Business Purchase Agreement	06.04.2006	PICB and PSM	RM1,500,000	Business Purchase Agreement entered into between the Company and PSM for the acquisition of the entire business operations of Pelikan Singapore-Malaysia, Taiwan Branch for a total consideration at RM1,500,000 to be satisfied by cash. The transaction was completed on 7 April 2006.
Share Purchase Agreement	06.11.2006	PICB and Stefan Obert	EUR1,285,000	Share Purchase Agreement entered into between the Company and Stefan Obert for the acquisition of 95,794 PHH Shares for cash consideration of EUR1,285,000.
Share Purchase Agreement	06.11.2006	PICB and Hans Paffhausen	EUR1,000,000	Share Purchase Agreement dated 6 November 2006 entered into between the Company and Hans Paffhausen for the acquisition of 182,243 PHH Shares for cash consideration of EUR1,000,000.
Share Purchase Agreement	06.11.2006	PICB and Stefan Obert and Hans Paffhausen	EUR1	Agreement dated 6 November 2006 entered into between the Company and the Vendors in respect of the acquisition of the 4,364,486 PHH Shares and the Loan for EUR1.

Natural of Contract	Date	Parties	Consideration	Salient Terms
Supplemental Share Purchase Agreement	06.11.2006	PICB and Stefan Obert and Hans Paffhausen		Supplemental agreement (Amendment) entered into between the Company and the Stefan Obert and Hans Paffhausen to supplement the Share Purchase Agreements and the agreement dated 6 November 2006 referred to in above.
Share Purchase Agreement	22.11.2006	PICB and PHH	CHF300,000	Share Purchase Agreement entered into between the Company and PHH for the acquisition of 95,795 PHH Shares for cash consideration of CHF300,000.
Participation Certification Purchase Agreement	22.11.2006	PICB and PHH	CHF200,000	Participation Certification Purchase Agreement entered into between the Company and PHH for the acquisition of all the 44,000 ordinary participation receipts of CHF1.50 each for cash consideration of CHF200,000.
Sale and Purchase Agreement	30.03.2007	PHAG and Tom Schröder, Michael Zulauf and Micheal Marx	EUR6,000,000	Sale and purchase agreement entered into between a subsidiary of the Company and Tom Schröder, Michael Zulauf and Micheal Marx for the acquisition of 90% equity interest in German Hardcopy AG ("GHAG") for a total cash consideration of EUR6,000,000. GHAG owns the remaining 10% of its shares. The aquisition was completed on 16 April 2007.

PICB - Pelikan International Corporation Berhad
POSH - PBS Office Supplies Holding Sdn Bhd
PSM - Pelikan Singapore-Malaysia Pte Ltd
PHH - Pelikan Hardcopy Holding AG
PHAG - Pelikan Holding AG

i) Revaluation policy on landed properties

The subsidiaries' freehold land and buildings have been adjusted to their fair values at the dates of acquisition of the subsidiaries by the Company in accordance with the Financial Reporting Standard 3 ("FRS3") of the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

j) Recurrent Related Party Transactions ("RRPT")

RRPT entered into by the Company and its subsidiaries during the year ended 31 December 2006 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	608
Purchase of logistics services from KLB group	604
Rental of buildings from KLB group	213

KLB group (Konsortium Logistik Berhad and its subsidiaries) is an associate of the Group. Mr Loo Hooi Keat, a Director and major shareholder of the Company, is also a Director and major shareholder of KLB.

Board Responsibility

The Board of Directors ("the Board") of Pelikan International Corporation Berhad ("Pelikan International") is responsible for maintaining a sound system of internal control and for reviewing its adequacy and integrity so as to safeguard 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 managed 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; and

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.

The Board of Directors ("the Board") of Pelikan International Corporation Berhad ("Pelikan International") is pleased to present the following reports for the financial year 2006.

Audit Committee Report

Membership and Meetings of Audit Committee

The Audit Committee comprises the following four (4) members, of which the majorities 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 the representative of the external auditors of the Company were also invited to attend Audit Committee meetings.

Name of Audit Committee Member	1st Meeting (22/2/06)	2nd Meeting (26/4/06)	3rd Meeting (29/8/06)	4th Meeting (23/11/06)	Total Attendance (%)
Tan Sri Musa bin Mohamad Chairman (Independent Non-Executive Director)	Yes	Yes	Yes	Yes	100%
Loo Hooi Keat Member (Executive Chairman)	Yes	Yes	Yes	Yes	100%
Haji Abdul Ghani bin Ahmad Member (Independent Non-Executive Director)	Yes	Yes	Yes	Yes	100%
Yap Kim Swee Member (Independent Non-Executive Director) (Appointed on 26/6/2006)	Not applicable	Not applicable	Yes	Yes	100%

Terms of Reference of the Audit Committee

A) 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 subsidiaries ("the Group"). Additionally, the Audit Committee shall:

a) Evaluate and appraise the quality of audits conducted both by 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.

B) 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 number 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.

C) 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 executive board member present.

In order to form a quorum for the meeting, the majority of members present must be Independent Non-Executive Directors. 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.

For the purpose of contemporaneous linking together by an instantaneous telecommunication device of a number of the member of the Audit Committee no less than the quorum required, whether or not any one or more of the member of the Audit Committee is out of Malaysia, is deemed to constitute a meeting of the Audit Committee. The Audit Committee will apply to such meeting held by instantaneous telecommunication device so long as the following conditions are met :-

a) all the member of the Audit Committee shall have received notice of a meeting by instantaneous telecommunication device for the purpose of such meeting. Notice of any such meeting will be given on the instantaneous telecommunication device or in any other manner permitted;

b) each of the member of the Audit Committee taking part in the meeting by the instantaneous telecommunication device must be able to hear and/or see each of the other member of the Audit Committee taking part at the commencement and for the duration of the meeting;

c) at the commencement of the meeting each of the member of the Audit Committee must acknowledge his presence for the purpose of the meeting to all of the other member of the Audit Committee taking parts.

D) 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 of Directors has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") requirements, the Audit Committee must promptly report such matter to Bursa Malaysia.

E) 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 plan 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 the 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 the 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 scope 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 other matters as defined by the Board.

F) Summary of Activities of the Audit Committee

During the financial year 2006, 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:

Financial Results

a) Reviewed the quarterly and year-to-date un-audited 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.

External Audit

a) Reviewed the external auditors' scope of work and audit plan for the financial year and made recommendations to the Board on their appointment and remuneration;

b) 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

c) Discussed on significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements.

Internal Audit

a) Reviewed the Internal audit plan, resources planning requirements for the financial year and assessed the performance of the Internal Audit & Risk Management department;

b) Reviewed the internal audit reports which highlighted the audit issues, recommendation and the management responses and directed actions to be taken by the management to rectify and improve the system of internal control; and

c) 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 that 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
Yap Kim Swee	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, Director's 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 salary 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 members of the Remuneration Committee with the exception of Loo Hooi Keat and Yap Kim Swee who was only appointed as a member of the Remuneration Committee on 26 June 2006.

Nomination Committee Report

Objective
The Nomination Committee was set up 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
Yap Kim Swee	Member Independent Non-Executive Director

Nomination Committee Policy
Fundamentally, new appointments to the Board are made by the whole Board and potential 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 particpate 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 and 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 with the exception of Yap Kim Swee who was only appointed as a member of the Nomination Committee on 26 June 2006.

What's our

Pelikan

promise?

Pelikan is synonymous with

quality

It’s in every product and relationship we create. We build bonds of trust and assurance. Create moments of triumph. Expand creative abilities. It’s a promise we never fail to deliver.

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 provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. 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.

Financial Statements

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries include manufacturing and distribution of writing instruments, art, painting and hobby products, office stationery and printer consumables. The Group distributes its products through wholesalers, dealers, retailers, modern trade including hypermarkets, schools and specialised stores for luxury items. There has been no significant change in the nature of activities of its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	81,299	21,095
Attributable to:		
Equity holders of the parent	75,318	21,095
Minority interest	5,981	-
	81,299	21,095

DIVIDENDS

Dividends paid by the Company since the end of the previous financial year were:

(a) first interim dividend of 2.0 sen less 28% tax per ordinary share of RM1 each amounting to RM2,378,376 in respect of the financial year ended 31 December 2006 was paid on 12 June 2006;

(b) final dividend of 6.0 sen less 28% tax per ordinary share of RM1 each amounting to RM7,591,099 in respect of the financial year ended 31 December 2005 was paid on 18 September 2006;

(c) second interim dividend of 6.0 sen less 28% tax per ordinary share of RM1 each amounting to RM9,127,322 in respect of the financial year ended 31 December 2006 was paid on 27 November 2006; and

(d) third interim dividend of 2.0 sen less 27% tax per ordinary share of RM1 each amounting to RM3,247,882 in respect of the financial year ended 31 December 2006 was paid on 16 February 2007.

The Directors recommend payment of a final dividend of 5.0 sen per ordinary share of RM1 each of which 2.0 sen per ordinary share are tax exempt and 3.0 sen per ordinary share less 27% tax in respect of the current financial year which, subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company, will be paid to shareholders registered in the Register of Members on a date to be determined later by the Directors. Based on the issued and paid-up share capital of the Company as at the date of this report, the final dividend would amount to RM11,515,764.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Loo Hooi Keat
Tan Sri Musa bin Mohamad
Syed Hussin bin Shaikh Al Junid
Haji Abdul Ghani bin Ahmad
Yap Kim Swee (Appointed on 22.5.2006)

In accordance with Article 127 of the Company's Articles of Association, Loo Hooi Keat and Haji Abdul Ghani bin Ahmad will be retiring by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

ISSUE OF SHARES, DEBENTURES AND SHARE OPTIONS

On 25 September 2006, the Company made a bonus issue of 35,143,967 new ordinary shares of RM1.00 each on the basis of one (1) new share for every five (5) existing shares held.

During the financial year, 27,509,625 new ordinary shares of RM1.00 each were issued by the Company by virtue of the conversion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and Redeemable Convertible Unsecured Loan Stocks ("RCULS") at the conversion price of RM1.50 per share and adjusted conversion price of RM1.25 per share after the 1 for 5 bonus issue.

All newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company except that they will not be entitled to any rights, dividend and/ or distributions, the entitlement date of which is prior to the date of allotment of such new shares.

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2006, no arrangements subsisted to which the Company is a party, being any arrangements with the objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest except for the following:

(a) Directors' fees and other emoluments as disclosed in note 9 to the financial statements;

(b) deemed benefits arising from related party transactions as disclosed in note 35 to the financial statements; and

(c) deemed benefits accruing to respective Directors deemed interested in the shares of the Company and its related corporations from the transactions among related corporations in the ordinary course of business.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in the shares of the Company and its related corporations are as follows:

	Number of ordinary shares of RM1.00 each in the Company			
	As at 01.01.06	Additions	Disposals	As at 31.12.06
Loo Hooi Keat				
- Direct	369,800	96,880	-	466,680
- Indirect	66,733,333	41,740,006	(75,526,900)	32,946,439

By virtue of Loo Hooi Keat direct and indirect interests in the shares in the Company, he is deemed interested in the shares in the Company's related corporations to the extent of his interest.

Other than those disclosed above, none of the other Directors in office at the end of the financial year held any interest in the shares in the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS *(continued)*

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

SIGNIFICANT EVENT

Details of significant event during the financial year is disclosed in note 17 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in note 36 to the financial statements.

AUDITORS

The auditors, Ong Boon Bah & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 April 2007.

LOO HOOI KEAT
Director

TAN SRI MUSA BIN MOHAMAD
Director

Kuala Lumpur

Statement by Directors

We, LOO HOOI KEAT and TAN SRI MUSA BIN MOHAMAD, being two of the Directors of PELIKAN INTERNATIONAL CORPORATION BERHAD, state that, in the opinion of the Directors, the financial statements set out on pages 75 to 127 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 April 2007.

LOO HOOI KEAT
Director

TAN SRI MUSA BIN MOHAMAD
Director

Kuala Lumpur

Statutory Declaration

I, LOO HOOI KEAT, the Director primarily responsible for the financial management of PELIKAN INTERNATIONAL CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 75 to 127 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOO HOOI KEAT

Subscribed and solemnly declared by the above named LOO HOOI KEAT at Kuala Lumpur on 30 April 2007.

