Chairman
and
Chief Executive Officer's Statement

Tan Sri Musa Bin Mohamad
Chairman

Loo Hooi Keat
Chief Executive Officer

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Annual Report of Pelikan International Corporation Berhad ("Pelikan International") for the financial year ended 31 December 2009.

Positioned for Growth

As anticipated, the credit crunch arising from the global financial crisis greatly reduced global trade activity in 2009. However, amidst this challenging business environment, Pelikan International remained committed to its long-term strategies for growth and successfully initiated a strategic new acquisition which should see Pelikan Group doubling our revenue, growing our product portfolio and strengthening our global distribution networks in the near future.

The Global Economy 2009 (statistics sourced from the World Bank)

Smac D'Or de L'Innovation 2009 prize for innovation and first place in the "Stationery and Cards" Category.

OPI Award for "New Product Innovation"

Year 2009 was a difficult period for businesses worldwide as the global economic crisis challenged the performances and growth momentum of companies both large and small. Though it began with a massive plunge in global trade followed by the credit crunch, as the year progressed, mature economies showed signs of recovery well into 2010. In Asia and Latin America, healthier growth rates returned. Equity markets rallied worldwide though riled with uncertainty. Nonetheless, the economic environment in mature markets remained fragile with high levels of unemployment and continued reliance on the external stimulus measures taken by governments around the world in the wake of the financial crisis.

In 2009, most economies faced deep recession and the world Gross Domestic Product ("GDP") growth fell to an estimated -2.2% (2008: 1.9%). On average, high income economies contracted by 3.3% (2008: 0.8%) while developing economies grew merely 1.2% on average (2008: 5.8%). World trade volumes reduced as much as -14.4% in 2009 compared to a 3% growth in 2008, signifying the deep plunge in global demand and exports. This significantly affected Pelikan Group's global business performance, particularly our operations in Europe. Nearly all our markets registered lower sales volume as a result of the glut in overall consumer spending and demand. In high-income Europe area, GDP declined by 3.9% in 2009 (2008: 0.7%) as weakened banking systems and financing conditions became a drag to the economies. Our largest market, Germany, was in recession towards end of 2008 but recorded an annualized growth pace of 2.9% in the third quarter of 2009, signifying a steady recovery from the crisis albeit slowly. The recovery is expected to continue into 2010, largely supported by large stimulus government programs, corporate investment and construction.

Latin America and the Caribbean countries recorded a contraction growth of 2.6% in 2009, and Mexico suffered the deepest contraction because of its close economic activities with the U.S.; however our Mexican operations performed above expectations under such economic conditions. Asia, particularly in China and India, have shown great resilience in weathering the economic crisis due to the massive fiscal stimulus packages and macroeconomic management. East Asia and the Pacific registered a growth of 6.8% (2008: 5.8%) where else South Asia sustained a stable growth of 5.7%. This is particularly positive news for Pelikan Group as we aim for further expansion in these market. Countries in the Middle East and North Africa were adversely affected by the crisis and GDP growth in 2009 was estimated at 2.9% (2008: 4.3%).

Financial Performance

For the year in review, revenue of Pelikan International was RM1.20 billion, a decline of 6.7% from the previous year (2008: RM1.29 billion). The result was within expectations considering the effects of the economic slump on our global operations, particularly towards our business in Europe. Europe was the hardest hit by the economic crisis with markets such as Spain, Italy, and Greece facing serious recession in 2009.

Profit before taxation for the financial year 2009 improved slightly to RM50.0 million (2008: RM49.4 million). This was attributed to better control of costs and working capital management. Other income has also decreased partly due to lower foreign currency exchange gains, experienced similarly in 2008, as exchange rates were more stable in 2009. Finance costs have shown substantial reduction as all loan stocks of the Group had fully been converted to shares since last quarter of 2008. The lower finance costs were also due to refinancing of more expensive loans to less expensive ones.

In the first quarter of 2009, the Group recorded sales of RM285.4 million, a decline of 8.8% from the corresponding quarter in 2008. The overall sales were weaker due to the declined market conditions of Europe impacted by the slump in consumer spending. However, the first quarter results showed that the Group had better absorption costs due to the increased production volumes from customary stocking up for the upcoming "Back to School" season during the mid year.

The Group's revenue for the second financial quarter was RM343.2 million compared to RM407.5 million for the corresponding quarter in 2008. The lower sales faced by the Group was a consequence of the economic slump in the European market. On a year to date basis, sales contracted by 12.7% to RM628.6 million. Accordingly, the profit before tax also reduced to RM46.2 million. The Group's revenue however increased by 20.3% compared to RM285.4 million in the preceding quarter, as sales are higher in mid year due to the annual "Back to School" season in Europe and Latin America.

The Group recorded RM312.6 million sales for the third financial quarter compared to RM340.1 million in the corresponding quarter of 2008. Accordingly, the profit before tax reduced from RM21.4 million in the corresponding quarter last year to RM14.2 million for the third quarter. Turnover in the fourth quarter of RM267.1 million was lower than the preceding quarter due to seasonality. Sales in the last quarter of the year is always challenging, where the Group expects lower sales, and indeed recorded the weakest performance after the end of the "Back to School" season. The last quarter's loss before taxation was RM10.4 million as a result from lower sales level and inefficient absorption of fixed costs particularly in the production entities.

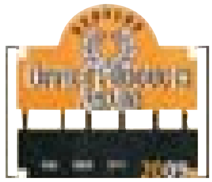
The anticipated poorer results of the Group last year was largely foreseen in 2008. Pelikan Group was ready with counter strategies and effectively took steps to stabilize operations by aggressively implementing cost reduction measures across our operations, cutting down inventory and scaling down on our expansion plans. The Group noted peak sales in July this year instead of the customary June as experienced in previous years. Sales for August 2009 were also above expectations despite the summer holidays where businesses normally slow down. This suggests that the trade and consumers delayed purchases in the previous months due to uncertainty in the economic situation; however the positive growth slowly contributed to improved consumer sentiments.

The management took the opportunity to look within our operations, especially in procurement, supply chain management and production, to reduce our working capital requirement and inventory levels, so that these adjustments will meet the lower market requirements.

Dividends

The Board of Directors have recommended a final single tier dividend of 2 sen per share in respect of the financial year ended 31 December 2009. Subject to approval by shareholders at the forthcoming 28^{th} Annual General Meeting ("AGM") on 21 June 2010, the final dividend will be paid on 15 September 2010.

IPBBS Industry Award for "Best Product in the Office and School Sector 200"



Benelux Office Products Award in the "Writing Implements" Category

Creating Opportunity

During the course of the challenging year we continued to adhere to our fundamental strategies of growth, one of which was to be on the lookout for strategic acquisition opportunities. The Group has been poised for growth with consistent strategies to expand both organically and via acquisitions. Through acquisitions, the Group expects to reap synergies and economies of scale with higher volume, which will act as a platform for the Group to strengthen its position as one of the market leaders in the stationery industry.

As early as 2008, we had identified Herlitz AG ("Herlitz") – a leading producer of papeterie, office stationery and school supplies in Europe; headquartered in Berlin, Germany - as a corporation within the industry that met all our requirements as it is a reputable 100 year old brand, carried products that complement over 80% of our range, and has strong distribution channels in Germany and Eastern Europe where we have long been seeking a stronger network. In November 2009, we announced the acquisition of Herlitz and this was completed in March 2010. This acquisition will allow greater cross selling opportunities on products for both Pelikan and Herlitz, and opportunities for further growth by leveraging on respective strengths and assets in innovation, quality and distribution in the years ahead. With the merger in progress, Pelikan International now heads two of the most significant brands in the industry in Germany. We are convinced that by pursuing the right strategies, investing in research and development ("R&D") and innovation, and continuing on the path of consolidation and rationalization of duplicate functions, we are able to achieve significant cost savings, higher productivity, improved operations and processes, and create better quality products for our consumers.

Strengthening Commitments

Though sales were negatively impacted in 2009, our brand and repute for quality and excellence continued to gain popularity. Pelikan products, in particular our griffix® "Learn to Write" system, and brand were recognized globally. These included the Smac d'Or de L'Innovation 2009 prize for innovation as well as first place in "Stationery and Cards' category; IPBBS award for "Best product in the office and school sector"; Red Dot Design honourable mention for the xcycle roller, Benelux Office Products Award, OPI award for "New Product Innovation"; Good Design award for the U.S. and Japan in children's products category; and Retailvision's 'Best Vendor Retail Strategy' award.

These are testaments to our continued growth in quality and repute. We may have focused on cost saving projects but we had not compromised when it comes to the quality and innovation of our heritage. In 2009, innovation and R&D remained a core focus and we are proud to report that 79 new products were launched and many more were developed for 2010 launches. The Group invested RM32.56 million into the R&D centre for the research, technology, tools and fixed assets for the new products and upgrading of current assortments.

The Group believes that education industries are resilient to any economic downturns and have in fact grown as more governments and private sectors invest in education, therefore we dedicate a large proportion of our resources into creating school products annually and developing the school channels through direct communication with teachers and students and heavy promotions and marketing campaigns during "Back to School" season. Product wise, we are committed to growing our school assortment with more innovative and functional products for the current range. In 2008, the Group has had success with the launch of griffix® and we followed up the success in 2009 by introducing more accessories such as erasers, sharpeners and fun buttons in various colours to complete the family. We also launched a revamped model of the popular Grand Prix writing instruments, originating from Italy, targeted at youths aged 10 – 13 years for worldwide release.