Before me

WONG AH YING
Commissioner for Oaths
Kuala Lumpur

Report of the Auditors

to the Members of Pelikan International Corporation Berhad (Company No: 63611 U)

We have audited the financial statements set out on pages 75 to 127. These financial statements are the responsibility of the Company's Directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-

(i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results of the Group and of the Company and the cash flows of the Group and of the Company for the financial year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in note 17 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

WONG SOO THIAM
1315/12/08(J)
Partner of the Firm

Kuala Lumpur
30 April 2007

Income Statements

for the Financial Year Ended 31 December 2006

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Revenue	7	**659,537**	511,074	**10,127**	6,203
Change in the level of finished goods and work in progress		**6,624**	(12,249)	**1,122**	-
Other operating income		**29,976**	16,961	**30,684**	21,472
Materials used		**(283,500)**	(207,955)	**(5,288)**	-
Staff costs	8	**(165,888)**	(117,857)	**(1,952)**	(1,160)
Depreciation of property, plant and equipment		**(21,454)**	(19,031)	**(1,368)**	(3,320)
Amortisation of intangible assets		**(921)**	(563)	**-**	-
Gain/ (loss) on disposal of business	-		6,401		(11,315)
Other operating expenses		**(137,946)**	(115,850)	**(3,564)**	(1,907)
Profit from operations		**86,428**	60,931	**29,761**	9,973
Share of profit of associates		**9,873**	8,639	**-**	-
Finance costs	10	**(11,969)**	(6,997)	**(8,226)**	(5,130)
Profit before taxation	11	**84,332**	62,573	**21,535**	4,843
Taxation	12	**(3,033)**	2,083	**(440)**	5,801
Profit for the financial year		**81,299**	64,656	**21,095**	10,644
Attributable to:					
Equity holders of the parent		**75,318**	55,036	**21,095**	10,644
Minority interest		**5,981**	9,620	**-**	-
Profit for the financial year		**81,299**	64,656	**21,095**	10,644
Earnings per share attributable to equity holders of the parent (sen)	13				
- Basic		**29.56**	27.23		
- Fully diluted		**24.10**	21.49		
Dividends per share (sen)	14				
- declared		**10.00**	12.00	**10.00**	12.00
- proposed		**5.00**	6.00	**5.00**	6.00

The accompanying notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2006

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
ASSETS					
Non-current assets					
Property plant and equipment	15	**252,430**	209,627	**15,794**	375
Intangible assets	16	**100,947**	94,477	**-**	-
Investments in subsidiaries	17	**-**	-	**184,240**	149,964
Investments in associates	18	**97,790**	91,455	**64,458**	64,158
Long term investments	19	**2,560**	2,591	**-**	-
Pension Trust Fund	20	**186,903**	187,770	**186,903**	187,770
Deferred tax assets	21	**18,898**	11,159	**1,547**	2,380
		659,528	597,079	**452,942**	404,647
Current assets					
Inventories	22	**168,784**	136,841	**13,398**	-
Receivables, deposits & prepayments	23	**187,052**	167,724	**25,580**	7,755
Tax recoverable		**5,429**	3,942	**641**	494
Pension Trust Fund	20	**26,997**	26,130	**26,997**	26,130
Deposits, bank and cash balances	24	**38,963**	42,132	**5,445**	6,570
		427,225	376,769	**72,061**	40,949
Total assets		**1,086,753**	973,848	**525,003**	445,596
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	25	**221,521**	158,867	**221,521**	158,867
Share premium		**29,457**	53,511	**29,457**	53,511
Currency translation		**(4,514)**	3,074	**-**	-
Retained profits	26	**98,979**	45,941	**15,544**	16,729
ICULS		**56,993**	68,635	**56,993**	68,635
RCULS		**5,560**	7,166	**5,560**	7,166
		407,996	337,194	**329,075**	304,908
Minority interest		**25,240**	61,484	**-**	-
Total Equity		**433,236**	398,678	**329,075**	304,908

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Non-current liabilities					
Post employment benefit obligations	27	**256,547**	255,086	**-**	-
Provisions	28	**14,425**	19,316	**-**	-
Borrowings	29	**51,378**	-	**51,016**	-
ICULS	30	**3,875**	6,413	**3,875**	6,413
RCULS	30	**81,623**	103,178	**81,623**	103,178
Deferred tax liabilities	21	**9,980**	7,177	**1,463**	2,408
		417,828	391,170	**137,977**	111,999
Current liabilities					
Payables	31	**106,861**	111,194	**25,619**	23,437
Post employment benefit obligations	27	**14,462**	14,829	**-**	-
Provisions	28	**4,059**	4,513	**-**	-
Borrowings	29	**94,539**	35,828	**28,342**	-
ICULS	30	**1,650**	2,086	**1,650**	2,086
RCULS	30	**2,340**	3,166	**2,340**	3,166
Current tax liabilities		**11,778**	12,384	**-**	-
		235,689	184,000	**57,951**	28,689
Total liabilities		**653,517**	575,170	**195,928**	140,688
Total equity and liabiities		**1,086,753**	973,848	**525,003**	445,596

Note:

ICULS - Irredeemable Convertible Unsecured Loan Stocks
RCULS - Redeemable Convertible Unsecured Loan Stocks

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes In Equity

for the Financial Year Ended 31 December 2005

	Note	Share Capital RM'000	Share premium (non distributable) RM'000	Reserve on concolidation (non distributable) RM'000	Currency translation (non distributable) RM'000	Retained profits (distributable) RM'000	Irredeemable convertible unsecured loan stock (equity component) RM'000	Redeemable convertible unsecured loan stock (equity component) RM'000	Attributable to equity holders of the parent RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2005		35,000	-	356	-	16,114	-	-	51,470	69	51,539
Exchange differences on translation of foreign operations		-	-	-	3,074	-	-	-	3,074	1,954	5,028
Net gain recognised directly in equity		-	-	-	3,074	-	-	-	3,074	1,954	5,028
Profit for the financial year		-	-	-	-	55,036	-	-	55,036	9,620	64,656
Total profit for the financial year		-	-	-	-	55,036	-	-	55,036	9,620	64,656
Bonus issue		11,667	-	-	-	(11,667)	-	-	-	-	-
Release on disposal of business		-	-	(356)	-	-	-	-	(356)	(69)	(425)
Issue of share capital											
- acquisition of subsidiaries		96,707	48,354	-	-	-	89,651	7,170	241,882	-	241,882
- share issue cost		-	(2,590)	-	-	-	-	-	(2,590)	-	(2,590)
- exercised of ICULS		15,458	7,729	-	-	-	(21,016)	-	2,171	-	2,171
- exercised of RCULS		35	18	-	-	-	-	(4)	49	-	49
Minority interest on acquisition of subsidiaries		-	-	-	-	-	-	-	-	52,310	52,310
Dividends	14	-	-	-	-	(13,542)	-	-	(13,542)	(2,400)	(15,942)
At 31 December 2005		158,867	53,511	-	3,074	45,941	68,635	7,166	337,194	61,484	398,678

Consolidated Statement of Changes In Equity

for the Financial Year Ended 31 December 2006

	Note	Share Capital RM'000	Share premium (non distributable) RM'000	Currency translation (non distributable) RM'000	Retained profits (distributable) RM'000	Irredeemable convertible unsecured loan stock (equity component) RM'000	Redeemable convertible unsecured loan stock (equity component) RM'000	Attributable to equity holders of the parent RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2006		158,867	53,511	3,074	45,941	68,635	7,166	337,194	61,484	398,678
Exchange differences on translation of foreign operations		-	-	(7,588)	-	-	-	(7,588)	(1,180)	(8,768)
Net loss recognised directly in equity		-	-	(7,588)	-	-	-	(7,588)	(1,180)	(8,768)
Profit for the financial year		-	-	-	75,318	-	-	75,318	5,981	81,299
Total profit for the financial year		-	-	-	75,318	-	-	75,318	5,981	81,299
Bonus issue		35,144	(35,144)	-	-	-	-	-	-	-
Share of minority interest of associates		-	-	-	-	-	-	-	58	58
Decrease in minority interest due to acquisition of interest by parent company		-	-	-	-	-	-	-	(35,493)	(35,493)
Issue of share capital										
- exercised of ICULS		8,573	4,268	-	(386)	(11,642)	-	813	-	813
- exercised of RCULS		18,937	6,822	-	450	-	(1,606)	24,603	-	24,603
Dividends	14	-	-	-	(22,344)	-	-	(22,344)	(5,610)	(27,954)
At 31 December 2006		221,521	29,457	(4,514)	98,979	56,993	5,560	407,996	25,240	433,236

Note:

ICULS - Irredeemable Convertible Unsecured Loan Stocks
RCULS - Redeemable Convertible Unsecured Loan Stocks

The accompanying notes form an integral part of the financial statements.

Company Statement of Changes In Equity

for the Financial Year Ended 31 December 2006

	Note	Share capital RM'000	Share Premium (non distributable) RM'000	Retained profits (distributable) RM'000	Irredeemable Convertible Unsecured Loan Stocks (equity component) RM'000	Redeemable Convertible Unsecured Loan Stocks (equity component) RM'000	Total equity RM'000
At 1 January 2005		35,000	-	31,294	-	-	66,294
Profit for the financial year		-	-	10,644	-	-	10,644
Total profit for the financial year		-	-	10,644	-	-	10,644
Bonus issue		11,667	-	(11,667)	-	-	-
Issue of share capital							
Acquisition of subsidiaries		96,707	48,354	-	89,651	7,170	241,882
Share issue cost		-	(2,590)	-	-	-	(2,590)
Exercised of Irredeemable Convertible Unsecured Loan Stocks		15,458	7,729	-	(21,016)	-	2,171
Exercised of Redeemable Convertible Unsecured Loan Stocks		35	18	-	-	(4)	49
Dividends	14	-	-	(13,542)	-	-	(13,542)
At 31 December 2005		158,867	53,511	16,729	68,635	7,166	304,908
Profit for the financial year		-	-	21,095	-	-	21,095
Total profit for the financial year		-	-	21,095	-	-	21,095
Bonus issue		35,144	(35,144)	-	-	-	-
Issue of share capital							
Exercised of Irredeemable Convertible Unsecured Loan Stocks		8,573	4,268	(386)	(11,642)	-	813
Exercised of Redeemable Convertible Unsecured Loan Stocks		18,937	6,822	450	-	(1,606)	24,603
Dividends	14	-	-	(22,344)	-	-	(22,344)
At 31 December 2006		221,521	29,457	15,544	56,993	5,560	329,075

The accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the Financial Year Ended 31 December 2006

	Note	2006 RM'000	2005 RM'000
Operating activities			
Profit attributable to ordinary equity holders of the Company		**75,318**	55,036
Adjustments for:			
Taxation		**3,033**	(2,083)
Share of profit of associates		**(9,873)**	(8,639)
Depreciation of property, plant and equipment		**21,454**	19,031
Amortisation of intangible assets		**921**	563
Net loss/ (gain) on disposal of property, plant and equipment		**459**	(218)
Interest expense		**11,969**	6,997
Interest income		**(2,248)**	(1,978)
Gain on disposal of business		**-**	(6,401)
Negative goodwill on acquisition of subsidiary		**(8,768)**	-
Minority interest		**5,981**	9,620
		98,246	71,928
Changes in working capital:			
Inventories		**(30,380)**	10,666
Trade and other receivables		**(21,036)**	(10,849)
Trade and other payables		**(3,403)**	(26,289)
Provisions		**(18,990)**	(11,223)
		24,437	34,233
Interest received		**2,199**	830
Interest paid		**(13,805)**	(2,913)
Taxation paid		**(8,873)**	(5,457)
Net cash flow (used in)/ from operating activities		**3,958**	26,693
Investing activities			
Acquisitions of subsidiaries	17	**(31,873)**	11,802
Acquisition of associate	18	**(300)**	-
Acquisition of business	5	**(5,504)**	-
Disposal of business		**-**	3,869
Purchase of property, plant and equipment	15(b)	**(48,173)**	(14,398)
Proceeds from disposal of property, plant and equipment		**897**	348
Development expenses paid		**(1,370)**	(900)
Purchase of securities		**-**	(127)
Dividend received from associates		**4,251**	517
Net cash flow (used in)/ from investing activities		**(82,072)**	1,111

Consolidated Cash Flow Statement

for the Financial Year Ended 31 December 2006

	Note	2006 RM'000	2005 RM'000
Financing activities			
Share issue cost		**-**	(2,590)
Repayment of hire purchase and lease creditors		**(54)**	(2,286)
Proceeds from bank borrowings		**123,177**	12,285
Repayments of bank borrowings		**(4,583)**	(1,847)
Dividends paid to shareholders		**(24,176)**	(8,462)
Dividends paid to minority interest		**(5,610)**	(2,400)
Net cash flow from/ (used in) financing activities		**88,754**	(5,300)
Net increase in cash and cash equivalents during the financial year		**10,640**	22,504
Currency translation		**(3,126)**	4,611
Cash and cash equivalents at beginning of the financial year		**22,106**	(5,009)
Cash and cash equivalents at end of the financial year	24	**29,620**	22,106

The accompanying notes form an integral part of the financial statements.

Company Cash Flow Statement

for the Financial Year Ended 31 December 2006

	Note	2006 RM'000	2005 RM'000
Operating activities			
Profit attributable to ordinary equity holders of the Company		**21,095**	10,644
Adjustments for:			
Taxation		**440**	(5,801)
Dividend income		**(2,958)**	(250)
Depreciation of property, plant and equipment		**1,368**	3,320
Net gain on disposal of property, plant and equipment		**(38)**	(194)
Loss on disposal of business		**-**	11,315
Interest income		**(65)**	(26)
Interest expense		**8,226**	5,130
Excess from reimbursement of Pension Trust Fund		**(26,712)**	(20,805)
		1,356	3,333
Changes in working capital:			
Inventories		**(13,398)**	-
Trade and other receivables		**(17,366)**	(2,868)
Trade and payables		**3,939**	11,450
Former subsidiaries		**-**	(4,158)
		(25,469)	7,757
Interest received		**65**	26
Interest paid		**(8,681)**	(798)
Taxation paid		**(147)**	(272)
Receipt from Pension Trust Fund		**26,712**	20,805
Net cash flow (used in)/ from operating activities		**(7,520)**	27,518
Investing activities			
Acquisitions of subsidiaries	17	**(31,873)**	(4,903)
Investment in newly incorporated subsidiaries		**(2,403)**	-
Acquisition of associates	18	**(300)**	-
Disposal of business		**-**	3,927
Purchase of property, plant and equipment	15	**(17,078)**	(127)
Proceeds from disposal of property, plant and equipment		**329**	196
Dividend received from associates		**2,538**	180
Net cash flow used in investing activities		**(48,787)**	(727)
Financing activities			
Share issue cost		**-**	(2,590)
Repayment of hire purchase and lease creditors		**-**	(2,278)
Proceeds from bank borrowings		**81,375**	-
Repayment of bank borrowings		**(2,017)**	(1,846)
Dividends paid to shareholders		**(24,176)**	(8,462)
Net cash flow from/ (used in) financing activities		**55,182**	(15,176)
Net (decrease)/ increase in cash and cash equivalents during the financial year		**(1,125)**	11,615
Cash and cash equivalents at beginning of the financial year		**6,570**	(5,045)
Cash and cash equivalents at end of the financial year	24	**5,445**	6,570

The accompanying notes form an integral part of the financial statements.