Enabling Talent

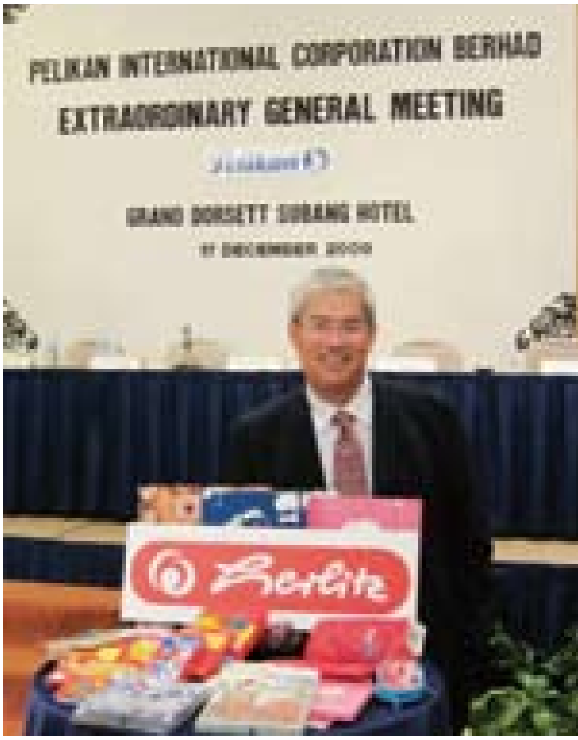
As our business grows, there is a need to grow our people and as such, we are determined to further enhance and enrich our employee's welfare, capabilities, expertise and experience. Drawing from our constant drive to improve and excel, we create a conducive environment, organise training sessions, provide exposure to various work divisions to develop skills and maximise the potential of our human capital.

We aim to provide a workplace that recognises and rewards the efforts of our people. In light of the acquisition, the merger between Pelikan and Herlitz will create an enlarged Group that will not only require our employees to take up more responsibilities and tasks to drive growth and excellence but also enable more opportunities for our employees to showcase their talent and skills in their performance.

Outlook of 2010 (statistics sourced from World Bank)

The global economy in 2010 is in recovery mode and recording positive growth as financial markets stabilized. Stronger household demand and consumption were recorded, showing improved signs of business optimism. According to World Bank, GDP is projected to grow at 2.7%.

Business prospects for Pelikan so far has been positive. The Group has launched a portfolio of products for this year's "Back to School" season, such as the new Pelikano school writing instrument and more office products that will boost our sales and market share. With a strong following within the fine writing instrument ("FWI") category, we are rapidly enhancing our products to complement our existing collection. While we are aware that the worldwide luxury market has been hit by the economic crisis, we are constantly developing new designs and exclusive editions to satisfy our loyal pen connoisseurs by reviving classic designs and upgrading our pens with superior quality elements. The Group will also focus efforts on enhancing the fine writing instruments selection in anticipation of the launch of a new writing instrument collection in partnership with Porsche Design at the beginning of 2011. Pelikan Group is honoured and excited to have an affiliation with a strong brand known for its unique designs and quality.



For the rest of 2010, Group management plans to embark on strategies to merge both Pelikan and Herlitz under one umbrella. The merger promises greater prospect with cross selling opportunities, common cost savings and synergies, and we plan to reap these benefits by executing plans that maximizes capabilities with cost efficiency. With the combined turnover of approximately €550 million, it is imperative that the distribution system be able to manage this volume of business. We stand to reap tremendous benefits with the Falkensee Logistics Centre on board. Given its strategic location near Berlin, large capacity and superior technology, it would enable us to better manage our supply chain in Europe. Barring any unforeseen circumstances, we anticipate better results from the merged entities.

Good Design Awards for the US and Japan in the children's products category.

Corporate Governance

In 2009, Pelikan International welcomed onto its Board of Directors Datuk Ismee bin Ismail who serves as a Non-Independent and Non-Executive Director. Datuk Ismee is an associate member of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants. He is currently the Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji and holds several directorships in several prominently listed companies in Malaysia. On behalf of the Board, we are delighted and honoured to have Datuk Ismee bin Ismail as a Director and we are confident that his background, knowledge, and experience will bring valuable contributions to the growth and performance of Pelikan Group.

RetailVision's Best Vendor Retail Strategy Award

Appreciation

On behalf of the Board of Directors, we would like to thank the management and employees for their endless commitment and efforts during the challenging year. We would also like to express thanks to all our shareholders, investors, business partners and associates for their continuous support and encouragement.

Conclusion

Moving forward the management will continue to embark on strategies and solutions that minimize the impact of the financial crisis to our businesses while maintaining focus on growing the Group to a sizable and profitable organization. The Group continues to pursue various consolidation projects and strategic acquisitions aimed to generate growth and sales for the Company. With the merging of Pelikan and Herlitz in the progress, we are in a position more than ever for growth to be a global market leader while delivering on our promise to be a brand of quality and distinction.

Tan Sri Musa Bin Mohamad
Chairman

Loo Hooi Keat
Chief Executive Officer

Selangor Darul Ehsan
Malaysia

Pelikan International has a well-established, long term and consistent strategy for growth, for which to become a truly international brand with global distribution networks and presence, the Group needs to drive expansion in new product offerings, new markets, new channels in order to grow significantly.

Group Operations Review 20

Growth has to be achieved both organically and through acquisitions, and by consistently keeping our costs low and being efficient. The Group is also committed to invest for future growth, hence we highly regard continuous efforts and investments in R&D and technology for product and marketing innovations as vital fundamentals to the sustainability of the Company and brand.

In 2009, Pelikan International continued its efforts in the consolidation and merging of functions to deliver the expected synergies and common cost savings. The overall performance of our businesses have been lower than that of 2008, and we anticipated the setback in plans due to the effects of the economic downturn worldwide. However, our fundamentals and hence operations are still solid, particularly against the background of increasingly challenging conditions in all our markets. We continued to push sales and marketing in all our business units while embark on cost saving projects in our processes and operations. Throughout 2009, the Group focused on managing the merged entities efficiently and took steps to further strengthen our market positions.



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GROUP CORPORATE SERVICES

Corporate Planning

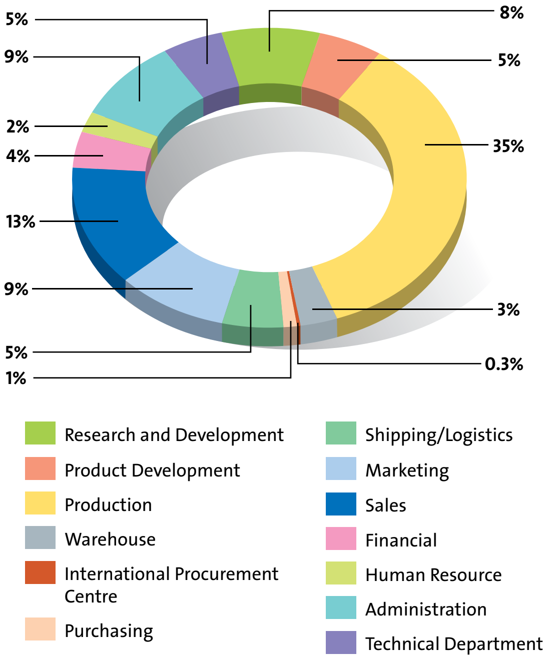
In January 2009, Pelikan Group completed the acquisition of Pelikan Colombia S.A. (formerly known as Indistri, S.A.) ("Pelikan Colombia") through Pelikan Mexico S.A. de C.V. (formerly known as Productos Pelikan S.A. de C.V.). Pelikan Colombia was incorporated on 14 September 1959 with a principal activity of the manufacturing and distribution of office, schools and stationery supplies. The acquisition has proven strategic for the Group as the sales and market position of Pelikan have contributed positively to the region. At the same time, the Group also acquired and merged the business in France into Pelikan France S.A.S. ("Pelikan France"), to exercise better management and support in the market.

In November 2009, Pelikan International made an announcement for the acquisition of 66% equity interest in Herlitz AG ("Herlitz") together with the Falkensee Logistic Centre and other related assets for a purchase consideration of €45 million (approximately RM222 million). Herlitz, established in 1904 and listed on the Frankfurt Stock Exchange, is a leading manufacturer and distributor in school supplies, office stationery and paper products in Europe, and has entrenched market positions in Germany and Eastern Europe, including Czech Republic, Poland, Romania, and Hungary. Herlitz' products are marketed under the popular brand names of "Herlitz", "Falken" and "Susy Card". The acquisition provides many cross selling opportunities, improving the Group's ability in accessing new markets where it is underrepresented and allowing Herlitz to tap into the Group's distribution networks. Herlitz' Falkensee Logistics Centre is a state-of-the-art facility built on a 94-acre land and completed in 1994. The facility has a built-up area of 134,644 m², and contains two fully-automated warehouses serving premier European clientele including renowned food retail chains, office supply distributors, specialised trade, mail order companies, and department stores.

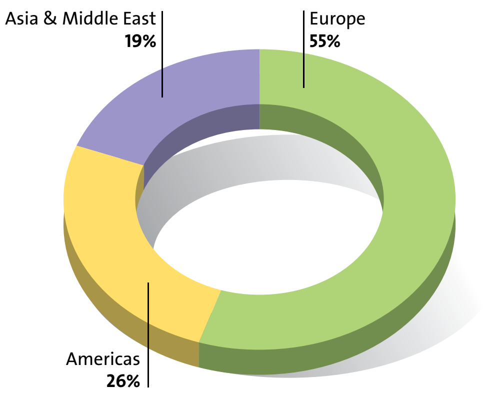
As of March 2010, the deal was completed and announced. Since then, the management has taken steps to strategise on merging both entities, starting with the consolidation of logistics that will give immediate savings for the Group when all logistics operations are merged into the Falkensee Logistics Centre. The management has set up an internal committee to drive the merger and expand the business globally, and we expect to fully complete the merger and consolidations by mid year 2011.

In December 2009, Pelikan International also inked a deal with Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Germany, to secure a five-year right to manufacture and distribute writing instruments under Porsche Design, a luxury brand known for its men accessories, in the global market commencing on 1 January 2011.

Total Employees by Function



Total Employees by Region



Human Resource and Employees

As at end 2009, Pelikan Group had a total global workforce of 2,500 employees, a slight increase from 2008. The Group concentrated on sustaining the level of skilled employees in respective divisions to enrich the performance of the Group. With Herlitz joining forces, we will be looking at integrating more employees, specially in Europe, and will take measures to streamline the operations and functions of both Groups to further develop talent, skills and responsibilities.

GROUP PRODUCTION

With 874 employees working in the 8 production plants under its management, Group Production strived to implement better working conditions and processes for its operations globally in order to increase efficiency, productivity and lower costs.