1. General information

The principal activities of the Company and its subsidiaries include manufacturing and distribution of writing instruments, art, painting and hobby products, office stationery and printer consumables. The Group distributes its products through wholesalers, dealers, retailers, modern trade including hypermarkets, schools and specialised stores for luxury items.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is as follows:

Lot 3410 Mukim Petaling
Batu 12 1/2, Jalan Puchong
47100 Puchong
Selangor Darul Ehsan
Malaysia

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2007.

2. Basis of preparation of financial statements

The financial statements of the Group and Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and comply with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

In the current financial year, the Group and the Company adopted all of the new and revised Financial Reporting Standards ("FRSs") and Interpretations issued by MASB that are relevant to their operations and effective for accounting periods beginning on or after 1 January 2006 as follows:

FRS 2 Share-based Payment
FRS 3 Business Combinations
FRS 5 Non-current Assets Held for Sale and Discontinued Operations
FRS 101 Presentation of Financial Statements
FRS 102 Inventories
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110 Events After the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 121 The Effect of Changes in Foreign Exchange Rates
FRS 127 Consolidated and Separate Financial Statements
FRS 128 Investments in Associates
FRS 131 Interests in Joint Ventures
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 133 Earnings Per Share
FRS 136 Impairment of Assets
FRS 138 Intangible Assets
FRS 140 Investment Property

At the date of authorisation of issue of the financial statements of the Group and of the Company, the following new and revised FRSs applicable to operations of the Group and the Company were issued but not yet effective:

FRS 117 Leases
FRS 124 Related Party Disclosures
FRS 139 Financial Instruments: Recognition and Measurement

2. Basis of preparation of financial statements *(continued)*

FRS 117 is effective for accounting periods beginning on or after 1 October 2006. The Directors anticipate that the adoption of FRS 117 will not have a material effect on the financial statements of the Group and the Company. The Group and the Company will apply this standard from financial period beginning 1 January 2007.

FRS 124 is effective for accounting periods beginning on or after 1 October 2006 and will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial period beginning 1 January 2007.

The effective date of FRS 139 is yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company will apply this standard when it becomes effective.

The principal effects of the changes resulting from the adoption of the new and revised FRSs are as follows:

(a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amount attributable to equity holder of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with comparatives restated to conform with the current financial year's presentation.

(b) FRS 133: Earnings per share

The adoption of FRS 133 requires ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are to be included in the calculation of basic earnings per share from the date the contract is entered into. The Company issued RM98.9million nominal value of 5-year 3% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") on 8 April 2005, the conversion of which is mandatory upon the expiry of the tenure. The ordinary shares to be issued by way of conversion of the outstanding ICULS are included in the calculation of basic earnings per share assuming that those conversions took place at the beginning of the financial year.

All other changes have been made in accordance with the transition provisions in the respective standards and interpretations. There are no changes in shareholders' equity as the Group was already following the recognition and measurement principles in those standards.

3. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to the end of the financial year. Subsidiaries are those corporations in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

3. Summary of Significant Accounting Policies *(continued)*

(a) Basis of consolidation *(continued)*

The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of the other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition (other than costs of issuing shares and other capital instruments). Identifiable assets and acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of any minority interest. The difference between the acquisition cost and of the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill on consolidation or negative goodwill. See accounting policy note on goodwill. Minority interest is measured at the minorities' share of the post acquisition fair values of identifiable assets and liabilities of the acquiree. Separate disclosure is made for minority interest.

All intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any goodwill on acquisition and exchange differences and other reserves which were not previously recognised in the consolidated income statement.

Minority interests represent the portion of profit and loss and net assets in subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are those corporations in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition profit of associates in the income statement and its share of post acquisition movements within reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (See accounting policy note on impairment of assets). Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(c) Investments

Investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy note on impairment of assets.

3. Summary of Significant Accounting Policies *(continued)*

(c) Investments *(continued)*

Investment in other non-current investments are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognized in the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(d) Property, plant and equipment

Property, plant and equipment are initially stated at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Surpluses arising on revaluation are credited to revaluation reserve, net of tax effect. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

The cost of property, plant and equipment comprises their purchase cost and any incidental costs of acquisition. Freehold land is not depreciated as it has an infinite life. Depreciation on assets under construction/ capital work-in-progress commences when the assets are ready for their intended use. Other property, plant and equipment are depreciated to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Buildings	48 - 50 years
Machinery and technical equipment	10 - 30 years
Mould costs	1 - 25 years
Office equipment, furniture and fittings	3 - 10 years
Motor vehicles	4 - 7 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy note on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

3. Summary of Significant Accounting Policies *(continued)*

(e) Intangible assets

(i) Goodwill

Goodwill includes purchased goodwill and excess of the fair value of purchase consideration of subsidiaries and associates over the Group's share of the net fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill represents the excess of the Group's share of the fair value of identifiable net assets acquired over the cost of acquisition. Negative goodwill is recognised in the income statement immediately.

(ii) Research and development

Research expenditure is recognised as an expense when incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 5 years. Impairment is assessed whenever there is an indication. The amortisation period and method are also reviewed at least once at each balance sheet date.

(iii) Trademark

Trademark was acquired through business combinations. The management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash flows to the Group. Trademarks is measured at cost and reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(f) Assets acquired under finance lease and hire purchase agreements

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance lease. Assets acquired under finance lease and hire purchase agreements are included in property, plant and equipment and the capital element of the leasing and hire purchase commitments is shown as liabilities. The capital element of the finance lease rental and hire purchase is applied to reduce the outstanding obligations and the interest element is charged to the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period. Assets acquired under finance leases and hire purchases are depreciated over the useful lives of equivalent owned assets.

(g) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expenses in the period in which the termination takes place.

3. Summary of Significant Accounting Policies *(continued)*

(h) Trade receivables

Trade receivables are carried at invoice value less an allowance for doubtful debts. The allowance is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off in the period in which they are identified.

Trade receivables that are factored out to finance institutions for a single non-returnable fixed sum with no recourse to the Group are treated as being fully settled. The corresponding payment from the finance institution is recorded as a cash receipt from customers and no liability is recognised. Any fee incurred to effect the factoring is recognised as an expense in the period in which the factoring takes place.

(i) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using weighted average method. The cost of raw materials comprises cost of purchase. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(j) Employee benefits

(i) Short term employee benefits

The Group recognises a liability and an expense for bonus and profit-sharing, based on formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plan

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/ losses and past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at balance sheet date of government securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method.

3. Summary of Significant Accounting Policies *(continued)*

(j) Employee benefits *(continued)*

(iv) Termination benefits

The Group recognises termination benefits according to the relevant laws applicable in the countries concern, when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(k) Impairment of assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognized in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3. Summary of Significant Accounting Policies *(continued)*

(l) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits including withholding taxes payable by a foreign subsidiary and associate on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(m) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, bank balances, demand deposits and other deposits held at call with banks, bank overdrafts and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Revenue recognition

(i) Revenue

Revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts, and after eliminating sales within the Group in the consolidated income statement. Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

(ii) Dividend income

Dividend income is accounted for when the shareholders' right to receive payment is established.

(iii) Interest income

Interest income are recognised on an accruals basis unless collectibility is in doubt.

(iv) Royalties

Revenue arising from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements.

3. Summary of Significant Accounting Policies *(continued)*

(p) Share capital

(i) Classification

Ordinary shares are classified as equity.

The presentation and disclosures of FRS 132 - "Financial Instruments, Disclosure and Presentation" have been adopted in respect of the equity and liability components of financial instruments that contain both a liability and equity elements ("compound instruments"). Upon the issuance of a compound instrument, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instrument; this amount is carried as a liability on the amortised cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods. Upon conversion of the instrument to equity shares, the amount credited to share capital and share premium is the aggregate of the amounts classified within liability and equity at the time of conversion. No gain or loss is recognised.

(ii) Share issue cost

Cost directly attributable to the issue of new shares are shown as a deduction in equity.

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as a liability.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(r) Warranty

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

(s) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

3. Summary of Significant Accounting Policies *(continued)*

(s) Foreign currencies *(continued)*

(ii) Foreign currency transactions and balances

Foreign currency transactions in Group companies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign monetary assets and liabilities are included in the income statement.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Group and are translated accordingly at the exchange rate ruling at the date of the transaction.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2006	2005
Foreign currency	**RM**	**RM**
EUR (Euro)	4.6546	4.4751
CHF (Swiss Franc)	2.8922	2.8742
MXN(Mexican Peso)	0.3266	0.3556
JPY (Japanese Yen)	0.0296	0.0321
USD(US Dollar)	3.5270	3.7790
AUD(Australian Dollar)	2.7807	2.7745
COP (Colombian Peso)	1.5907	1.6553
PLN (Poland Zloty)	1.2154	-
SGD(Singapore Dollar)	2.3126	-
TWD(Taiwan Dollar)	0.1082	-
CNY(Chinese Yuan)	0.4519	-

3. Summary of Significant Accounting Policies *(continued)*

(t) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognized on the balance sheet is disclosed in the individual accounting policy statement associated with each item.

(ii) Financial instruments not recognised on the balance sheet - Foreign Currency Forward Contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts that are no longer designated as hedges are included in the income statement.

(iii) Fair value estimation for disclosure purposes

The fair value of quoted investments is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of other derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values of financial assets, less any estimated credit adjustments, and financial liabilities with a maturity of less than one year and floating rate long-term debts are assumed to approximate their fair values.

3. Summary of Significant Accounting Policies *(continued)*

(u) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(v) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

(w) Summary of financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their risks. Financial risk management is carried out through risks reviews, internal controls systems and adherence to the Group's financial risk management policies that are approved by the Board. The use of financial instruments exposes the Group to financial risks, which are categorised as credit, liquidity, cash flow, interest rate, market risks and foreign currency exchange risk. It is the Group's policy not to engage in speculative transactions.

The policies for controlling these risks when applicable are set out below:

(i) Credit risk

The Group controls its credit risk by the application of credit approvals, credit limits and monitoring procedures. Credit evaluations are performed on all customers requiring credit over a certain amount and limiting the Group's associations to business partners with an appropriate credit history. Trade receivables are monitored on an on-going basis.

At balance sheet date, the Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial assets.

(ii) Liquidity and cash flow risk

The Group actively manages its debt profile, operating cash flows and the availability of funding so as to ensure that all repayments and funding needs are met. As part of its overall prudent liquidity management, the Group endeavours to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group's objective is to maintain a balance of funding and flexibility through the use of credit facilities, short and long term borrowings. Short term flexibility is achieved through credit facilities and short term borrowings.

3. Summary of Significant Accounting Policies *(continued)*

(w) Summary of financial risk management objectives and policies *(continued)*

(iii) Interest rate risk

The Group finances its operations through operating cash flows and borrowings. Its policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities. Deposits with license financial institutions are held for short term and not for speculative purpose.

(iv) Market risk

For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters into short or medium-term arrangements with suppliers. The Group manages its market risk through the established guidelines and policies.

(v) Foreign currency exchange risk

The Group operates internationally and is therefore exposed to different currencies of the countries where the Group operates. Exposure to currency risk as a whole is mitigated by the operating environment which provides for a natural hedge. Most payments for foreign payables is matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements. The group also attempts to limit its exposure for all committed transaction by entering into forward foreign currency exchange contracts within the constraints of market and government regulations.

4. Key accounting estimates and assumptions

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities requires the use of certain key accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on Directors' best knowledge of current events and actions, actual results may differ.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have the most significant effect on the amounts recognised in the financial statements are disclosed below.

(a) Impairment of goodwill and trademark

The Group determines whether goodwill and trademark are impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill and trademark are allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the carrying amounts and further details are disclosed in note 16.

(b) Depreciation of property, plant and equipment

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values, therefore future depreciation charges could be revised. The carrying amounts of the Group and Company's property, plant and equipment are disclosed in note 15. Estimating the value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the carrying amounts and further details are disclosed in note 15.

4. Key accounting estimates and assumptions *(continued)*

(c) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and capital allowances to the extent that is probable that taxable profit will be available against which the losses and capital allowances can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying amounts of tax losses is disclosed in note 21.

Management is of the opinion that the instances of application of judgement are not expected to have a significant effect on the amounts recognized in the financial statement, apart from those involving estimation.

5. Acquisition of business

On 26 June 2006, a subsidiary of Pelikan International Corporation Berhad, Pelikan Polska Sp.z.o.o. ("PPSpz") acquired the business of distribution of stationery and office products from Office-line Peter BouÈ Sp. z o.o. for cash consideration of RM4,229,000 (PLN3,560,000)

On 1 July 2006, a subsidiary of Pelikan International Corporation Berhad, Pelikan Taiwan Co Ltd ("PTCL") acquired the business of distribution of stationery and office products from PBS Office Supplies Pte Ltd (Taiwan Branch) for cash consideration of RM1,500,000.

Details of net assets acquired, goodwill and cash flow arising from the acquisitions are as follows:

	Total RM'000
Property, plant and equipment	667
Inventories	2,752
Receivables	462
Cash and bank	277
Payables	(717)
Fair value of identifiable net assets acquired	3,441
Goodwill	2,340
Cost of acquisition	5,781
Purchase consideration:	
- cash consideration	5,729
- expenses directly attributable to acquisition, paid in cash	52
	5,781
Cash and cash equivalents of businesses acquired	(277)
Cash outflow of the Group on acquisition	5,504

The acquired businesses contributed revenue of RM7,712,000 and loss for the financial year of RM316,000 to the Group for the period 26 June 2006 to 31 December 2006. Had the acquisition took effect at the beginning of the period, the revenue and profit for the financial year of the Group would have been RM662,293,000 and RM81,217,000 respectively.

6. Segment reporting

The primary reporting format is based on geographical locations of the assets. The business segmentation is not disclosed as the Group is principally engaged in manufacturing and distribution of related products such as writing instruments, art, painting and hobby products, office stationery and printer consumables.

The Group is organised on a worldwide basis into 5 main geographical units:

- Germany
- Switzerland
- Rest of Europe
- Latin America
- Others

Analysis of the Group's revenue, results and other information by geographical locations of the assets are as follows:

	Germany RM'000	Switzerland RM'000	Rest of Europe RM'000	Latin-America RM'000	Others RM'000	Elimination RM'000	Group RM'000
Financial year ended 31 December 2006							
External revenue	342,866	48,862	129,974	87,924	49,911	-	659,537
Inter-segment revenue	273,028	-	1,769	4,373	9,249	(288,419)	-
Total revenue	615,894	48,862	131,743	92,297	59,160	(288,419)	659,537
Segment result	37,866	4,760	(34)	11,802	7,100	(7,804)	53,690
Unallocated income (net of cost)							32,738
Profit from operations							86,428
Share of profit of associates	-	-	608	-	9,265	-	9,873
Interest expense							(11,969)
Taxation							(3,033)
Profit for the financial year							81,299
At 31 December 2006							
Assets							
Segment assets	392,691	32,919	118,018	107,787	90,927	-	742,342
Associates	-	-	4,480	-	93,310	-	97,790
Pension trust fund							213,900
Unallocated assets							32,721
Total assets							1,086,753
Liabilities							
Segment liabilities	346,984	5,544	73,267	22,746	18,160	-	466,701
ICULS / RCULS							89,488
Unallocated liabilities							97,328
Total liabilities							653,517

6. Segment reporting *(continued)*

	Germany RM'000	Switzerland RM'000	Rest of Europe RM'000	Latin-America RM'000	Others RM'000	Elimination RM'000	Group RM'000
Financial year ended 31 December 2006							
Other information							
Capital expenditure	18,736	19,034	4,536	4,825	5,918	-	53,049
Depreciation and amortisation	14,356	1,504	1,256	3,766	1,493	-	22,375
Non-cash expenses/(income)	671	207	1,014	232	20	-	2,144
Financial year ended 31 December 2005							
External revenue	279,349	29,681	91,007	61,674	24,393	-	486,104
Discontinued operation	-	-	-	-	-	-	24,970
Inter-segment revenue	182,118	-	1,649	3,873	3,374	(191,014)	-
Total revenue	461,467	29,681	92,656	65,547	27,767	(191,014)	511,074
Segment result	27,263	3,099	6,569	7,549	4,478	(1,429)	47,529
Gain on disposal of business							6,401
Unallocated income (net of cost)							7,456
Discontinued operation							(455)
Profit from operations							60,931
Share of profit of associates	-	-	675	-	7,964	-	8,639
Interest expense							(6,997)
Taxation							2,083
Profit for the financial year							64,656
At 31 December 2005							
Assets							
Segment assets	380,326	7,947	104,881	95,464	45,150	-	633,768
Associates	-	-	4,292	-	87,163	-	91,455
Pension trust fund							213,900
Unallocated assets							34,725
Total assets							973,848
Liabilities							
Segment liabilities	335,876	2,679	63,383	16,412	12,914	-	431,264
ICULS / RCULS							114,843
Unallocated liabilities							29,063
Total liabilities							575,170

6. Segment reporting *(continued)*

	Germany RM'000	Switzerland RM'000	Rest of Europe RM'000	Latin-America RM'000	Others RM'000	Elimination RM'000	Group RM'000
Financial year ended 31 December 2005							
Other information							
Capital expenditure	186,768	765	35,036	4,201	1,411	-	228,181
Depreciation and amortisation	11,861	172	259	3,313	3,989	-	19,594
Non-cash expenses/(income)	1,223	27	140	418	(103)	-	1,705

Capital expenditure comprises additions to property, plant and equipment and intangible assets including those resulting from acquisition through business combination.

7. Revenue

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sale of goods	**656,150**	480,805	**10,127**	-
Logistics and related services	**-**	24,970	**-**	6,203
Royalties	**3,387**	5,299	**-**	-
	659,537	511,074	**10,127**	6,203

8. Staff costs

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages, salaries and bonuses	**128,791**	89,609	**1,706**	1,036
Defined contribution retirement plan	**29,344**	22,395	**194**	124
Define benefit retirement plan	**315**	1,030	**-**	-
Other employee benefits	**7,438**	4,823	**52**	-
	165,888	117,857	**1,952**	1,160

Staff costs as shown above include the remuneration of Executive Directors.

9. Directors' remuneration

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-executive Directors				
Fee	**229**	190	**229**	190
Estimated monetary value of benefits-in-kind	**20**	-	**20**	-
Executive Directors:				
Salaries and bonuses	**900**	652	**900**	652
Defined contribution retirement plan	**108**	78	**108**	78
Fee	**117**	121	-	-
	1,374	1,041	**1,257**	920

10. Finance costs

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest expense on bank borrowings	**5,551**	1,788	**3,375**	824
Interest expense on ICULS/ RCULS	**4,851**	4,306	**4,851**	4,306
Factoring charges	**1,567**	903	-	-
	11,969	6,997	**8,226**	5,130

11. Profit before taxation

Profit before taxation is arrived at after inclusion of the following charges/ (credits):

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Auditors' remuneration:				
- statutory audit	**1,248**	873	**30**	20
- non statutory audit	**13**	-	**13**	-
Rental of land and buildings	**8,701**	6,176	-	-
Rental of plant and machinery	**521**	456	-	-
Loss on disposal of property, plant and equipment	**846**	49	**8**	-
Allowance for doubtful debts	**1,658**	399	-	1
Allowance for diminution in value	**125**	-	-	-
Inventories writedown	**1,124**	1,081	-	-
External logistics, outward freight and packaging	**41,937**	35,390	**812**	-
Sales promotion	**33,750**	17,347	-	-
Transportation and haulage contractor costs	-	9,064	-	432
Net exchange losses/ (gains):				
- unrealised	**(423)**	1,526	**71**	-
- realised	**(943)**	(2,807)	**(958)**	-
Negative goodwill on acquisition of subsidiary	**(8,768)**	-	-	-
Gain on disposal of property, plant and equipment	**(387)**	(269)	**(46)**	(196)
Dividend income	-	-	**(2,958)**	(250)
Interest income	**(2,248)**	(1,978)	**(65)**	(26)

11. Profit before taxation *(continued)*

The cost of inventories recognised as expense during the financial year of the Group amounted to RM371,265,000 (2005: RM281,803,000) and of the Company amounted to RM7,550,000 (2005: Nil).

The amount of research and development expenses that has been charged to the consolidated income statement for the financial year amounted to RM11,079,000 (2005: RM10,739,000).

12. Taxation

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax				
- Malaysian tax	**420**	98	**420**	98
- Foreign tax	**9,310**	7,778	**-**	-
	9,730	7,876	**420**	98
Deferred tax	**(6,697)**	(10,076)	**20**	(5,899)
	3,033	(2,200)	**440**	(5,801)
Prior year's taxation:				
Income tax under provided	**-**	117	**-**	-
	3,033	(2,083)	**440**	(5,801)

Tax reconciliation between the average effective tax rate and the Malaysian tax rate is as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysian tax rate of 28%	23,613	17,520	6,030	1,357
Tax effect:				
- different tax regime	**(1,808)**	(517)	**-**	-
- share of profit of associates	**(2,559)**	(2,419)	**-**	-
- expenses not deductible for tax purposes	**2,651**	2,666	**2,309**	3,706
- income not subject to tax	**(13,300)**	(12,718)	**(7,899)**	(5,825)
- current year's tax losses not recognised	**517**	130	**-**	-
- Unrecognised temporary differences	**(6,081)**	(1,180)	**-**	-
- Previously unrecognised tax losses	**-**	(495)	**-**	-
- credited from revaluation reserve	**-**	(148)	**-**	-
- deferred tax reversed on disposal of business	**-**	(5,039)	**-**	(5,039)
- Under accrual in prior years (net)	**-**	117	**-**	-
	3,033	(2,083)	**440**	(5,801)

13. Earnings per share

(a) Basic earnings per share:

		Group 2006	Group 2005
Profit attributable to equity holders of the Company	(RM'000)	**75,318**	55,036
Elimination of interest expense on ICULS, net of tax	(RM'000)	**265**	266
	(RM'000)	**75,583**	55,302
Weighted average number of ordinary shares in issue	('000)	**205,391**	158,688
Adjustments for ICULS	('000)	**50,298**	44,425
	('000)	**255,689**	203,113
Basic earnings per share	(sen)	**29.56**	27.23

(b) Fully diluted earnings per share:

		Group 2006	Group 2005
Profit attributable to equity holders of the Company	(RM'000)	**75,318**	55,036
Elimination of interest expense on ICULS, net of tax effect	(RM'000)	**265**	266
Elimination of interest expense on RCULS, net of tax effect	(RM'000)	**3,228**	2,835
	(RM'000)	**78,811**	58,137
Weighted average number of ordinary shares in issue	('000)	**205,391**	158,688
Adjustment for ICULS	('000)	**50,298**	44,425
Adjustment for RCULS	('000)	**71,350**	67,444
	('000)	**327,039**	270,557
Fully diluted earnings per share	(sen)	**24.10**	21.49

(c) Comparative earnings per share has been restated to take into account the effect of the bonus issue in the current financial year.

Earnings per share previously reported were as follows:

		Group 2005
Basic earnings per share	(sen)	44.55
Fully diluted earnings per share	(sen)	26.56

14. Dividends

Dividend declared or proposed in respect of ordinary shares for the financial year are as follows:

	Group and Company		
	Gross dividend per share Sen	Amount of dividend, gross RM'000	Amount of dividend, net of tax RM'000
Financial year ended 31 December 2006			
First interim dividend, paid on 12 June 2006	2.0	3,303	2,378
Second interim dividend, paid on 27 November 2006	6.0	12,677	9,127
Third interim dividend, paid on 16 February 2007	2.0	4,449	3,248
	10.0	20,429	14,753
Proposed final dividend	5.0	13,742	11,516
Total dividends	15.0	34,171	26,269
Financial year ended 31 December 2005			
First interim dividend, paid on 30 September 2005	7.5	11,753	8,462
Second interim dividend, paid on 3 January 2006	4.5	7,055	5,080
	12.0	18,808	13,542
Final dividend, paid on 18 September 2006	6.0	10,543	7,591
Total dividends	18.0	29,351	21,133

At the forthcoming Annual General Meeting, the final dividend in respect of the financial year ended 31 December 2006 of 5 sen of which 2 sen per ordinary share are tax exempt and 3 sen per ordinary share less 27% tax (2005: 6 sen less 28% tax) amounting to RM11.5 million (2005: RM7.6 million) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability upon approval by shareholders.

15. Property, plant and equipment

	Freehold land RM'000	Buildings RM'000	Machinery, technical equipment and mould RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Net book value							
At 1 January 2006	22,083	70,615	57,693	54,518	1,027	3,691	209,627
Reclassification	-		43,319	(43,319)	-	-	-
Fair value adjustment *	9,656	4,979	1,008	35	-	-	15,678
Acquisition of business	-	-	-	667	-	-	667
Additions	-	401	30,632	10,673	956	6,010	48,672
Disposals	(258)	-	(273)	(499)	(261)	(65)	(1,356)
Transfers	-	-	1,638	56	-	(1,694)	-
Depreciation	-	(2,348)	(14,391)	(4,266)	(448)	-	(21,453)
Current translation	(1,430)	(28)	1,749	247	(3)	60	595
At 31 December 2006	30,051	73,619	121,375	18,112	1,271	8,002	252,430
At 31 December 2006							
Cost	30,051	98,662	250,699	58,386	2,251	8,002	448,051
Accumulated depreciation	-	(25,043)	(129,324)	(40,274)	(980)	-	(195,621)
Net book value	30,051	73,619	121,375	18,112	1,271	8,002	252,430
At 31 December 2005							
Cost	21,825	91,204	158,721	107,497	2,262	3,691	385,200
Valuation	320	-	-	-	-	-	320
Accumulated depreciation	-	(20,589)	(101,028)	(52,979)	(1,235)	-	(175,831)
Accumulated impairment losses	(62)	-	-	-	-	-	(62)
At 31 December 2005	22,083	70,615	57,693	54,518	1,027	3,691	209,627

* Arising from acquisition of additional equity interest in a subsidiary.

15. Property, plant and equipment *(continued)*

	Freehold land RM'000	Machinery, technical equipment and mould RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Company					
Net book value					
At 1 January 2006	258	-	-	117	375
Additions	-	12,719	4,242	117	17,078
Disposals	(258)	(33)	-	-	(291)
Depreciation	-	(1,016)	(318)	(34)	(1,368)
At 31 December 2006	-	11,670	3,924	200	15,794
At 31 December 2006					
Cost	-	12,683	4,242	240	17,165
Accumulated depreciation	-	(1,013)	(318)	(40)	(1,371)
Net book value	-	11,670	3,924	200	15,794
At 31 December 2005					
Valuation	320	-	-	123	443
Accumulated depreciation	-	-	-	(6)	(6)
Accumulated impairment loss	(62)	-	-	-	(62)
At 31 December 2005	258	-	-	117	375

(a) The net carrying amounts of property, plant and equipment pledged as security for borrowings are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Freehold land	**13,700**	13,700	**-**	-
Plant and machinery	**16,388**	-	**6,678**	-
	30,088	13,700	**6,678**	-

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM48,672,000 of which RM499,000 was acquired by means of hire purchase and finance lease agreement. Net book value of the Group's property, plant and equipment under hire purchase and finance lease agreements is RM434,000 (2005: Nil).