In 2009, Group Production continued to implement consolidations in its Kyjov plant, Czech Republic. The inkjet remanufacturing operations in Hodonin and the packaging centre close to Kyjov were relocated to the main plant in Kyjov. The Hodonin operations were completely wind-down, resulting in the Group achieving signifantly improved effiencies and substantial annual savings from the closure. The Group also started a second toner cartridges remanufacturing operation in its Puchong plant, Malaysia via technology transfer last year. The Group initiated the production and sales of remanufactured toner cartridges to cater for the Asian markets.

Another major focus of Group Production was to reduce inventories of production materials and finished goods. The project was carried out via the implemention of new planning methods to manage the projected inventories and a centralised empty management process. There was a reduction of 3% in overstocks in the production plants for 2009. At the same time, the backlog situation had been effectively managed. Group Production significantly improved its flexibility and reaction time to the uncertainty in market demands by its much improved system based on invetory managed routines and processes.

Group Production also focused on continuous management of cost of goods sold ("COGS") cost savings project in our operations. The continuous reduction of COGS remains to be a fundamental ongoing target for our production network. All cost saving initiatives taken by the plant management are centralized and monitored on a regularly basis as the project portfolio can dynamically change over the course of the year.

In 2009, Group Production intensively worked on a recovery plan for the Turiff operations, Scotland. The R&D in Turiff successfully launched a new Industrial Thermo Transfer Ribbons ("ITTR") product which became the driver for the ITTR industrial sales to a growth of 25% in 2009. A full scale 3 year plan is now in place to turnaround Turiff.

Pelikan Group managed its production plants and technology centres to a multi-site ISO 9001 and ISO 14001 management system which is certified by the Swiss Certification Institute (SGS SOCIETE GENERALE DE SURVEILLANCE SA). At the end of 2009, all production plants had successfully maintained a uniform environmental management system according to ISO 4001. Turiff plant finalized its implementation and was certified last year. The Group initiated the process to implement occupational safety and health management in all its plants, for which the facility in Puchong, Malaysia became the first plant to have the OHSAS 18001 standard certification.

Research and Development

The Group technology centres in Wetzikon, Switzerland and Vöhrum, Germany are headed by the R&D team of highly specialised and experienced German and Swiss engineers, chemists and researchers who have strong dedication and passion to continuously create innovative and high quality products. In 2009, Pelikan Group had achieved many product design awards as a result of the high standards in innovation and R&D. Pelikan Group invested RM32.56 million (2008: RM30.6 million) into product development, R&D and fixed assets across all product groups.

Group Product Development

In 2009, the Product Development team headed by a new Pelikan member, Stephen Peters continued to emphasize on the Group's innovation power by launching up to 79 new products, of which 25 articles are fine writing instruments and stationery for school and office, and 54 articles are new printer consumables. The Product Development team constructed new processes to gain more accurate consumer insights from the markets and improve efficiencies and timelines from idea to product realization. The Product Development team worked hand in hand with the R&D department, product managers and sales and marketing teams to create products that meet the consumers' requirements and market trends.

PRODUCTS FOR 2009!

- **School**

  For the school range, the product development focused on upgrading its current assortment of market leading school products such as the school writing instruments, opaque paint boxes, and ink cartridges. In 2009, the success story of the griffix® "Learn to Write" system continued with roll-outs into ten more European countries. To implement this innovative system on a long-term basis, various efforts have been made by creating complementary accessories for the family, such as erasers, sharpeners and fun buttons. Another new product successfully launched was the colourful printed ink cartridges that come in 2 sizes and many different trendy motifs, with the objective of promoting fun and passion for collection with passion when writing. There were also relaunches of current products such as the paintbox K12 and K24 with new designs and easily removable lid that allows easier cleaning and mixing of colours (developed in corporation with teachers and pupils) and the Grand Prix, a new ink roller that comes in a double-tip concept (developed in cooperation with Italian designers for a young and modern target group of 10-13 year olds).

- **Office**

  As office products are closely linked to school products, the sales for Pelikan's office products fared well against competition. For the office range, product development team created a new set of correcting and gluing design especially for the launch in Germany, Austria and Switzerland ("DACH countries") as of October 2009. The introduction of the xcycle correction roller was indeed a highlight as this product for sideway correction was the final piece to complete the assortment and with xcycle, Pelikan set a new trend of launching a stylish design in a market of commodity products. The products have been well received by the trade even though the business is competitive and price sensitive with many branded players in the market. We are optimistic that by developing this office range business in the coming years, Pelikan will be able to capture a significant market share in these countries and grow the business. Last year, the new range of mass writing products consisting of the ballpoint pens Stick, Fun Pen and Erase, mechanical pencil Push and the gel pen Soft Gel, were continuously rolled out throughout Europe and gained 7.9% increase in sales. They are now available in all European markets. Pelikan also launched the Terceto, three mini-textmarkers with different coloured stored in a stylish case that comes in 2 different colours, as of late 2009.

GROUP PROCUREMENT

The International Procurement Centre ("IPC") controls and manages global sourcing for all divisions of the Group including product and packaging demands from sales and marketing organisations out of Malaysia and Germany. In 2009, the IPC team sourced triple the amount of products for the Group as compared to 2008, mostly in the form of packaging materials for the gluing and correcting products, griffix® and FWI. IPC also started to source for presentation systems and hardware under the Geha brand last year and have met positive results from sales organisations. Consequently, IPC introduced their IPC product catalogue to all sales organisations to better coordinate product orders in order to achieve better savings and prices.

IPC continued its cost down projects for product substitution such as scissors and 4.5 micron pet film. Due to the economic crisis resulting in lower asking prices by suppliers, IPC was able to obtain cost down savings of up to 4% in finished goods, 35% in raw materials and 8% in other miscellaneous projects. IPC also managed to reduce the minimum order quantity ("MOQ") and fees for smaller volume projects during the difficult period.

- **FWI**

  As the growth of luxury goods was hampered by the global economic crisis, Pelikan relentlessly introduced new models of writing instruments to raise brand awareness and maintain market share. There were 9 new FWI launched as well as new design writing instruments, leather accessories and inks in 2009. Apart from continuing the current series in the Special and Limited Edition collections, Pelikan introduced new editions such as the “Silver Screen”. This exclusive fountain pen, limited to a run of only 420, pays homage to more than 100 years of film history. Celluloid in this new Limited Edition Silver Screen pen represents the same used in early motion pictures. Like “Modern Times”, “Casablanca” or “Gone with the Wind”, the Pelikan Silver Screen Limited Edition is a classic icon, made for eternity. Pelikan also reignited the designs of the past such as the brown tortoise shell model and created new colours of popular designs like the Red Toledo M710 and M205 in transparent blue. The M205 in white, red and black proved to be global success that the Group decided to add into the standard collection of FWI. To encourage sales of FWI last year, marketing efforts were taken to support the sales organizations with their pen dealers by revamping the catalogues, brochures, Pelikan Guide for furniture and decoration materials, new seasonal decoration concept and ceramic Pelikan pen holders for point of sales presentation.

- **Printer consumables**

  In Europe, the Group achieved a big increase with Pelikan branded toner cartridges and recorded turnover growth of 20.5% compared to 2008. Not only did the printer consumables business benefit from better printing quality, fitting product range and attractive price positioning over the years, Pelikan also benefitted from the economic downturn as companies that needed to reduce cost and maintain printing could do so without running risks regarding printing quality. In 2009 Pelikan further developed its position as a leading supplier for high quality compatible inkjet cartridges by focusing specifically on expanding the R&D expertise in microelectronics, intellectual right management and superior ink chemistry. Grouped in our technology centre in Switzerland, the multidisciplinary R&D expertise allowed the Group to stay ahead of competition with fully compatible Pelikan made ink cartridges for almost all Canon, Epson, HP and Brother printer models with an impressive time-to-market. Altogether 75 new articles of printer supplies were produced and launched. Pelikan launched 23 new compatible inkjet cartridges for use in Brother, Canon, HP and Lexmark printers, as well as 23 new toner cartridges for use in Brother, HP, Lexmark, Oki and Samsung printers. Colour toner cartridges represent a growing market for the Group and we aim to introduce more models into the market.

The IPC continued to work closely with its suppliers and vendors, and managed an average of 45 to 60 active suppliers in Asia and 105 suppliers in Europe. Due to the higher volume of sourced products, the number of suppliers have also increased. Following procedure, potential suppliers need to qualify through the Group’s Supplier Management Programme and be audited by IPC based on their performance and track records. Suppliers will need to adhere to Pelikan Group’s criteria including the Group’s Environmental, Health and Safety regulations. In the first quarter of 2009, many manufacturers and sub-contractors were forced to shut down while the surviving companies suffered a drop of 20 – 30% in sales. By the second quarter of 2009, business sentiments picked up and manufacturers resumed their operations. IPC had to replace suppliers that became insolvent with new ones.

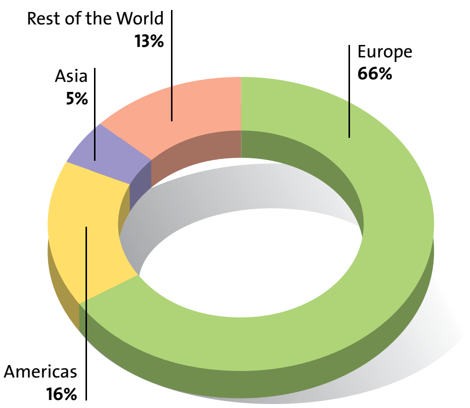
Looking ahead, the uncertain economic conditions which has badly affected the manufacturers and production plants, IPC anticipates that there may be disruptions and delays to the procured products. IPC will focus on providing more accurate order quantities for suppliers to reduce production and delivery lead time. Consequently, IPC is looking at reducing overall costs in the entire purchase and supply processes by consolidating orders and seeking more competitive freight rates. IPC aims to coordinate with the legal team in Germany to better manage agreements and contracts, and continously be updated on legislation changes with regards European Union’s stringent requirements.

GROUP SUPPLY CHAIN MANAGEMENT

Group Supply Chain Management ("SCM") continued to manage Group inventory levels to a minimum. The mandate given to both sales and marketing organisations as well as production plants were commitment to sales orders, improvement of order forecasts including raw materials and finished goods, and to phase down slow moving articles in respective markets. The sales and marketing organisations worked alongside the product managers to reduce the range of inventory holding based on product groups through proper planning of the products' lifecycles. By implementing better inventory planning processes, all business units were required to reduce their inventory levels significantly.

In 2009, Group SCM also made preparations to close down the warehouses in Brilon and Anderten as the contracts expired. With Falkensee Logistics Centre becoming the main warehouse and distribution centre for all of Europe, finished goods, equipment and systems have been transferred and moved to the Falkensee warehouse to immediately capture savings for the Group.

Total Visitors to www.pelikan.com in 2009



GROUP COMMUNICATIONS

As the Group enlarges, the world gets "smaller". Ensuring constant communications within the Group becomes more complicated and costly without the help of modern technology. Press releases, newsletters, emails, and even Skype are encouraged forms of communications within the Group. Therefore, regular information flow and feedbacks between divisions are important to assure that operations and business projects are being carried out in the right way and within the desired timeline.

The Extranet, internal staff portal, was set up in 2009 to improve information flow and communications across markets and divisions as well as to encourage rapport, ideas, and feedbacks between colleagues. Employees are also able to store and share presentations, product information and news about the Group, of which new content availability will be informed to all employees via email.

Communications to our stakeholders are important to the Group. Our Pelikan website has had 10.5 million viewed pages in 2009, a jump of 66% compared to 2008 and a total of 1.4 million visitors, a marked increase of 70% from 2008 as well. The Commence Connector in Germany tool was set up – it leads traffic from the Pelikan website to dealers' online stores – which have brought immediate positive effects on sales. In 2009, approximately 90,000 visitors were brought from the website to online shops of German dealers.

As of end 2009, our Teachers' Portal had more than 100,000 registrations in Germany alone. The registered teachers are informed of Pelikan products via newsletters, which had influenced the decision making and brand awareness of Pelikan. A new online shop for teachers only was set up in Germany and sales have been encouraging. The success of having a Teachers' Portal has encouraged other markets to follow suit as it has become clear that engaging in regular discussions with teachers provide good understanding of how students are learning in classrooms today.

EUROPE

In 2009, Europe recorded total sales of RM966.68 million, which accounted for 80.39% of Pelikan Group's revenue, a 9.6% drop from 2008. The revenue loss was attributable to the decline in overall consumer demand and hence sales, particularly in recession hit countries of Greece, Italy and Spain, as well as the slowdown of demand by existing customers, and loss of tender business for printer consumables. The contract to distribute Henkel products in DACH countries expired last year, and hence a decline in sales was noted. Inevitably, our businesses have been impacted and turnover was below budget.

The strategy to turnaround the business during the recession period was to analyse the regional business model and focus on managing our channels the right way to grow our customer base. The new channel management process was successfully implemented in Germany, followed by Italy and currently Spain.

For 2010, Pelikan Europe will continue in its endeavour to sustain brand awareness, market share and aggressively push sales. The focus will be to rollout the channel management implementation in all countries in order to centralise and manage the European key accounts effectively. It is imperative that customers and distributors view Pelikan as one Group and are able to deal smoothly with our key accounts managers who are trained to be more customer and product orientated in their decision making process and respond to market changes quickly.

GERMANY

- In **Germany**, sales declined by almost 6% from 2008, though it still accounted for 46.8% of the Group's turnover. Hence it remains the most important market for the Group, and efforts to sustain market shares were by introducing new products and marketing activities in 2009 as well as to restructure and implement effective channel management in the market. Arno Telkaemper who heads the German team managed to integrate the new channel management system and won new customers such as Tchibo Hardware chain to support sales with the right promotions and marketing activities.

- Some of Pelikan Germany's marketing activities:
  - Participated in the Office Gold Club Road Show with 23 other well-known stationery brands from 3 to 19 March 2009 in Hamburg, Leipzig, Stuttgart, Cologne, Frankfurt and Munich. The Office Gold Club is a partner for the purchase of industrial supplies which presents the latest innovations and provides a forum for exchange and dialogue.
  - Initiated a "Rap or rhyme competition" for children between 4 and 14 years of age to put their talent to the test and demonstrate their creativity.
  - After the amazing success of our cash back promotion for selected inkjet cartridges, a 'Fish & Sticks' summer promotion in printer supplies was introduced from June 2009. The idea was simple: consumers 'fish' for the Pelikan inkjet cartridge suitable for their own printer and catch a Pelikan branded 2 MB USB "stick" for free.
  - Together with Soccer Club Hanover 96, Pelikan engaged in school activities under the promotion motto "96 macht Schule". The goal was to reach children of all ages and raise their awareness for healthy living, long-life learning and sports. Pelikan took part in different school activities such as open days, soccer tournaments, press conferences and our cute mascot almost drew more attention than the professional soccer player Valérien Ismaël.

SWITZERLAND

- Sales for Pelikan **Switzerland** in 2009 was down by 28.7% compared to 2008 due to a major management and internal structure revamp. The new manager, Beat Nydegger, reshuffled the entire organization by taking on new employees and managed to restructure the business with aims for positive growth in 2010. The focus for 2010 will be to boost sales and marketing for school products.

SPAIN

- **Spain**'s performance deteriorated amidst the poor performance and outlook for the economy. Sales for school products and printer consumables improved gradually while office products sales remained stagnant. In marketing, Pelikan Spain launched griffix® on 25 - 29 March during the educational fair INTERDIDAC in Madrid. The event was successful and sales started right after the event! The advertising spot in Spanish was shown in major cinemas during September and October to promote the launch campaign. The fair was visited by young ladies and students who will become future teachers.

UNITED KINGDOM

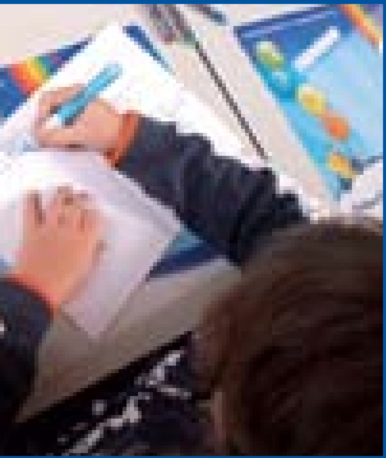
- The Pelikan brand in **United Kingdom** showed good prospects as sales achieved was higher than budgeted. Having one sales and marketing person to promote fine writing instruments to all the partners in the country, better deliveries and enhanced customer service attributed to the performance and profitability of the business.

ITALY

- In **Italy**, under the helm of new manager Sergio Casavecchia since mid 2009, Pelikan focused on developing the business and reducing operating costs. On the marketing front, Pelikan Italy teamed up with Giunti Editrice, the main publishing house for primary school books and teachers' magazines, with over 210,000 readers, to promote griffix® in 3 articles where education experts, teachers, pedagogues and psychologists talked about teaching how to "Learn to write" and gave suggestions for class activities using griffix®.

BELGIUM

- The **Belgium** economy suffered from recession since April 2009, but Pelikan Belux sales boomed in 2009 with a turnover of RM30.5 million under the management of Sven Vergauwen. Pelikan Belux, which is a top brand for school products, decided to focus marketing activities towards schools and teachers, with a captivating "Learn to write" campaign (see special feature on Piko).



INTRODUCING PIKO!

Meet Piko the pelican - a sympathetic bird who knows a lot about writing and likes to tell all about it. He is also the 'little bird' that helps Pelikan Benelux communicate its "Learn to write" campaign with teachers in a fun, lively and endearing way through his website: www.ikleerschrijven.be and www.japprendsaecrire.be (I "Learn to write") Learning to write often puts teachers, parents and children in a quandary. Teachers really want to help but often don't know how. By bringing Piko to life, Pelikan has found an innovative, fun and interesting way to capture teachers' interest and awareness about writing difficulties and motivate them to look deeper into the subject of fine motor skills and writing. In turn, this campaign has built teachers' confidence and trust in the Pelikan brand as it positions Pelikan as a knowledgeable, caring brand that goes beyond just good products.

WHAT DID PIKO DO TO GET TEACHERS ON HIS WEBSITE?

DIRECT MAILING

To get teachers to visit his website, Piko sent all Belgian preschools and primary schools an attractive teaser box containing information about the "Learn to write" programme, and educating children about pelican birds.

CALL TO ACTION

As Piko wanted to have as much visitors as possible on his website he had to do several things that would appeal to teachers.

Didactic information: In collaboration with a specialist in grafomotoric skills (who actually wrote a book on this topic!), Piko was able to get very good content on his website.

Contest: A contest was setup for classes. Every participating class had to upload a picture of their work onto the website.

Free tools: Piko created a special placemat to help children correct the positioning of their body, their paper and writing instrument. There is a blue version for right handed children and an orange version for left handed children. To get the free placemats, teachers had to register and order them on the website. A total of **110,000 writing aids** were distributed to schools! And still a lot of teachers ask if they are still available.

PROMOTING GRIFFIX®

After Piko had convinced about **14,000 unique visitors** to come to the website, it was time to tell those teachers something about the wonderful griffix® product assortment.

Sampling for teachers

Direct mail and e-mails were sent to schools to encourage them to order a free griffix® sample, while stocks last, through Piko's website.

Free exercises

On the website, teachers could learn more about griffix® and download free practice exercises.

Research & press conference

Piko asked visitors to participate in an online research regarding writing problems. The results were shocking. **1 out of 3 children had problems with learning to write. 1 out of 10 had severe writing problems !**

A press conference was held to announce the results and it successfully garnered lots of coveragre and interest.

Educational film

Currently Piko is preparing a DVD with a short film in which he explains proper writing techniques to children, like how they have to be positioned on their chair, and how to hold their pen. This DVD will also contain information about griffix® products and exercises, and will be available on request, so teachers can show it in class and persuade the kids to do as Piko says. This way learning to write isn't hard work anymore but just fun to do!

PIKO'S WEBSITE SUCCESS!