16. Intangible assets

	Goodwill RM'000	Trademarks RM'000	Development cost RM'000	Total RM'000
Group				
Net book value				
At 1 January 2006	75,789	16,325	2,363	94,477
Additions	2,340	-	1,370	3,710
Amortisation	-	-	(921)	(921)
Currency translation and others	2,905	679	97	3,681
At 31 December 2006	81,034	17,004	2,909	100,947
At 31 December 2006				
Cost	81,034	17,004	6,563	104,601
Accumulated amortisation	-	-	(3,654)	(3,654)
Net book value	81,034	17,004	2,909	100,947
At 31 December 2005				
Cost	75,789	16,325	4,581	96,695
Accumulated amortisation	-	-	(2,218)	(2,218)
Net book value	75,789	16,325	2,363	94,477

Impairment tests for goodwill and trademark

Allocation of goodwill and trademark:

Goodwill and trademark are allocated to the Group's CGUs ("Cash Generating Units") identified according to country of operation.

	Group 2006 RM'000	Group 2005 RM'000
Goodwill		
Germany	**66,809**	63,940
Japan	**11,849**	11,849
Poland	**1,479**	-
Taiwan	**897**	-
	81,034	75,789
Trademark		
Germany	**17,004**	16,325

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

16. Intangible assets *(continued)*

Key assumptions used for value-in-use calculations:

	EBIT margin		Growth rate		Discount rate	
	2006	2005	2006	2005	2006	2005
	%	%	%	%	%	%
Germany	**10.1**	10.0	**1.5**	1.5	**6.4**	6.2
Japan	**17.0**	17.0	**1.5**	1.5	**2.4**	2.4
Poland	**5.7**	-	**2.0**	-	**6.4**	-
Taiwan	**11.5**	-	**2.0**	-	**4.2**	-

EBIT - budget earnings before interest and tax
Growth rate - weighted average growth rate used to extrapolate cash flows beyond the budget period
Discount rate - tax discount rate applied to the cash flow projections

Management determined EBIT based on past performance and its expectations for the market development.

The weighted average growth rates used are consistent with the forecasts included in industry reports.

The discount rates used are pre-tax and reflect specific risks relating to the relevant country.

17. Investments in subsidiaries

	Company	
	2006	2005
	RM'000	RM'000
Quoted shares, at cost	**131,356**	131,356
Unquoted shares at cost	**52,884**	18,608
	184,240	149,964
Market value of quoted shares	**409,871**	275,422

The details of subsidiaries are as follows:

Name of company	Country of Incorporation	Effective Percentage of Ownership 2006 %	2005 %	Principal Activities
Direct subsidiaries				
Pelikan Holding AG (listed on Zurich Stocks Exchange)	Switzerland	**87.64***	87.64*	Investment holding
Pelikan Japan K.K.	Japan	**96.91***	96.91*	Distribution of stationery and office products
Productos Pelikan S.A. de C.V.@	Mexico	**93.82***	42.94*	Production and distribution of stationery and office products
Pelikan Produktions AG#	Switzerland	**100.00***	-	Investment holding
Pelikan Polska Sp.z.o.o#	Poland	**100.00***	-	Distribution of stationery and office products
Pelikan Middle East FZE#	United Arab	**100.00***	-	Distribution of stationery and office products
Pelikan Singapore Pte Ltd#	Singapore	**100.00***	-	Distribution of stationery and office products
Pelikan Taiwan Co Ltd #	Taiwan	**100.00***	-	Distribution of stationery and office products
Pelikan Trading (Shanghai) Co Ltd#	China	**100.00***	-	Distribution of stationery and office products

17. Investments in subsidiaries *(continued)*

Name of company	Country of Incorporation	Effective Percentage of Ownership 2006 %	2005 %	Principal Activities
PT Pelikan Indonesia#	Indonesia	**99.00***	-	Distribution of stationery and office products
Pelikan Production (M) Sdn Bhd (formerly known as Quick Quest (M) Sdn Bhd)#	Malaysia	**100.00**	-	Dormant
Indirect subsidiaries				
Pelikan Faber-Castell (Schweiz) AG	Switzerland	65.73*	65.73*	Distribution of stationery and office products
Günther Wagner SA	Switzerland	87.64*	87.64*	Dormant
Pelikan GmbH	Germany	87.64*	87.64*	Investment holding
Pelikan Vertriebsgesellschaft mbH & Co. KG	Germany	87.64*	87.64*	Distribution of stationery and office products
Pelikan PBS-Produktionsgesellschaft mbH & Co. KG	Germany	87.64*	87.64*	Production of stationery and office products
Kreuzer Produktion + Vertrieb GmbH	Germany	87.64*	87.64*	Dormant
Pelikan PBS-Produktion Verwaltungs-GmbH	Germany	87.64*	87.64*	Dormant
Pelikan Vertrieb Verwaltungs-GmbH	Germany	87.64*	87.64*	Dormant
Pelikan Verwaltungs-GmbH	Germany	87.64*	87.64*	Dormant
Pelikan Italia S.p.a.	Italy	87.64*	87.64*	Distribution of stationery and office products
Pelikan Benelux N.V./ S.A.	Belgium	87.64*	87.64*	Distribution of stationery and office products
Pelikan Hellas E.P.E.	Greece	87.64*	87.64*	Distribution of stationery and office products
Pelikan Austria Ges.m.b.H.	Austria	87.64*	87.64*	Investment holding
G. Wagner Pelikan Maatschappij B.V.	Netherlands	87.64*	87.64*	Investment holding
Pelikan, Inc.	USA	87.64*	87.64*	Dormant
Pelikan Asia Sdn. Bhd.	Malaysia	87.64	87.64	Distribution of stationery and office products

* Not audited by Ong Boon Bah & Co.
@ On 15 March 2006, the Company acquired the remaining 51.03% equity interest in Productos Pelikan Production S.A. de C.V., Mexico, an indirect subsidiary for a total purchase consideration of RM31,873,000 (USD8,500,000) satisfied by cash. Negative goodwill of RM8,768,000 arising from the acquisition was credited to the income statement in the current financial year. Productos Pelikan Production S.A. de C.V., Mexico was previously consolidated despite lower than 50% equity interest held by the Group by virtue of management control.
\# Newly incorporated subsidiaries.

The Company's investment in subsidiaries amounting to RM108,931,000 has been pledged as security for borrowings.

18. Investments in associates

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Quoted shares, at cost	**64,158**	64,158	**64,158**	64,158
Unquoted shares, at cost	**21,315**	21,158	**300**	-
Share of post acquisition reserves	**13,950**	8,156	**-**	-
Currency translation	**(1,633)**	(2,017)	**-**	-
	97,790	91,455	**64,458**	64,158
Group's share of net assets	**97,790**	91,455		
Market value of quoted shares	**46,000**	20,500	**46,000**	20,500

The Group's share of aggregate amounts of current assets, current liabilities, revenues and net profit of the associates are as follows:

	Group 2006 RM'000	Group 2005 RM'000
Current assets	**56,744**	62,068
Non-current assets	**90,984**	99,812
Current liabilities	**(40,789)**	(56,002)
Non-current liabilities	**(9,149)**	(14,423)
	97,790	91,455
Revenue	**89,772**	80,228
Profit for the financial year	**9,873**	8,639
Share of contingent liabilities	**2,407**	3,983

The details of associates:

Name of company	Country of Incorporation	Effective Percentage of Ownership 2006 %	Effective Percentage of Ownership 2005 %	Principal Activities
Direct associates				
Konsortium Logistik Berhad (listed on Bursa Malaysia Securities Berhad)	Malaysia	**20.77***	20.77 *	Logistics and related services
Pelikan (Thailand) Co Ltd @	Thailand	**49.00***	49.00*	Distribution of stationery and office supplies
Indirect associates				
Columbia Pelikan PTY Limited	Australia	**35.06***	35.06*	Production and distribution of stationery and office products

18. Investments in associates *(continued)*

Name of company	Country of Incorporation	Effective Percentage of Ownership 2006 %	2005 %	Principal Activities
Faber-Castell Pelikan Austria GmbH	Austria	**43.82***	43.82*	Distribution of stationery and office products
Indistri S.A.	Colombia	**17.53***	17.53*	Production and distribution of stationery and office products
QUADRIGA plus GmbH	Germany	**21.91***	21.91*	Dormant
Henkel-Pelikan Office Products Ltd.	Greece	**42.94***	42.94*	Dormant
Artof C.A.	Venezuela	**21.91***	21.91*	Dormant

* Not audited by Ong Boon Bah & Co.
@ Acquired for cash consideration of RM300,000 during the financial year.

19. Long term investments

	Group 2006 RM'000	2005 RM'000
Quoted shares, at cost	**2,638**	2,539
Less: Allowance for diminution in value	**(125)**	-
	2,513	2,539
Unquoted shares, at cost	**47**	52
	2,560	2,591
Market value of quoted shares	**2,513**	2,555

20. Pension Trust Fund

	Group and Company 2006 RM'000	2005 RM'000
Current	**26,997**	26,130
Non-current	**186,903**	187,770
	213,900	213,900

Pursuant to the acquisitions of Pelikan Holding AG Group ("PHAG Group") in 2005, part of the defined benefits retirement plans of the PHAG Group in Germany ("Removable Pension Liabilities") is now funded by an external Pension Trust Fund created for this purpose, whilst the Company is assuming the balance of the said Removable Pension Liabilities fixed in Ringgit Malaysia as at the completion date of the acquisitions of PHAG Group. If the assets in the Pension Trust Fund are capable of paying the entire Removable Pension Liabilities, the Removable Pension Liabilities assumed by the Company will be relinquished.

20. Pension Trust Fund *(continued)*

	Group and Company 2006 RM'000	Group and Company 2005 RM'000
Liabilities funded by Pension Trust Fund	**172,647**	176,969
Liabilities assumed by the Company	**65,087**	65,087
	237,734	242,056
Other post employment benefit obligations of the Group	**33,275**	27,859
Total post employment benefit obligations	**271,009**	269,915

As at 31 December 2006, the value of the Pension Trust Fund was higher than the liabilities assumed by the Pension Trust Fund and the liabilities assumed by the Company.

21. Deferred tax assets/(liabilities)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets	**18,898**	11,159	**1,547**	2,380
Deferred tax liabilities				
- subject to income tax	**(5,734)**	(2,753)	**(1,463)**	(2,408)
- subject to capital gains tax	**(4,246)**	(4,424)	**-**	-
	(9,980)	(7,177)	**(1,463)**	(2,408)
	8,918	3,982	**84**	(28)
At 1 January	**3,982**	(5,894)	**(28)**	(5,894)
Acquisition of subsidiaries	**-**	828	**-**	-
Credited/ (charged) to income statement				
- tax losses	**6,079**	1,181	**-**	-
- property, plant and equipment	**2,233**	6,422	**-**	5,894
- inventories	**(621)**	2,211	**-**	-
- others	**(994)**	262	**(20)**	5
	6,697	10,076	(20)	5,899
Currency translation and others	**(1,893)**	(995)	**-**	-
Deferred tax on ICULS/RCULS	**132**	(33)	**132**	(33)
At 31 December	**8,918**	3,982	**84**	(28)

21. Deferred tax assets/(liabilities) *(continued)*

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Subject to income tax:				
Deferred tax assets				
Tax losses	**17,396**	7,957	**-**	-
ICULS/ RCULS	**1,547**	2,380	**1,547**	2,380
Others	**(45)**	822	**-**	-
	18,898	11,159	**1,547**	2,380
Deferred tax liabilities:				
Property, plant and equipment	**(7,472)**	(5,309)	**-**	-
ICULS/ RCULS	**(1,463)**	(2,408)	**(1,463)**	(2,408)
Others	**3,201**	4,964	**-**	-
	(5,734)	(2,753)	**(1,463)**	(2,408)
Subject to capital gains tax:				
Deferred tax liabilities:				
Property, plant and equipment	(4,246)	(4,424)	-	-

The tax effect of the amount of unutilised tax losses, capital allowances and deductible temporary differences on property, plant and equipment for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Unutilised tax losses and capital allowances	**417,931**	422,087	**-**	-

22. Inventories

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
At cost				
Raw materials	**26,489**	14,876	**7,080**	-
Work in progress	**31,800**	26,436	**2,126**	-
Finished goods	**97,704**	73,515	**4,192**	-
	155,993	114,827	**13,398**	-
At net realisable value				
Finished goods	**12,791**	22,014	**-**	-
	168,784	136,841	**13,398**	-

23. Receivables, deposits & prepayments

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Trade receivables	**169,817**	126,850	**6,421**	-
Allowance for doubtful debts	**(3,920)**	(4,219)	**-**	-
	165,897	122,631	**6,421**	-
Amounts receivables from:				
- Subsidiaries	**-**	-	**12,590**	4,035
- Former ultimate holding company	**-**	29,729	**-**	-
- Associates	**6,012**	5,869	**1,582**	3,698
- Others	**8,905**	8,335	**332**	22
Prepayments	**6,069**	976	**4,655**	-
Sundry deposits	**169**	184	**-**	-
	187,052	167,724	**25,580**	7,755

The fair values of trade and other receivables closely approximate their book value.