- 42,000 visitors
- 25,000 unique visitors
- 402,538 pageviews
- 38,000 participants for online research about writing problems
- 16,500 registered persons, from which about 80% are teachers

AMERICAS

In 2009, Pelikan Americas attained double digit growth yet again. The Latin American sales were RM157.9 million, a 22.1% increase from 2008, which represented 13.1% of overall Group turnover for last year. Pelikan Americas had capitalised on its successful strategy to promote Pelikan products directly through school and education channels, and will continue to do so for the next 3 years. Pelikan Americas also achieved good results with export sales to Brazil, Paraguay and Dominican Republic where Pelikan is not directly present. The new product strategy in 2009 was also successful because more than 11% of total sales with new products such as markers, highlighters, erasers, and liquid glue were achieved. The biggest achievement was the acquisition of Pelikan Colombia which immediately added RM49.52 million to regional sales in 2009. The tough reorganization process in the company and the implementation of different programs, will allow the Group to have an excellent platform to produce and distribute the products within the Americas. In the course of the year there was also strong focus on product training for all staff to increase product knowledge, which is then applied to improve product exhibitions, demonstrations and sales.

MEXICO

- In **Mexico**, Pelikan continued to make its presence felt via participation in product exhibitions and prominent shows such as the 18th Handicraft Fair and School and Office Stationery Products National Fair. Some of other marketing activities in Mexico included special art shows during Children's Day and OktoberFest, a variety of art workshops in different places of interest such as Africam Safari, Casa de la Cultura Puebla and Centro de Ciencias Explora. A summer promotion with Africam Safari zoo was initiated to allow families to get two tickets for the price of one when visiting the zoo by presenting a Pelikan product marked with a promotional sticker at the zoo's entrance.
- We also continued to support activities of the German Humboldt School and last year was part of their meaningful tradition of donating Zucker Tüte (goodie bag) to every child. Each Zucker Tüte was decorated differently, embodying several Pelikan products such as watercolour, colour and graphite pencils, wax crayons, MS 30 eraser, Markana Twist fibre tip marker, school scissors and Pelifix. We expect to replicate our participation in different German schools in Mexico and Latin America.

URUGUAY

- In **Uruguay**, Pelikan was present in different plays specially exhibited for children at the Candela Theatre of Uruguay. Pelikan set up a stand where some promoters showed our products' key advantages and interacted with children through Markatodo workshops.
- In July, a unique sort of drawing contest was held at customer's building Cooperativa Bancaria. While a group leader was reading a story, more than 200 children were listening and trying to make a drawing that best expressed their feelings and perception about the tale utilizing Pelikan products such as colour pencils, Pelicrayones, Markana Twist and watercolours. This activity allowed Pelikan to strengthen its product positioning in consumers' minds as well.

ARGENTINA

- Beyond the usual schedule of art and craft fairs and participation in exhibition and fairs, Pelikan **Argentina** carried out a co-branding deal with Nestlé Argentina S.A. for their product "Agua Pureza Vital" with calcium. For every six bottles of "Agua Pureza Vital" the consumer gets a box of 12 Pelikan colour pencils. This was followed by another tie-up with Juvenilia stores that sell school uniforms for most private schools in Buenos Aires. We had an area with showcases where kids can draw and paint with our products. To establish closer links with teachers, Pelikan sponsored the Educational Update Conference: "Initial level: Searching for the lost identity", that took place in the University of Business and Social Studies (UCES). This conference gathered 165 teachers who were trained in the areas of pedagogics and didactics. Pelikan promoters handed in several leaflets and brochures, and wrote down the names of the teachers who were interested in training workshops. Pelikan also participated in a seminar in art techniques for the school curriculum for both pre-school and primary school which attracted one hundred teachers. The teachers were able to try products, express their concerns, suggest alternatives and share all their doubts about safety and uses of the materials. Thanks to this seminar Pelikan could reach the dream of taking this normal exercise in Buenos Aires to the interior of the country. It was such a successful seminary that we have been called to return soon.

COLOMBIA

- Pelikan **Colombia** held school marketing activities in five cities - Bogotá, Cali, Medellín, Barranquilla and Bucaramanga. School workshops were held for both students and teachers to teach the characteristics and benefits of Pelikan products. The Pelicrayones crayons, graphic markers and the metallic markers were used in these workshops. The workshops were held in 438 schools, with 9 pedagogic advisers and reached 21,900 students.
- Consumer marketing activities were also developed to create events such as Children's Day, clients' anniversary celebrations, store assemblies for "Back to School" season and office suppliers' visits and training. The main objective was product rotation, brand positioning, new products communication and to obtain special exhibitions for school season. In an alliance with Distoyota, 250 christmas card making kits consisting of a paintbox, wax crayons and coloured pencils were prepared for employees' children.

ASIA, MIDDLE EAST & AFRICA

Asia and Middle East regions recorded less in turnover for 2009 with RM78 million, a decline by 13.4% from 2008 and accounted for 6.5% of the Group's revenue. The consequence of the global economic crisis was a plunge in world trade and net exports for the Asian region.

JAPAN

- Pelikan **Japan** K.K., reported total sales for 2009 at RM24.07 million. A total of 11 new fine writing instruments were launched in 2009 of which the M400 Brown Tortoise, M205 Blue Demonstrator, M205 in Black, Red and White became the most successful models of the year. Throughout 2009, Pelikan Japan held 41 Pelikan Fairs and participated in 7 stationery shows around Tokyo. The biggest achievement for Pelikan Japan last year was to open two Porsche Design Stores at major leading department stores in Tokyo. In July 2009, Pelikan Japan entered into a franchise agreement with Porsche Holding and took over the management of Porsche Design Store at Seibu Shibuya Department Store. Pelikan Japan opened its second Porsche Design Store at Sogo Yokohama Department Store on 27 November 2009. Though Pelikan Japan has been involved in wholesale of FWI through pen dealers and stores, it was the first experience in handling retail business; hence the franchising business was a step forward into the retail industry.

CHINA

- **China's** business grew by 19% in 2009, though due to the low brand awareness and high retail operating costs, it proved hard to reach the end users and dealers. We remain optimistic on the business development in China. The main strategies are to build up the brand image in the market and concentrate on pushing sales through the current existing outlets. The financial crisis impact on the domestic market was not significant and we managed to improve performance by launching continuously launching new products, such as the new FWIs that were received well by the consumers. In 2009, Pelikan China conducted sales and product training to all the promoters in Beijing, Tianjin, Tanggu, Dalian, Harbin, Shanghai and Hangzhou as well as participated in a fair for writing instruments and stationery in Wuhan, Hubei. Pelikan China also teamed up with a local television shopping channel on a 30 minutes programme to introduce our products and developed a gift set consisting of Pelikano Jr. fountain pens, ink cartridges, converters and ink 4001 bottles. The program was aired in the Shanghai city area, Henan and Shandong provinces, of which an estimated 1 million viewers had seen our product range. Pelikan China also concentrated on developing new customers with high end distribution channels in the Northern provinces and major cities by training their promoters in product knowledge so that they can deal with consumers better. As a result, sales and enquiries about our products from both the trade and consumers had increased.

MALAYSIA

- Pelikan **Malaysia** reported a lower turnover of RM7.36 million in 2009 due to a decline in printer consumables sales and the lower retail business turnover. Last year, Pelikan Malaysia capitalised on the growing inkjet remanufacturing and refilling business as refill shops have become widely accepted because of the lower price point, particularly during the economic downturn period. The Group R&D in Switzerland developed a mobile refilling machine, PeliFill, for inkjet cartridges specially designed for retail and convenience stores. In November 2009, Pelikan Malaysia launched its first retail store called PeliStation in a busy commercial area where consumers could have their empty inkjet cartridges filled up by the PeliFill machine at a much lower price than the original inkjet cartridges. The launch and refill concept garnered a lot of press and mileage for the brand in the printer consumables industry. Throughout 2009, Pelikan Malaysia concentrated on building up the brand awareness amongst school going children and parents through various events, such as participating in major bookfairs and organizing colouring contests around East Malaysia during the school holidays in September.

SINGAPORE

- The **Singapore** economy went into recession in early 2009, hampering the growth of business activities and Pelikan's turnover fell to RM4.35 million. The poor performance was largely due to the negative impact on the luxury goods market, which resulted in weaker FWI sales in Singapore. Nonetheless, Pelikan Singapore continued to promote school products in education channels and participated in events held by their customers, such as Kinderland Sports Day, to provide support and better service in the market.

THAILAND

- Pelikan **Thailand** performed well and doubled its turnover to RM3.7 million last year. Pelikan Thailand embarked on the "George of the Jungle" strategy by penetrating through the rural areas instead of going head on with the big brands in city areas. Roadshows in several cities were organised to introduce our product range to school children, teachers and parents, and the results have been remarkable. Not only did turnover increase but Pelikan Thailand managed to attain more dealers and channels interested in distributing Pelikan products in the process. The new products launched in 2009, such as the Exam Standard pencils and dust-free erasers, paved way for Pelikan to be listed in the 7-11 convenience stores and others.

Pelikan Middle East recorded turnover of approximately RM25.2 million sales, an increase of 21% from 2008. Despite weaker business sentiments in the region due to the collapse of the Dubai financial market, Pelikan Middle East concentrated on the African and Levant countries where potential for brand awareness and growth are high.

UNITED ARAB EMIRATES ("UAE")

- In **Dubai**, UAE, Pelikan Middle East participated in the GITEX 2009 fair from 18 to 22 October 2009 and presented many new products including the Geha presentation systems and hardware such as shredders, laminators, beamers and other accessories. Pelikan Middle East also unveiled the "Office Wellness" concept during the fair as a new strategic business initiative for 2009, to differentiate and emphasize the competitive advantage of the brand within the industry by providing office, school and printing solutions to the customers utilizing the wide produce assortment. The theme "Office Wellness" aims to foster wellness at the workplace by using Geha and Pelikan line of products. During the fair, Pelikan Middle East celebrated its 3rd anniversary at the Dubai Creek Golf & Yacht Club Hotel and invited honourary Johann Adolf Cohansz, Consul General of Germany, and Dzulkifli Mahmud, Senior Trade Commissioner of Malaysia, along with many guests to grace the occasion with their presence.