Credit terms offered by the Group in respect of trade receivables range from 30 to 120 days (2005: 30 to 110 days) from date of invoices. Amounts receivable from subsidiaries and associates are unsecured, interest free and repayable within one year.

The currency exposure profile of receivables, deposits and prepayments is as follows:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
- RM	**17,806**	12,474	**20,122**	7,755
- EUR	**118,531**	98,745	**5,317**	-
- CHF	**15,832**	28,007	**-**	-
- MXN	**10,832**	11,558	**-**	-
- JPY	**3,763**	7,638	**-**	-
- USD	**14,001**	9,302	**141**	-
- PLN	**4,134**	-	**-**	-
- SGD	**1,857**	-	**-**	-
- TWD	**137**	-	**-**	-
- CNY	**159**	-	**-**	-
	187,052	167,724	**25,580**	7,755

24. Cash and cash equivalents

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Deposits with licensed banks	**4,734**	8,038	**4,734**	5,800
Bank and cash balances	**34,229**	34,094	**711**	770
Deposits, bank and cash balances	**38,963**	42,132	**5,445**	6,570
Bank overdrafts (note 29)	**(9,343)**	(20,026)	**-**	-
	29,620	22,106	**5,445**	6,570

Effective interest rates per annum of deposits as at balance sheet date were as follows:

	Group 2006 %	Group 2005 %	Company 2006 %	Company 2005 %
Deposits with licensed banks	**3.15 - 3.40**	2.10 - 2.80	**3.15 - 3.40**	2.10 - 2.80

Deposits with licensed banks of the Company include deposit maintained as security for borrowings amounting to RM1,237,000 (2005: Nil).

The deposits of the Group and Company as at 31 December 2006 have maturity periods ranging between overnight and one month.

Bank balances of the Group and Company are held at call.

The currency exposure profile of cash and cash equivalents is as follows:

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
- RM	**9,979**	7,079	**5,445**	6,570
- EUR	**3,067**	(11,990)	**-**	-
- CHF	**3,210**	3,515	**-**	-
- MXN	**1,754**	12,637	**-**	-
- JPY	**1,153**	1,620	**-**	-
- USD	**11,917**	9,245	**-**	-
- PLN	**(2,253)**	-	**-**	-
- CNY	**240**	-	**-**	-
- TWD	**132**	-	**-**	-
- SGD	**421**	-	**-**	-
	29,620	22,106	**5,445**	6,570

25. Share capital

	Group and Company 2006 RM'000	2005 RM'000
Authorised:		
Ordinary shares of RM1.00 each	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At 1 January	**158,867**	35,000
Issued during the financial year		
- bonus issue	**35,144**	11,667
- acquisition of subsidiaries	**-**	96,707
- exercise of ICULS	**8,573**	15,458
- exercise of RCULS	**18,937**	35
At 31 December	**221,521**	158,867

On 25 September 2006, the Company made a bonus issue of 35,143,967 new ordinary shares of RM1.00 each on the basis of one (1) new share for every five (5) existing shares held.

During the financial year, the number of new ordinary shares of RM1.00 each issued by the Company by virtue of the conversion of ICULS and RCULS are as follows :

	Number of shares
- issued at conversion price of RM1.50 per share	16,852,825
- issued at conversion price of RM1.25 per share	10,656,800
	27,509,625

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company except that they will not be entitled to any rights, dividend and/ or distributions, the entitlement date of which is prior to the date of allotment of such new shares.

26. Retained earnings

There are sufficient Section 108 tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all its retained earnings as at 31 December 2006 subject to the agreement by the Inland Revenue Board. In addition, the Company has tax exempt account available to frank tax exempt dividends amounting to approximately RM15 million (2005: RM15 million) as at 31 December 2006, subject to the agreement by the Inland Revenue Board.

27. Post employment benefit obligations

The Group operates mainly an unfunded final salary defined benefits retirement plans for its employees. The latest actuarial valuations of the plans were carried out in 2006.

	Removable Pension Liabilities: Funded by Pension Trust Fund RM'000	Removable Pension Liabilities: Assumed by the Company RM'000	Others RM'000	Group Total RM'000
At 31 December 2006				
Current	13,351	-	1,111	14,462
Non-current	159,296	65,087	32,164	256,547
	172,647	65,087	33,275	271,009
At 31 December 2005				
Current	13,658	-	1,171	14,829
Non-current	163,311	65,087	26,688	255,086
	176,969	65,087	27,859	269,915

Pursuant to the acquisitions of Pelikan Holding AG Group ("PHAG Group") in 2005, part of the defined benefits retirement plans of the PHAG Group in Germany ("Removable Pension Liabilities") is now funded by an external Pension Trust Fund created for this purpose, whilst the Company is assuming the balance of the said Removable Pension Liabilities fixed in Ringgit Malaysia as at the completion date of the acquisitions of PHAG Group. If the assets in the Pension Trust Fund are capable of paying the entire Removable Pension Liabilities, the Removable Pension Liabilities assumed by the Company will be relinquished.

The movements during the financial year in the amounts recognised in the the consolidated balance sheet are as follows:

	Removable Pension Liabilities: Funded by Pension Trust Fund RM'000	Removable Pension Liabilities: Assumed by the Company RM'000	Others RM'000	Group Total RM'000
At 1 January 2005	-	-	1,223	1,223
Acquisition of subsidiaries	212,647	65,087	29,891	307,625
Expenses charged to income statement	10,026	-	1,030	11,056
Disposal of business	-	-	(1,267)	(1,267)
Utilised during the financial year	(20,647)	-	(410)	(21,057)
Currency translation	(25,057)	-	(2,608)	(27,665)
At 31 December 2005	176,969	65,087	27,859	269,915
Reclassification from payables	-	-	3,513	3,513
Expenses charged to income statement	12,956	-	315	13,271
Utilised during the financial year	(26,909)	-	(561)	(27,470)
Currency translation and others	9,631	-	2,149	11,780
At 31 December 2006	172,647	65,087	33,275	271,009

27. Post employment benefit obligations *(continued)*

The amount recognised in the consolidated balance sheet may be analysed as follows:

	Group	
	2006	**2005**
	RM'000	**RM'000**
Present value of funded obligations	**1,646**	1,487
Fair value of plan assets	**(463)**	(483)
Status of funded plan	**1,183**	1,004
Present value of unfunded obligations	**299,748**	294,472
Unrecognised actuarial losses	**(29,922)**	(26,798)
Unrecognised past service cost	**-**	1,237
	271,009	269,915

The amount recognised in the consolidated income statement may be analysed as follows:

Current service cost	**527**	171
Interest cost	**12,745**	10,816
Amortisation of transitional liability	**(25)**	13
Expected return on plan assets	**24**	(3)
Unrecognised past service cost	**-**	59
Total included in staff costs	**13,271**	11,056

The principal actuarial assumptions used in respect of the Group's defined benefit plans were as follows:

	Group	
	2006	**2005**
	%	**%**
Discount rate	**4.00 - 5.50**	4.25 - 4.50
Expected return on plan assets	**5.50**	5.00
Expected rate of salary increases	**1.50 - 2.50**	1.50 - 2.50

28. Provisions

	Warranty RM'000	Employee related benefits RM'000	Group Total RM'000
At 1 January 2006	1,952	21,877	23,829
Charged to income statement	-	1,920	1,920
Utilised during the financial year	-	(6,599)	(6,599)
Currency translation and others	77	(743)	(666)
At 31 December 2006	2,029	16,455	18,484
At 31 December 2006			
Current	1,396	2,663	4,059
Non-current	633	13,792	14,425
	2,029	16,455	18,484
At 31 December 2005			
Current	1,343	3,170	4,513
Non-current	609	18,707	19,316
	1,952	21,877	23,829

29. Borrowings

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current				
Revolving credits	**21,294**	1,344	**20,363**	-
Discounted bills	**19,628**	3,271	**-**	-
Short term loans	**36,214**	11,187	**-**	-
Bank overdrafts	**9,343**	20,026	**-**	-
Hire purchase and lease payables	**81**	-	**-**	-
Term loans	**7,979**	-	**7,979**	-
	94,539	35,828	**28,342**	-
Non-current				
Hire purchase and lease payables	**362**	-	**-**	-
Term loans	**51,016**	-	**51,016**	-
	51,378	-	**51,016**	-
Total				
Revolving credits	**21,294**	1,344	**20,363**	-
Discounted bills	**19,628**	3,271	**-**	-
Short term loans	**36,214**	11,187	**-**	-
Bank overdrafts	**9,343**	20,026	**-**	-
Hire purchase and lease payables	**443**	-	**-**	-
Term loans	**58,995**	-	**58,995**	-
	145,917	35,828	**79,358**	-

29. Borrowings *(continued)*

Contractual terms of borrowings:

	Effective interest rate %	Functional currency	Total carrying amount RM'000	Maturity profile < 1 year RM'000	Maturity profile 1- 5 years RM'000
Group					
2006					
Unsecured					
Revolving credits	6.54	EUR	931	931	-
Short term loans	3.85 - 4.75	EUR	13,871	13,871	-
Bank overdraft	5.95 - 8.10	EUR	9,343	9,343	-
			24,145	24,145	-
Secured					
Revolving credits	5.45 - 5.96	RM	11,000	11,000	-
Revolving credits	5.46 - 5.91	EUR	9,363	9,363	-
Discounted bills	3.85 - 8.00	EUR	19,628	19,628	-
Short term loans	5.70 - 6.32	EUR	22,343	22,343	-
Term loan	4.91 - 5.79	EUR	25,885	7,979	17,906
Term loan	6.56 - 7.08	USD	25,516	-	25,516
Term loan	5.40 - 5.85	RM	7,594	-	7,594
Hire purchase and lease payables	7.55 - 11.81	PLN	443	81	362
			121,772	70,394	51,378
			145,917	94,539	51,378
2005					
Unsecured					
Revolving credits	4.78	EUR	1,344	1,344	-
Short term loans	3.35	EUR	4,473	4,473	-
Bank overdraft	3.15 - 6.25	EUR	6,014	6,014	-
			11,831	11,831	-
Secured					
Short term loans	4.44	EUR	6,714	6,714	-
Discounted bills	3.75 - 8.25	EUR	3,271	3,271	-
Bank overdraft	3.10 - 6.50	EUR	14,012	14,012	-
			23,997	23,997	-
			35,828	35,828	-

29. Borrowings *(continued)*

Contractual terms of borrowings:

	Effective interest rate %	Functional currency	Total carrying amount RM'000	Maturity profile < 1 year RM'000	1- 5 years RM'000
Company					
2006					
Secured					
Revolving credits	5.45 - 5.96	RM	11,000	11,000	-
Revolving credits	5.46 - 5.91	EUR	9,363	9,363	-
Term loan	4.91 - 5.79	EUR	25,885	7,979	17,906
Term loan	6.56 - 7.08	USD	25,516	-	25,516
Term loan	5.40 - 5.85	RM	7,594	-	7,594
			79,358	28,342	51,016

Hire purchase and lease payables:

	Group 2006 RM'000	2005 RM'000
Minimum hire purchase and lease payment:		
- Not later than 1 year	130	-
- Later than 1 year and not later than 5 years	437	-
	567	-
Future finance charges	(124)	-
	443	-
Present value of hire purchase and lease payables:		
- Not later than 1 year	81	-
- Later than 1 year and not later than 5 years	362	-
	443	-

Discounted bills are secured over the subsidiaries' receivables.

Short term loans and bank overdrafts are secured over the subsidiary's property, plant and equipment as disclosed in note 15.

The term loans and revolving credits are secured by a legal charge over the property, plant and equipment as disclosed in note 15, investment in subsidiaries as disclosed in note 17, deposits with licensed banks as disclosed in note 24 and a debenture created a fixed and floating charge over all the assets rights and interest, both present and future of the Company except for the quoted investment in associate.

Hire purchase and lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

30. Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and Redeemable Convertible Unsecured Loan Stocks ("RCULS")

On 8 April 2005, the Company issued 98,900,000 5-year 3% ICULS at a nominal value of RM1.00 each and 115,000,000 5-year 3% RCULS at a nominal value of RM1.00 each. The ICULS and RCULS are constituted by the Trust Deeds dated 5 April 2005 entered into between the Company and the trustee, AmTrustee Berhad. The salient features of the ICULS/RCULS are set out below:-

(a) The ICULS/ RCULS bear interest at 3% per annum payable annually on 8 April calculated in respect of the period commencing from date of the issue of ICULS/ RCULS on 8 April 2005.

(b) The registered holders of the ICULS/ RCULS have the option at any time from issue date on 8 April 2005 till 8 April 2010 ("Maturity Date") to convert the ICULS/ RCULS into new ordinary shares in the Company at RM1.25 nominal amount of the ICULS/ RCULS respectively per ordinary share of RM1.00 each (hereinafter referred to as "Conversion Price"). The Conversion Price will be subject to adjustment under certain circumstances in accordance with the provision of the Trust Deeds dated 5 April 2005. Such circumstances being a change in the par value of the shares, a bonus issue, a capital distribution, a rights issue, and an issue of shares by the Company where the total effective consideration for each share is less than 90% of the current market price for each share. The original conversion price was RM1.50 adjusted to RM1.25 to take into account the Bonus Issue of 1 for 5 on 25 September 2006.

(c) Any outstanding ICULS will automatically be converted into new ordinary shares by the Company on 8 April 2010 at the conversion mode stated in (b). The ICULS will not be redeemable by the Company in cash.