PAKISTAN

- In March 2009, Pelikan Middle East organised a "Buy & Fly" promotion campaign with its **Pakistan** business partner at a Pelikan retail shop in Dolmen Mall, Karachi, allowing contestants who buy Pelikan products a chance to win a trip for two to Dubai. The campaign successfully generated sales and brand awareness. The business partners also organised a hand writing and painting competition in a leading Karachi mall during March – April, to promote Pelikano Jr. fountain pens and colouring products among students.

INDIA

- Pelikan's business partner in **India** organised a colouring and painting competition to promote Pelikan products ahead of the "Back to School" season for children between 4 and 11 years old. The competition gained brand recognition amongst the parents and children at Citi Centre, Chennai as winners were awarded Pelikan gift hampers.

KENYA

- In April 2009, Pelikan Middle East collaborated with their local business partner "Text Book Centre" in **Kenya** to organise a colouring and painting competition in Sarit Centre, Nairobi with a theme "Express Yourself with Pelikan". This event garnered attention amongst the children and parents during the weekends.

Board of Directors' Profile

Tan Sri Musa bin Mohamad

Malaysian, 67

Chairman & Independent Non-Executive Director
Member of Audit Committee
Chairman of Nomination Committee
Chairman of Remuneration Committee
Chairman of ESOS Committee

Tan Sri Musa bin Mohamad, was appointed to the Board as Director on 1 August 2005. Subsequently, he was re-designated as Chairman of the Company on 14 November 2007.

He holds a Bachelor of Pharmacy Degree from the National University of Singapore in 1965 and obtained a Master of Science Degree in Pharmaceutical Technology from the University of London in 1972. He is a Fellow of Malaysian Academy of Sciences and Malaysian Pharmaceutical Society.

He spent over 20 years in teaching and academic administration in 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 listed company, Poly Glass Fibre (M) Berhad. He was the Minister of Education Malaysia from 1999 to 2004 and Chairman of Universiti Telekom Sdn Bhd, a subsidiary of Telekom Malaysia Berhad, which runs the Multimedia University in Cyberjaya from 2004 until February 2009.

He is currently Chairman of the University Council, Universiti UCSI, Kuala Lumpur under UCSI Education Sdn Bhd. He is also the Chairman and Director of Sri Millenium Sdn Bhd.

Loo Hooi Keat

Malaysian, 55

President/Chief Executive Officer
Member of ESOS Committee

Loo Hooi Keat, was appointed to the Board as Director on 22 April 2005 and thereafter as an Executive Chairman on 26 April 2005. Subsequently, he was re-designated as President/Chief Executive Officer of the Company on 14 November 2007.

He is a certified public accountant and a member of the Malaysian Institute of Certified Public Accountants (MICPA). He received his training in accountancy from a reputable international accounting firm where he obtained his Certified Public Accountant accreditation. Since then, he has gained experience in various international companies in Malaysia, namely as Group Accountant for the Sime Darby group of companies from 1982 to 1985 and Lion group of companies from 1986 to 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 Market of Bursa Malaysia Securities Berhad. He is also 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 trading or revenue nature which are necessary for the day-to-day operations of the Group for which he is deemed interested, there are no other business arrangement with the Group in which he has personal interest.

Syed Hussin bin Shaikh Al Junid

Malaysian, 57

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

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

He graduated from the University of Malaya and holds a Bachelor of Economics 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 Klang Valley.

He was 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.

He is currently overseeing the property development for another local group of companies.

Haji Abdul Ghani bin Ahmad

Malaysian, 68

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

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

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

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

He serves as a Director of several private limited companies including LANG Consultancy Services Sdn Bhd where he provides consultancy services relating to customs, excise, sales tax, 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, 63

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

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

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

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 in 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, telecommunication, housing development and plantation.

Currently, he is a Director of NV Multi Corporation Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad and is also a Director of Quill Capital Management Sdn Bhd.

Hajah Rozaida binti Omar

Malaysian, 47

Non-Independent Non-Executive Director

Hajah Rozaida binti Omar, was appointed to the Board as Director on 21 November 2008.

She is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

She started her career as a Financial Accountant at FELDA in 1986. In 1990, she became a Credit Manager at Citibank Berhad until 1991. She then joined Guthrie Trading Sdn Bhd as a Finance Manager until 1993. After that, she became a Finance Director of Glaxo SmithKline Consumer Healthcare Sdn Bhd from 1994 until 2003.

Currently, she sits on the Board of BIMB Holdings Berhad and Syarikat Takaful Malaysia Berhad. She is also the Group Chief Financial Officer of Lembaga Tabung Haji.

Datuk Ismee bin Ismail

Malaysian, 45

Non-Independent Non-Executive Director

Datuk Ismee bin Ismail, was appointed to the Board as Director on 9 September 2009.

He is a fellow member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

He is presently the Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji. Prior to that, he was the Chief Executive Officer of a stock broking company. He has also served several organisations namely as Senior General Manager of Finance at Lembaga Tabung Haji; Chief Accountant at Pengurusan Danaharta Nasional Berhad; General Manager of a listed property development company and has held several finance-related positions at a multinational oil company.

Currently, he is a Director of BIMB Holdings Berhad, Syarikat Takaful Malaysia Berhad, TH Plantations Berhad, KFC Holdings Malaysia Berhad, and Bank Islam Malaysia Berhad.

Additional notes to the Board of Directors' Profile:

None of the Directors have :

- any conflict of interest with the Company;
- any family relationship with any Director and/or major shareholder of the Company; and
- any conviction for offences within the past 10 years other than traffic offences.

Group Management Committee

1

2

3

4

1 Loo Hooi Keat, Malaysian, 55
President/Chief Executive Officer
- Certified Public Accountant
- Over 23 years of experience
- Group Accountant, Sime Darby Group of Companies (1982-1985)
- Group Accountant, Lion Group of Companies (1986-1989)
- Group General Manager, United Engineers (Malaysia) (1990-1992)

2 Arno Alberty, German, 50
Head of Sales and Marketing, Europe
- Over 16 years experience in sales
- Saint Gobain (1984)
- 3M Office products (1988)
- Henkel Adhesives (1996)
- Pelikan Hardcopy Holding AG (2006)

3 Peter Raijman, Dutch, 50
CFO of Europe
- BA in Business Administration
- Over 19 years of experience with Pelikan Group
- Group Controller for Europe (1991)
- Head of Controlling Department (1996)
- Head of Finance and Administration in Europe (2004)

4 Claudio Esteban Seleguan, Argentinean, 48
Head of Sales and Marketing, Americas
- BA in Business Administration
- Over 21 years of experience with Pelikan Group
- Manager of Pelikan Costa Rica (1989)
- Chief Executive Officer, Pelikan Mexico (1992)

5 Ng Cheong Seng, Malaysian, 38
Head of Corporate Services
- Chartered Accountant
- Masters in Financial Management (University of London)
- Pelikan Holding AG (2003)

6 Loo Seow Beng, Malaysian, 52
Head of Procurement
- BSc in Business
- Over 15 years of experience with Pelikan Group
- Pelikan Singapore-Malaysia Pte Ltd (1995)
- Pelikan Holding AG

7 **Thorsten Lifka**, German, 44

Head of Product Development, Production and R&D

- Ph.D in Natural Science
- R&D Manager Agfa-Gaevert Group (1996)
- Plant Manager (Sao Paolo, Brazil)
- Production start up in Wuxi, China (Graphics industry)
- Managing Director, Pelikan Hardcopy Production AG (2006)

8 **Sabine Vincenti**, Austrian, 39

CFO of Group Production and R&D

- Finance and controlling experience
- BA in Business Administration and Management
- Production Controller, Pelikan Hardcopy Holding AG (2001)

9 **Safuan Basir**, Malaysian, 42

Head of Sales and Marketing, Middle East and Africa

- Certified Accountant
- Graduate of Nottingham Trent University
- Over 10 years of operational, planning and consultancy experience
- Senior Vice President, Pelikan Group (2005)

10 **Azuma Ikeda**, Japanese, 56

Head of Sales and Marketing, Japan and South Korea

- BA in Commerce
- Masters of Business Administration
- Finance Manager, Pelikan Japan K.K. (1990)
- Managing Director, Pelikan Japan K.K. (1995)
- Board member of Japan Imported Pen Association

11 **William Liu**, Taiwanese, 52

- Head of Sales and Marketing, People's Republic of China, Hong Kong, Taiwan
- BA in Agriculture (National Chung Hsing University, Taiwan)
- Over 20 years of experience in the Taiwan consumer market
- Pelikan Taiwan Co. Ltd. (2007)

12 **Kenny Kang**, Malaysian, 37

- Head of Sales and Marketing, South East Asia
- Masters of Business Administration in Marketing Management
- Over 13 years of experience with Canon Malaysia
- Vice President, Pelikan Asia Sdn. Bhd.(2007)

Statement on Corporate Governance

The Board of Directors ("the Board") of Pelikan International Corporation Berhad ("Pelikan International" or "the Company") is pleased to report to shareholders on the manner in which the Pelikan International group of companies ("the Group") applies the principles as set out in the Malaysian Code on Corporate Governance (Revised 2007) ("the Code") and the extent to which the Group has complied with the best practices of the Code and also provides compliance with paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") throughout the financial year ended 31 December 2009.

THE BOARD OF DIRECTORS

1. Composition, duties and responsibilities

The Group is led by an experienced Board under the leadership of Independent Non-Executive Chairman, Tan Sri Musa bin Mohamad and President/Chief Executive Officer, Loo Hooi Keat, supported by three (3) Independent Non-Executive Directors and two (2) Non- Independent Non-Executive Directors. This is in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities ("the Listing Requirements") which requires at least one-third (1/3) of the Board to comprise of Independent Directors.

The roles of the Chairman and Chief Executive Officer are separate and each has a clear accepted division of responsibilities to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Chief Executive Officer has the overall responsibilities over the Company's operating units, organisational effectiveness and implementation of Board policies and decisions.

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 are independent from the 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 has been supplied with timely information to enable them to discharge their duties efficiently. The Board takes full responsibility for the overall performance of the Company and the Group. This includes:

a) reviewing and adopting strategic business plans for the Group;

b) overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;

c) identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

d) managing and overseeing the operations of the Group's businesses;

e) developing and implementing an investor relations programme or shareholders communications policies for the Company; and

f) 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.

2. Board meetings

The Board meets at least four (4) times a year with additional meetings being held as and when required. During these meetings, the Board reviews the Group's financial statements where results are deliberated and considered. Any other strategic issues that may affect the businesses or performance of the Group are also deliberated. The deliberations at the Board meetings and the conclusions are minuted by the Company Secretaries.

During the financial year ended 31 December 2009, the Board met six (6) times, where it deliberated and considered a variety of matters affecting the Company's operations including the Group's financial results, business plan and the direction of the Group.

The Directors' attendance for the Board meetings held in 2009 was as follows:

Name of Directors	No. of meetings attended	Total attendance (%)
Tan Sri Musa bin Mohamad	6 out of 6	100
Loo Hooi Keat	6 out of 6	100
Syed Hussin bin Shaikh Al Junid	6 out of 6	100
Haji Abdul Ghani bin Ahmad	6 out of 6	100
Yap Kim Swee	5 out of 6	83
Hajah Rozaida binti Omar	5 out of 6	83
Datuk Ismee bin Ismail (Appointed on 9 September 2009)	1 out of 2	50

3. Supply of information

All Directors have access to the advice and services of the Company Secretaries who ensures that the Board receives appropriate and timely information for its decision-making, and that the Board procedures are followed and that the statutory and regulatory requirements are met. The Board also has direct access to the senior management officers on information relating to the Company's business and affairs in the discharge of their duties.

In addition, the Board may further seek independent professional advice at the Company's expense on specific issues to enable the Board to discharge its duties in relation to the matters being deliberated.

4. Appointments to the Board

The Board has established a Nomination Committee who is responsible for making recommendations to the Board on the optimum size of the Board and review of the effectiveness of the Board and its committees.

The Nomination Committee had assessed the effectiveness of the individual Directors, the Board as a whole, the Audit Committee and the Remuneration Committee. All the assessments have been properly documented in compliance with the Code.

The Nomination Committee is satisfied with the size of the Company's Board and that there is appropriate mix of knowledge, skills, attributes and core competencies in the composition of the Board.

5. Re-election of Directors

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 ("AGM"). 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 shall retire from office at least once every three (3) years but shall be eligible for re-election.

At the forthcoming AGM, Mr Loo Hooi Keat and Tuan Syed Hussin bin Shaikh Al Junid are due to retire pursuant to Article 127 of the Company's Articles of Association, while Datuk Ismee bin Ismail is due to retire pursuant to Article 132 of the Company's Articles of Association. All of them have offered themselves for re-election.

6. Directors' training

All Directors have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. During the financial year ended 31 December 2009, all Directors and the senior management officers had attended a one (1) day training on "Blue Ocean Strategy Workshop for Decision Makers" to further enhance their professionalism in discharging their duties to the Group. The Directors were also briefed by the Company Secretaries on the key changes in relation to the Listing Requirements following the unification of the Main Board and Second Board Companies.

Training on the Code and the amendments to the Companies Act 1965 were also given by the Company Secretaries to all Directors to facilitate knowledge enhancement in the areas of the Code and relevant compliance areas. The Directors are kept abreast with general economic, industry and technical developments by senior management's briefing to the Board from time to time.

The Company will on continuous basis, evaluate and determine the training needs of its Directors.

7. Board Committees

The Board has established four (4) main Board Committees, which are Audit Committee, Nomination Committee, Remuneration Committee and Executives' Share Option Scheme ("ESOS") Committee, to which it has delegated certain of its responsibilities. Each Board committee has its own terms of reference that clearly defined their operating procedures and authorities that have been approved by the Board.

Each Board Committee will submit their respective deliberations and recommendations to the Board and all the deliberations and decisions taken will be minuted and approved by the Board Committee.

(A) Audit Committee

The terms of reference of the Board Audit Committee are in compliance with the Listing Requirements and the best practices as set out in the Code. The report of the Audit Committee for the financial year ended 31 December 2009 are presented on pages 48 to 52 of this Annual Report.

(B) Nomination Committee

The Nomination Committee was set-up to ensure business continuity of the Group by having in place a succession plan for the Board and senior management.

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

Name of Nomination Committee members	
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*

The Nomination Committee met twice during the financial year ended 31 December 2009 and the meetings were attended by all the members of the Nomination Committee.

The duties and responsibilities of the Nomination Committee are as follows:

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 the Company.

Fundamentally, new appointments to the Board are made by the whole Board and potential Non-Executive Directors are proposed by any Director and reviewed by the Nomination Committee before any approach is made to the candidate. 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.

(C) Remuneration Committee

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 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.

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

Name of Remuneration Committee members	
Tan Sri Musa bin Mohamad	Chairman, *Independent Non-Executive Director*
Syed Hussin bin Shaikh Al Junid	Member, *Independent Non-Executive Director*
Yap Kim Swee	Member, *Independent Non-Executive Director*

The Remuneration Committee met once during the financial year ended 31 December 2009 and the meeting was attended by all the members of the Remuneration Committee.

The duties and responsibilities of the Nomination Committee are as follows:

a) to recommend to the Board, the remuneration and compensation of the Executive Director in all its form, drawing from external advise where necessary; and

b) to establish a formal procedure for developing policy on Executive Director's remuneration and compensation package.

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 Company's overall philosophy that all employees should be appropriately rewarded.

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 salaries, fees, performance related bonus and benefit-in-kind. Salaries and benefits are competitive and reviewed annually. In making recommendations on the framework for retaining and rewarding senior management, the Remuneration Committee reviews the total reward package, making use of internally and externally published information. The salaries of the Executive Director is set by the Remuneration Committee annually after consideration of the Company's performance, market conditions, the level of increase awarded to employees throughout the business and the need to reward individual performance.

(D) ESOS Committee

The ESOS Committee was set-up to ensure the ESOS is fairly and properly administered in accordance with its approved By-Laws and other applicable rules and regulations.

The ESOS Committee was established on 29 April 2010 and comprises a majority of Independent Non-Executive Directors as follows:

Name of ESOS Committee members	
Tan Sri Musa bin Mohamad	Chairman, *Independent Non-Executive Director*
Loo Hooi Keat	Member, *President/Chief Executive Officer*
Yap Kim Swee	Member, *Independent Non-Executive Director*

The duties and responsibilities of the ESOS Committee amongst others, are as follows:

a) to determine the eligibility of the person for participation in the ESOS;

b) to decide on the number of shares to be offered to eligible persons, the subscription price for the shares and such other terms in relation to the offer;

c) to enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the ESOS subject to the provisions of the ESOS By-Laws; and

d) to take all other actions within the purview of the ESOS Committee pursuant to the ESOS By-Laws, for the necessary and effective implementation and administration of the ESOS.

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 AGM. The details of the Directors' remuneration for the financial year ended 31 December 2009 are as follows:

Name of Directors	Fees (RM)	Salaries (RM)	Defined Contribution Plan (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Director					
Loo Hooi Keat	–	1,200,000	144,000	128,000	1,472,000
Non-Executive Director					
Tan Sri Musa Mohamad	72,000	–	–	10,000	82,000
Syed Hussin bin Shaikh Al Junid	60,000	–	–	10,000	70,000
Haji Abdul Ghani bin Ahmad	60,000	–	–	10,000	70,000
Yap Kim Swee	70,000	–	–	4,391	74,391
Hajah Rozaida binti Omar	60,000	–	–	–	60,000
Datuk Ismee bin Ismail	18,667	–	–	–	18,667
Total	340,667	1,200,000	144,000	162,391	1,847,058

RELATIONS WITH SHAREHOLDERS AND INVESTORS

1. The Annual General Meeting

The 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 Secretaries 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 Secretaries at the Company's registered address.

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 Securities has been made.

ACCOUNTABILITY AND AUDIT

1. Financial reporting

The Board takes responsibility for ensuring that the financial statements of the Group and the Company give a true and fair view of the state of affairs of the Group and the Company as required under Section 169(15) of the Companies Act 1965 and the applicable Financial Reporting Standards in Malaysia.

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

2. Directors' Responsibility Statement in preparing the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are drawn up in accordance with the provisions of the Companies Act 1965 and the applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results of their operations and cash flows for the financial year.

In preparing the financial statements, the Directors have:

a) selected suitable accounting policies and applied them consistently;

b) made judgements and estimates that are reasonable and prudent;

c) ensured that all applicable accounting standards have been followed; and

d) prepared financial statements on 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 for the foreseeable future.

The Directors have the duty to ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and 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 open to them to safeguard the assets of the Group to prevent and detect frauds and other irregularities.

3. Internal Audit function

In line with paragraph 15.27 of the Listing Requirements, 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 encompassed 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 business and operations. It recognizes that it is management's responsibility to analyze the risks and to devise and implement effective system of internal controls. The fulfilment of the above objective is achieved by providing reasonable assurance through an effective and efficient programme of independent review across the Group to the management and to the 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 an appropriate system of internal controls 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 the Group's assets;

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

g) 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.

4. External Audit function

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

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

Board Responsibility

The Board of Directors ('the Board") of Pelikan International Corporation Berhad ("Pelikan International" or "the Company") is responsible for maintaining a sound system of internal control and reviewing its adequacy and integrity so as to safeguard the shareholders' investments and the assets of Pelikan International group of companies ("the Group"). The Board and management have implemented a control system designed to identify and managed risks faced by the Group in pursuit 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 financial 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 from 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 utilization and 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 the Board;

d) Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary;

e) Regular visits to operating units by members of the Board and Senior Management; and

f) The Internal Audit & Risk Management department independently reviews the control processes implemented by the management from time to time and periodically reports on its findings and recommendations to the Audit Committee. The duties and responsibilities of the Audit Committee are detailed in the Terms of Reference of the Audit Committee. The Audit Committee, by consideration of both internal and external audit reports, is able to gauge the effectiveness and adequacy of the internal control system, for presentation of its findings to the Board.