(d) Unless otherwise converted, the Company shall redeem all outstanding RCULS in cash at 100% of their nominal value on the Maturity Date. There shall be no early redemption of the RCULS. However, the RCULS shall immediately be repayable if the Company does not comply with the terms of payment under the Trust Deed constituting the RCULS subject to any applicable grace periods or cure period therein.

(e) The ICULS/ RCULS shall be direct, unsecured and unconditional obligations of the Company and shall rank pari passu in all respects, without priority amongst the respective holders and with all other present and future unsecured and unsubordinated obligations of the Company from time to time outstanding, but shall be subordinated to all other obligations and liabilities of the Company which are preferred solely by the laws of Malaysia.

(f) The new shares allotted and issued upon conversion of the ICULS/ RCULS will be considered as fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company, except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the allotment date of such new shares.

(g) The ICULS/RCULS are listed on the Bursa Malaysia Securities Berhad.

(h) The RCULS are rated by Rating Agency Malaysia Berhad with a long term rating of A_2. A rating of "A" denotes adequate safety for timely payment of interest and principal. However, it is more susceptible to changes in circumstances and economic conditions than debts in higher rated categories. The subscript “2” indicates a mid ranking.

30. Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and Redeemable Convertible Unsecured Loan Stocks ("RCULS") *(continued)*

The liability components of ICULS and RCULS recognised in the balance sheet are as follows:

	ICULS RM'000	RCULS RM'000	Total RM'000
Nominal value at date of issue	98,900	115,000	213,900
Equity conversion component	(89,651)	(7,170)	(96,821)
Deferred tax asset/ (liability)	3,597	(2,788)	809
Liability component on initial recognition	12,846	105,042	117,888
Interest expense accrued	(1,704)	(2,586)	(4,290)
Conversion during the financial year	(3,387)	331	(3,056)
Interest expense	370	3,936	4,306
Deferred tax income/ (expense)	374	(379)	(5)
Liability component as at 31 December 2005	8,499	106,344	114,843
Interest expense accrued/ paid	(2,030)	(2,892)	(4,922)
Conversion during the financial year	(1,828)	(23,476)	(25,304)
Interest expense	368	4,483	4,851
Deferred tax income/ (expense)	516	(496)	20
Liability component as at 31 December 2006	5,525	83,963	89,488
At 31 December 2006			
Current	1,650	2,340	3,990
Non-current	3,875	81,623	85,498
	5,525	83,963	89,488
At 31 December 2005			
Current	2,086	3,166	5,252
Non-current	6,413	103,178	109,591
	8,499	106,344	114,843

Interest expense on the ICULS/ RCULS is calculated on the effective yield basis by applying the interest rate of 5% per annum.

31. Payables

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Trade payables	**47,900**	47,149	**2,217**	-
Amounts payable to:				
- Subsidiaries	**-**	-	**10,895**	5,969
- Associates	**595**	1,298	**162**	-
Accruals:				
- Staff costs	**16,449**	13,737	**559**	717
- Bonus to customers	**9,929**	9,618	**-**	-
- ICULS/RCULS interest	**3,476**	4,290	**3,476**	4,290
Other payables and accruals	**25,264**	30,022	**5,062**	7,381
Dividends payable	**3,248**	5,080	**3,248**	5,080
	106,861	111,194	**25,619**	23,437

The fair values of trade and other payables closely approximate their book value.

Credit terms of trade payables granted to the Group and Company vary from no credit to 90 days (2005: no credit to 90 days). Amounts payable to subsidiaries and associates are unsecured, interest free and payable within one year.

The currency exposure profile of payables is as follows:

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
- RM	**13,829**	21,507	**24,582**	23,437
- EUR	**66,354**	70,752	**17**	-
- CHF	**6,120**	3,791	**868**	-
- MXN	**10,517**	8,427	**-**	-
- JPY	**1,081**	1,684	**-**	-
- USD	**6,781**	5,033	**152**	-
- PLN	**828**	-	**-**	-
- SGD	**1,061**	-	**-**	-
- TWD	**32**	-	**-**	-
- CNY	**258**	-	**-**	-
	106,861	111,194	**25,619**	23,437

32. Capital commitments

	Group and Company 2006 RM'000	Group and Company 2005 RM'000
Capital commitments authorised and contracted for:		
Property, plant and equipment	**2,932**	2,775

33. Non-cancellable operating lease commitments

	Group	
	2006	**2005**
	RM'000	**RM'000**
Future minimum lease payments:		
Not later than 1 year	**11,049**	9,993
Later than 1 year and not later than 5 years	**28,331**	30,221
Later than 5 years	**2,746**	2,587
	42,126	42,801

34. Contingent liabilities

A claim has been made against the Company, in relation to the previous logistics business undertaking disposed in April 2005 in the Industrial Court by some ex-employees of the Company alleging that their dismissals were without just cause or excuse and/or in breach of natural justice. The claimants pray for reinstatement and/or compensation in lieu thereof for wrongful dismissal, loss of earnings, termination benefits, bonus, allowance and payments at an aggregate sum of up to RM7,417,197.89 due to them. The Company in consultation with its solicitors are of the opinion that the case filed is without merit. The hearing at the Industrial Court was held on 26 January 2007 and are now awaiting judgement.

In relation to the contingent liability of the Company as disclosed above, pursuant to the Sale of Business Agreement entered into between Konsortium Logistik Berhad ("KLB") and the Company dated 16 November 2001 in respect of the disposal of the entire previous logistics business undertaking of the Group, KLB has agreed to assume and undertakes to be responsible for any and all liabilities relating to the previous logistics business undertaking disposed, including all liabilities pursuant to any claims, litigation, arbitration, prosecution or mediation or other legal proceedings against or involving the Company and relating to the business undertaking of the Company being disposed of to KLB, whether made or commenced prior to or on the completion date of the disposal of the entire previous logistics business undertaking by the Group to KLB.

35. Significant related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, significant related party transactions entered into by the Group during the financial year ended 31 December 2006 are set out below. These transactions were carried out on terms, conditions and prices obtainable in transactions with unrelated parties.

	Group	
	2006	**2005**
	RM'000	**RM'000**
Sales of goods to associates:		
- Faber-Castell Pelikan Austria Ges.m.b.H	**7,592**	7,660
- Indistri S.A.	**96**	140
- Columbia Pelikan PTY Limited	**279**	150
- Pelikan (Thailand) Co Ltd	**853**	-
Sales of stationery and office supplies to KLB group	**608**	499
Purchase of logistics services from KLB group	**604**	218
Rental of buildings from KLB group	**213**	160
Sale of data/ video projectors and related office equipment to Geha	**-**	1,622

KLB group (Konsortium Logistik Berhad and its subsidiaries) is an associate of the Group. Loo Hooi Keat, a Director and major shareholder of the Company, is also a Director and substantial shareholder of KLB.

35. Significant related party transactions *(continued)*

Geha (Geha-Werke GmbH) 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.

36. Subsequent events

(a) On 26 January 2007, the Company completed the acquisition of 4,738,318 ordinary shares of CHF1.50 each and 44,000 ordinary participation receipts of CHF1.50 each in Pelikan Hardcopy Holding AG ("PHH"), representing 100% of the equity interest in PHH and a subordinated shareholder loan owing by PHH amounting to EUR15,767,000 (RM73,286,593) for a total cash consideration of EUR2,285,001 and CHF500,000 (RM11,905,000 in total). PHH, incorporated in Switzerland, is one of the largest independent non-OEM ("Original Equipment Manufacturer") and distributor of imaging supplies and printer accessories (such as inkjet, toner, thermal transfer, office media and impact cartridges) in Europe with a recognised brand name. PHH has subsidiaries in Germany, Switzerland, Scotland, China, Czech Republic and Austria. The acquisition is the last leg of the plan towards re-consolidating the PELIKAN brand name. With this acquisition, the Company effectively resumed the ownership of the entire PELIKAN brand name.

	RM'000
Purchase consideration:	
- cash consideration	11,905
- expenses directly attributable to the acquisition	2,189
Cost of acquisition	14,094

(a) Details of net assets acquired and goodwill arising from the acquisition is as follows:

	RM'000
Property, plant and equipment	98,883
Long term investments	100
Inventories	80,418
Receivables, deposits and prepayments	108,229
Deposits, bank and cash balances	18,820
Post employment benefit obligations	(27,132)
Provisions	(3,307)
Borrowings	(51,311)
Deferred tax liabilities	(3,749)
Payables	(165,844)
Bank borrowings	(24,239)
Fair value of identifiable net assets acquired	30,868
Goodwill determined provisionally	(16,774)
Cost of acquisition	14,094

Contingent liabilities:

(i) In the ordinary course of business, the business of PHH group (hereinafter referred to as the "Hardcopy business"), is involved in several lawsuits. The Group is of the view that litigation matters are an inherent part of the Hardcopy business. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material adverse effect on the Group's financial statements. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers ("OEM") in relation to perceived breach of patents. There are seven significant patent cases with an assessed potential maximum exposure of EUR13.5million (RM62.9 million). Historically the Group has been successful in defending all such cases and management remains confident that these claims can be successfully defended other than a case involving a maximum exposure of EUR500,000 as per solicitors' view.

36. Subsequent events *(continued)*

(ii) Based on the latest actuaries assumption as at 31 December 2006, PHH's wholly owned subsidiary, Pelikan Hardcopy Scotland Limited ("PHSL")'s retirement fund has GBP17.2 million (RM117.0 million) assets to meet pension liabilities of GBP26.2 million (RM178.24 million). According to the International Accounting Standards 19 ("IAS 19"), GBP1.4 million (RM9.5 million) has been recognised as a pension liability in the consolidated financial statements of PHH for the financial year ended 31 December 2006. The Group is of the opinion that there is no immediate obligation to pay out the shortfall in full in the foreseeable future. The Group believes that the operational cash flow of PHH group and the assets in the retirement fund of PHSL are sufficient to finance the payouts to the eligible pensioners.

(b) On 16 April 2007, a subsidiary of the Company, Pelikan Holding AG completed the acquisition of 90% of the equity interest in German Hardcopy AG ("GHAG"), incorporated in Germany for a cash consideration of RM27,959,000 (EUR6,000,000). The remaining 10% shares are held by GHAG. GHAG has 2 subsidiaries, one in Germany and another in Bosnia. The principal activities of GHAG is the manufacturing and distribution of hardcopy related products (printer consumables such as inkjet, toner, thermal transfer, office media and impact cartridges) under the Geha, Emtec, Boeder and I-change trademarks as well as OEM printer supplies and assortment. The Group is the owner of Geha brand name. The acquisition is expected to realise the full potential of this brand with direct investment as opposed to brand licensing.

As this is a recent acquisition, it was not practicable to disclose information on the fair value of net identifiable assets acquired and the resultant goodwill arising on this acquisition. The operating results, assets and liabilities of GHAG will be consolidated using the acquisition method with effect from 16 April 2007.

Analysis of Shareholdings as at 30 April 2007

Authorised Share Capital : RM500,000,000

Issued And Paid-Up Capital : RM274,839,241

Class of Shares : Ordinary Shares of RM1.00 each

Voting Rights : One (1) vote per Ordinary Share

Statement of Directors' Shareholdings as at 30 April 2007

	No. of Ordinary Shares held			
Name of Directors	**Direct Interest**	**%**	**Indirect Interest**	**%**
1. Loo Hooi Keat	466,680	0.17	39,901,610##	14.52
2. Syed Hussin bin Shaikh Al Junid	-	-	-	-
3. Haji Abdul Ghani bin Ahmad	-	-	-	-
4. Tan Sri Musa bin Mohamad	-	-	-	-
5. Yap Kim Swee	-	-	-	-

Notes:
Deemed interested by virtue of his daughter, Loo Phik Yin and substantial shareholdings in PBS Office Supplies Holding Sdn Bhd and Mahir Agresif (M) Sdn Bhd.

	No. of Irredeemable Convertible Unsecured Loan Stock ("ICULS") held			
Name of Directors	**Direct Interest**	**%**	**Indirect Interest**	**%**
1. Loo Hooi Keat	-	-	-	-
2. Syed Hussin bin Shaikh Al Junid	-	-	-	-
3. Haji Abdul Ghani bin Ahmad	-	-	-	-
4. Tan Sri Musa bin Mohamad	-	-	-	-
5. Yap Kim Swee	-	-	-	-

	No. of Irredeemable Convertible Unsecured Loan Stock ("RCULS") held			
Name of Directors	**Direct Interest**	**%**	**Indirect Interest**	**%**
1. Loo Hooi Keat	-	-	85,403,700 ^	99.99
2. Syed Hussin bin Shaikh Al Junid	-	-	-	-
3. Haji Abdul Ghani bin Ahmad	-	-	-	-
4. Tan Sri Musa bin Mohamad	-	-	-	-
5. Yap Kim Swee	-	-	-	-

Notes:
^ Deemed interested by virtue of substantial shareholdings in PBS Office Supplies Holding Sdn Bhd and Mahir Agresif (M) Sdn Bhd.

Statement of Substantial Shareholdings as at 30 April 2007

Name of Substantial Shareholders	No. of Ordinary Shares held Direct Interest	%	Indirect Interest	%
1. PBS Office Supplies Holding Sdn Bhd ("PBS Office")	11,849,312	4.31	13,585,923*	4.94
2. Loo Hooi Keat	466,680	0.17	39,901,610**	14.52
3. Marktrade Sdn Bhd	-	-	25,435,235#	9.25
4. Teoh Suat Ean	-	-	26,310,914##	9.57
5. Peringkat Prestasi (M) Sdn Bhd	-	-	27,623,835@	10.05
6. Mirzan bin Mahathir	-	-	27,623,835@@	10.05
7. Pembinaan Redzai Sdn Bhd	18,000,001	6.55	-	-
8. Tan Sri Datuk Gnanalingam A/L Gunanathlingam	-	-	18,000,001+	6.55
9. Ahmayuddin bin Ahmad	-	-	18,000,001+	6.55
10. Arisaig Asean Fund Limited	24,704,300	8.99	-	-
11. Lembaga Tabung Haji	25,929,320	9.43	-	-
12. Goldman Sachs International	20,749,380	7.55	-	-
13. The Goldman Sachs Group, Inc	-	-	20,749,380++	7.55
14. Mahir Agresif (M) Sdn Bhd	14,057,376	5.11	-	-

Notes:

* Deemed interested by virtue of substantial shareholdings in PBS Office Supplies Pte Ltd and the pension trust fund set up by PBS Office to provide for pension payments to entitled persons in relation to the acquisition of Pelikan Holding AG by the Company on 8 April 2005.

** Deemed Interested by virtue of his daughter, Loo Phik Yin and substantial shareholdings in PBS Office and Mahir Agresif (M) Sdn Bhd.

Deemed interested by virtue of substantial shareholdings in PBS Office.

Deemed Interested by virtue of her husband, Loo Hooi Keat, daughter, Loo Phik Yin and substantial shareholdings in Marktrade Sdn Bhd.

@ Deemed Interested by virtue of substantial shareholdings in PBS Office and Konsortium Logistik Berhad.

@@ Deemed Interested by virtue of substantial shareholdings in Peringkat Prestasi (M) Sdn Bhd.

\+ Deemed Interested by virtue of substantial shareholdings in Pembinaan Redzai Sdn Bhd.

++ Deemed Interested by virtue of substantial shareholdings in Goldman Sachs International.

Statistics on Shares and Convertible Securities as at 30 April 2007

Size of Ordinary Shareholdings as at 30 April 2007

Size of Ordinary Shareholdings	No. of Holders	%	No. of Ordinary Shares	%
1 – 99	202	8.08	8,263	0.00
100 – 1,000	270	10.80	192,619	0.07
1,001 – 10,000	1,659	66.39	5,115,279	1.86
10,001 – 100,000	266	10.64	7,866,482	2.86
100,001 to less than 5% of the issued shares	98	3.92	175,260,265	63.77
5% and above of issued shares	4	0.17	86,396,333	31.44
Total	**2,499**	**100.00**	**274,839,241**	**100.00**

Top 30 Securities Account Holders as at 30 April 2007

	Name	No. of Ordinary Shares	%
1.	Lembaga Tabung Haji	25,929,320	9.43
2.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Arisaig Asean Fund Limited	24,704,300	8.99
3.	Citigroup Nominees (Asing) Sdn Bhd Goldman Sachs International	20,749,380	7.55
4.	Pembinaan Redzai Sdn Bhd	15,013,333	5.46
5.	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mahir Agresif (M) Sdn Bhd	12,923,076	4.70
6.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Morgan Stanley & Co. International PLC	11,648,300	4.24
7.	ECM Libra Avenue Nominees (Asing) Sdn Bhd Pledged Securities Account for PBS Office Supplies Pte Ltd	10,585,923	3.85
8.	Cartaban Nominees (Asing) Sdn Bhd Investors Bank and Trust Company for Asian Small Companies Portfolio	10,347,600	3.76
9.	Cartaban Nominees (Asing) Sdn Bhd State Street Luxembourg Fund DW37 for DWS Invest Asian small/ Mid Cap (DWS INVST SICAV)	10,166,800	3.70
10.	Citigroup Nominees (Asing) Sdn Bhd GSCO for H Partners LP	9,677,900	3.52
11.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Morgan Stanley & Co. Incorporated	7,065,500	2.57
12.	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged Securities Account for PBS Office Supplies Holdings Sdn Bhd	6,059,512	2.20
13.	Citigroup Nominees (Asing) Sdn Bhd Bear Stearns Securities Corp for Scoggin International Fund Ltd	5,102,564	1.86
14.	Citigroup Nominees (Asing) Sdn Bhd Bear Stearns Securities Corp for Hayman Capital Master Fund LP	4,810,400	1.75
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London	4,282,100	1.56
16.	Citigroup Nominees (Asing) Sdn Bhd Nomura International PLC	4,200,000	1.53
17.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for PBS Office Supplies Holdings Sdn Bhd	4,154,800	1.51

Top 30 Securities Account Holders as at 30 April 2007 *(continued)*

Name	No. of Ordinary Shares	%
18. Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for Prudential Assurance Malaysia Berhad	3,771,960	1.37
19. HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA for Fidelity Funds Malaysia	3,415,280	1.24
20. Malaysian Trustees Berhad PBS Office Supplies Holding Sdn Bhd	3,000,000	1.09
21. AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pembinaan Redzai Sdn Bhd	2,986,668	1.09
22. HSBC Nominees (Asing) Sdn Bhd Exempt an for The HongKong & Shanghai Banking Corporation Limited (HBFS-B CLT 500)	2,910,000	1.06
23. Citigroup Nominees (Asing) Sdn Bhd Robeco Institutional Asset Management for stichting custody Rebeco Institutional (CB LDN)	2,800,000	1.02
24. HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (BTPS)	2,755,200	1.00
25. Citigroup Nominees (Asing) Sdn Bhd GSCO for Joshua Tree Capital Partners, LP	2,754,700	1.00
26. Cartaban Nominees (Asing) Sdn Bhd Credit Suisse Securities (Europe) Limited	2,505,700	0.91
27. MCIS Zurich Insurance Berhad	2,400,000	0.87
28. HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.K.)	2,265,000	0.82
29. Konsortium Logistik Berhad	2,188,600	0.80
30. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Unidynamicfonds Asia	1,930,000	0.70

Analysis of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2005/2010 as at 30 April 2007

Size of ICULS Holdings as at 30 April 2007

Size of ICULS Holdings	No. of Holders	%	No. of ICULS	%
1 – 99	1	16.67	1	0.03
100 – 1,000	5	83.33	3,200	99.97
1,001 – 10,000	0	0.00	0	0.00
10,001 – 100,000	0	0.00	0	0.00
100,001 to less than 5% of the issued shares	0	0.00	0	0.00
5% and above of issued shares	0	0.00	0	0.00
Total	6	100.00	3,201	100.00

ICULS Holders as at 30 April 2007

Name	No. of ICULS	%
1. Che Azizuddin bin Che Ismail	1,000	31.24
2. Faisal bin Awab	1,000	31.24
3. Kalaichelvan A/L Kalimuthu	1,000	31.24
4. Lee Kok Hoong	100	3.12
5. Loh Sai Eng	100	3.12
6. Lim Shuh Yin	1	0.03
Total ICULS	3,201	100.00%

Analysis of Redeemable Convertible Unsecured Loan Stocks ("RCULS") 2005/2010 as at 30 April 2007

Size of RCULS Holdings as at 30 April 2007

Size of RCULS Holdings	No. of Holders	%	No. of RCULS	%
1 – 99	1	12.50	1	0.00
100 – 1,000	4	50.00	4,000	0.00
1,001 – 10,000	1	12.50	1,100	0.00
10,001 – 100,000	1	12.50	28,700	0.03
100,001 to less than 5% of the issued shares	0	0.00	0	0.00
5% and above of issued shares	1	12.50	85,375,000	99.97
Total	8	100.00	85,408,801	100.00

RCULS Holders as at 30 April 2007

Name	No. of RCULS	%
1. Malaysian Trustees Berhad	85,375,000	99.96
2. Mahir Agresif (M) Sdn Bhd	28,700	0.03
3. Loh Sai Eng	1,100	0.0
4. Che Azizuddin bin Che Ismail	1,000	0.0
5. Faisal bin Awab	1,000	0.0
6. Kalaichelvan A/L Kalimuthu	1,000	0.0
7. Peter Hubert Raijmann	1,000	0.0
8. Lim Shuh Yin	1	0.0
Total ICULS	85,408,801	100.00%

List of Group Properties

The Vöhrum Plant
Pelikanstrasse 11, 31228 Peine OT Vöhrum, Germany
Tenure: Freehold

The production plant in Vöhrum is the key manufacturing unit in the Pelikan Group where all the high-end fine writing instruments come from this plant, along with other higher quality writing instruments for school and art, painting and hobby products.

With a net book value of RM168.5 million as at 31 December 2006, the Vöhrum plant, comprises approximately 21,000 m^2 of production and office space and employs 278 workers as at 31 December 2006. The plant has two floors. Located on the ground floor are an office; the engineering department; a moulding and machinery area; fully automated plant for mass production stationery; storage for raw materials; and a fine writing instruments corner where pens are hand-made, plus machines to make the different nibs. The first floor houses a design department; a research & development facility; chemistry and product testing laboratories.

Pelikan's Hannover operation has DIN EN ISO 9001:2000 certification awarded by SGS-ICS Gesellschaft für Zertifizierungen, Hamburg, Germany. This certification combined with frequent audits confirm that an efficient and well documented Quality Management System is being operated to ensure reliability and the highest quality production processes.

The current plant capacity utilisation is 75%. The Vöhrum plant is located adjacent to approximately 22,500 m^2 of vacant land.

The Puebla Plant
Planta de Productos Pelikan S.A. de C.V.
Carretera a Tehuacán 1033, Col. Maravillas, C.P. 72220, Puebla
Apdo. Post 1358, 72000 Puebla, Pue. Mexico
Tenure: Freehold

The Puebla plant, with a net book value of RM46.1 million as at 31 December 2006, comprises approximately 18,952 m^2 of production and office space and employs 269 workers as at 31 December 2006. The production operation includes research & development facilities for new products.

In 2001, Pelikan's operation in Mexico received CLASS A certification awarded by Buker Inc., a Management Education and Consulting Firm, which confirmed the excellence and quality of the business processes as well as world-class product quality. In 2004, the company achieved ISO-9001-2000 certification, and was recertified as an Environmentally Friendly Company by the Mexican government.

The Puebla plant in Mexico produces writing instruments, art, painting & hobby products and office stationery such as stick pens, colour pencils and crayons mostly for the Latin American and North American markets.

The plant is fully automated, and the productivity of each employee and the numbers of each product produced are tracked daily. The current plant capacity utilisation is 64%.

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Pelikan PBS-Produktionsgesellschaft
mbH & Co. KG
Factory Vöhrum
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Pelikan Vertriebsgesellschaft mbH & Co. KG
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Pelikan Hardcopy Holding AG
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FAR EAST

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E-Mail: info@pelikan-china.com

Number of Ordinary Shares Held	
CDS Account No. of Authorised Nominee	

Pelikan
(Company No. 63611-U)
(Incorporated in Malaysia)

Proxy Form

(Before completing this form, please see the notes below)

*I/We ______________________________ (Full name in Capital Letters)

*Company No. /NRIC No. ______________ (New) ______________ (Old)

of ______________________________ (Address)

being a *Member/Members of PELIKAN INTERNATIONAL CORPORATION BERHAD, hereby appoint *the Chairman of the Meeting or

(Proxy A) ______________________________ (Full name in Capital Letters)

*Company No. /NRIC No. ______________ (New) ______________ (Old)

of ______________________________ (Address)

or (Proxy B) ______________________________ (Full name in Capital Letters)

*Company No. /NRIC No. ______________ (New) ______________ (Old)

of ______________________________ (Address)

as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the 25th Annual General Meeting of the Company, to be held at Sunway Resort Hotel & Spa, Bahamas 1, Level 12, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 18 June 2007 at 4.00 p.m. and at every adjournment thereof *for/against the resolution(s) to be proposed thereat.

(Please indicate with an "X" in the space provided below how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

No. of Resolutions		FOR	AGAINST
	As Ordinary Business		
1	Receiving the Audited Financial Statements and Reports of the Directors' and Auditors' thereon for the financial year ended 31 December 2006		
2	Approval of a final dividend of 5 sen per share, of which 2 sen per share are tax exempt and 3 sen per share are less 27% income tax for the financial year ended 31 December 2006		
3	Approval of Directors' Fees for the financial year ended 31 December 2006		
4	Re-election of Loo Hooi Keat as Director of the Company		
5	Re-election of Haji Abdul Ghani bin Ahmad as Director of the Company		
6	Re-appointment of Auditors and authorising Directors to fix their remuneration		
	As Special Business		
7	Ordinary Resolution 1 Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
8	Ordinary Resolution 2 Proposed renewal of authority to purchase the Company's own shares		
9	Special Resolution 1 Proposed amendments to the Memorandum of Association of the Company		
10	Special Resolution 2 Proposed amendments to the Articles of Association of the Company		

The Proportions of my holding to be represented by my *proxy/proxies are as follows:-

First Proxy (Proxy A)	%
Second Proxy (Proxy B)	%
	100 %

In case of a vote taken by a show of hands, *my/our *First Proxy (Proxy A)/ Second Proxy (Proxy B) shall vote on *my/our behalf.

As witness *my/our hand(s) this __________ day of __________ , 2007

....
Signature(s) / Common Seal of Appointer

* Strike out whichever is not desired.

Notes:-

1. A Member who is entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead and the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. A proxy may but need not be a member of the Company and if the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor and shall be in the form as set out in the Articles of Association of the Company (or in a form as near to it as circumstances allow or in any other form which is usual or which the Directors may approve) and shall be deemed to include the right to demand or join in demanding a poll.
4. The Proxy Form, to be valid, must be lodged at the Registered Office of the Company at Lot 3410, Mukim Petaling, Batu 12½, Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

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STAMP

THE COMPANY SECRETARIES
PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
Lot 3410, Mukim Petaling
Batu 12 1/2, Jalan Puchong
47100 Puchong
Selangor Darul Ehsan
Malaysia

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Pelikan International Corporation Berhad
(Company No. 63611-U)

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