Statement on Internal Audit Function

In line with Appendix 9C, paragraph 30 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the internal audit function of Pelikan International Corporation Berhad ("the Company") group of companies ("the Group") is performed in-house, in which the Internal Audit Charter had been formally adopted by the Audit Committee. The internal audit review of the Group's operations encompassed an independent assessment of the Group's compliance with its internal controls and makes recommendations for improvements.

1. Purpose

In accordance with the Main Market Listing Requirements of Bursa Securities, the Group Internal Audit & Risk Management ("IARM") department is established to ensure not only the effective implementation and compliance of good corporate governance, but also to ensure that effective systems of internal controls are in place. Such examination and evaluation of all departments' activities serves as a service to corporate management and its Board of Directors ("the Board") across all companies under the Group's management control. It is an internal control that functions by measuring and evaluating the effectiveness of other controls.

2. Terms of Reference

The Group IARM department is responsible for providing the respective country's management with information about the adequacy and the effectiveness of its system of internal controls and quality of operating performance when compared with established standards. To accomplish this responsibility, all corporate activities are subject to audit. It is the responsibility of the Group IARM department to serve the Group in the manner that is consistent with the "Standards for the Professional Practice of Internal Auditors" and the professional standards of conduct such as the "Code of Ethics" of the Institute of Internal Auditors.

3. Policy Guideline

3.1 Organisational Status

Whilst, the Group IARM department is an integral part of the Company and functions in accordance with policies established by its Senior Management and the Board, it is essential for the Group internal auditor to be independent of the activities audited. To enhance and ensure this independence, it is authorised to access all relevant records, personnel and physical properties.

In view of the fact that its organisational status and support accorded to it by Senior Management are major determinants of its range and value. The Group IARM department reports to the Audit Committee, whose authority is sufficient to ensure a broad range of audit coverage and an adequate consideration of effective action on internal audit findings and recommendations.

The Group IARM department has an independent functional responsibility to the Audit Committee, which made up of Independent Non-Executive Directors of the Company for the adequacy and effectiveness of the system of internal controls. The Head of IARM department shall meet with the Audit Committee on quarterly basis.

3.2 Objectivity

Objectivity is essential to auditing. Thus, the Group IARM department should not normally develop or install accounting procedures or controls, prepare records, or engage in activities that its personnel would normally review and appraise and that could reasonably be construed to compromise its independence. Objectivity need not be adversely affected by the determination and recommendations of standards and techniques of control to be applied in developing systems and procedures under its review nor lending its technical assistance to management in systematic analysis of operations or activities.

3.3 Scope

The scope of internal auditing encompass examining and evaluating the adequacy and the effectiveness of the Company's system of internal controls and the quality of operating performance against established standards in carrying out assigned responsibilities. The scope of the examination and the evaluation performed in areas of the Company includes the review of:

a) the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report information;

b) the systems established to ensure compliance with policies, plans, procedures, law and regulations that could have a significant impact on operations and reports including determining whether the organisation is in compliance;

c) the means of safeguarding assets and verifying their existence;

d) the economy and efficiency with which resources are utilised and employed; and

e) operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations and programmes are being carried out as planned.

The audit will be conducted in such a manner as the Head of IARM department considers necessary to fulfil his responsibilities and will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as the Group IARM department consider necessary. The nature and extent of the audit tests will vary according to the internal auditor's assessment of the Company's accounting system, system of internal controls and cover any aspect of the business operations. The Group IARM department shall report any significant weaknesses in or observations on, the Company's system which comes to its notice and which the Group IARM department thinks should be brought to the attention of the Board and/or the Audit Committee.

The responsibility for the prevention and detection of irregularities and fraud rests with the operating management. However, the IARM department shall endeavour to plan its audit so that it has a reasonable expectation of detecting material misstatements in accounting and operational records resulting from irregularities or fraud, but its examination should not be relied upon to disclose irregularities and frauds which may exist.

4. Additional Information Relating to the Internal Audit Function

4.1 Internal Audit Administration

The Head of IARM department is generally responsible for the administration of this policy and functionally directing internal audit activities throughout the Company.

Group corporate management and operating management are responsible for providing the Group IARM department with relevant and timely access to all records, personnel and physical properties and for making sure that appropriate actions are taken to address audit recommendations.

4.2 Internal Audit Function Costs

The costs incurred by the Group internal audit function in respect of the financial year 2009 are as follows:

	2009 **RM**
Salaries & bonus	298,336
Defined contribution plan	40,151
Travelling, accommodation & others	238,319
Total	576,806

Audit Committee Report

The Board of Directors ("the Board") of Pelikan International Corporation Berhad ("the Company") is pleased to present the following report of the Audit Committee for the financial year ended 31 December 2009.

Membership and Meetings of Audit Committee

The Audit Committee comprises the following three (3) members who are all Independent Non-Executive Directors. The Chairman of the Audit Committee is an Independent Non-Executive Director, who is also a member of the Malaysian Institute of Accountants. The Head of Internal Audit and Risk Management and the representatives from the external auditors of the Company were also invited to attend the Audit Committee meetings.

The Audit Committee members' attendance record is as follows:-

Name of Audit Committee members	No. of meetings attended	Percentage (%)
Yap Kim Swee (Chairman)	5 out of 5	100
Haji Abdul Ghani bin Ahmad	5 out of 5	100
Tan Sri Musa bin Mohamad	5 out of 5	100

Terms of Reference of the Audit Committee

1. Objective

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").

In addition, the Audit Committee shall:-

a) evaluate and appraise the quality of audits conducted both by the Company's and the Group's internal and external auditors;

b) maintain open lines of communication between the Board, internal and external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;

c) determine the quality, adequacy and effectiveness 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.

2. Composition

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

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

a) a member of the Malaysian Institute of Accountant ("MIA"); or

b) if he is not a member of MIA, he must have at least three (3) years of working experience and:

   i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

   ii) he must be a member of one of the associations of the accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

c) fulfils such other requirements as prescribed by the Bursa Malaysia Securities Berhad ("Bursa Securities").

The term of office and performance of Audit Committee and each of its members shall be reviewed by the Board at least once in every three (3) years.

If a member of the Audit Committee resigns, or for any reason ceases to be a member with the result that 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.

3. Chairman of the Audit Committee

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

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be an Independent Director to chair the meeting.

4. Secretary

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.

5. Meetings

The Audit Committee shall meet regularly with due notice of issues to be discussed, and should record its conclusion in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

The Chairman of the Audit Committee shall also convene a meeting if requested to do so by any member, the Management or the internal auditors or external auditors to consider any matter that falls within the scope of responsibilities of the Audit Committee.

Notice of Audit Committee Meetings shall be given to all Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of Audit Committee shall engage on a continuous basis with Senior Management, such as the Chairman, the Chief Executive Officer, the Finance Director, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company and the Group.

The Finance Director and the Head of Internal Audit should normally attend such meetings. Representatives of the external auditors are to be in attendance at meetings where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed. Other Directors, officers and employees of the Company and the Group may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee should meet the external auditors without Executive Board members present at least twice a year.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

A resolution in writing signed by a majority of the Audit Committee members for the time being entitled to receive notice of a meeting of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Audit Committee.

For the purpose of contemporaneous linking together by an instantaneous telecommunication device of a number of the members of the Audit Committee no less than the quorum required, whether or not any one or more of the members 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 members 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 each other at the commencement and for the duration of the meeting; and

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 members of the Audit Committee taking parts.

6. Minutes

The Secretary shall also be responsible for keeping the minutes of meeting of the Audit Committee at the registered office and distribute to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

7. Quorum

The quorum for the Audit Committee meeting shall be the majority of members present who must be Independent Directors.

8. Reporting

The Audit Committee shall report to the Board, either formally in writing or verbally, as it considers appropriate, on the matters within its terms of reference at least twice a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board on any specific matters referred to it by the Board for investigation and report.

9. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company and the Group:-

a) have explicit authority to investigate any matter within its terms of reference, resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee;

b) have full and unrestricted access to any information, records, properties and personnel of the Company and of any other companies within the Group;

c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

d) obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Audit Committee's meetings (if required) and to brief the Audit Committee;

e) have right to ensure the attendance of any particular Audit Committee meeting by other Directors and employees of the Company shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting; and

f) have the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities requirements, the Audit Committee must promptly report such matter to the Bursa Securities.

10. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

a) to consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

b) to discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination when more than one audit firm is involved;

c) to review with the external auditors his evaluation of the system of internal controls and his audit report;

d) to review the quarterly and year-end financial statements of the Company and the Group, focusing particularly on:-

   i) any change in accounting policies and practices;

   ii) significant adjustments arising from the audit;

   iii) the going concern assumption; and

   iv) compliance with accounting standards and other legal requirements;

e) to discuss problems and reservations arising from interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management where necessary);

f) to review the external auditor's management letter and management's response;

g) to do the following, in relation to the internal audit function:-

   i) review the adequacy of the scopes, functions and resources of the internal audit function, and ensure that it has the necessary authority to carry out its works;

   ii) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;

   iii) review any appraisal or assessment of the performance of the members of the internal audit function;

   iv) approve an appointment or termination of senior staff members of the internal audit function; and

   v) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

h) to consider any related party transactions that may arise within the Group including any transaction, procedure or code of conduct that raises questions of management integrity;

i) to consider the major findings of internal investigations and management's response;

j) to determine the remit of the internal audit function;

k) to consider other topics as defined by the Board; and

l) to report its findings on the financial and management performance, and other material matters to the Board.

Summary of Activities of the Audit Committee

During the financial year 2009, the Audit Committee carried out its duties as set out in the terms of reference. Other main activities carried out by the Audit Committee during the financial year included the following:-

1. Financial Results

a) Reviewed the quarterly and year-to-date unaudited financial results of the Group before tabling to the Board for consideration and approval; and

b) Reviewed the reports and the audited financial statements of the Company and the Group together with external auditors prior to tabling to the Board for approval. The review was, inter alia, to ensure compliance with:-

i) Provision of the Companies Act 1965;

ii) Main Market Listing Requirements of Bursa Securities;

iii) Applicable Financial Reporting Standards in Malaysia; and

iv) Other legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit.

2. External Audit

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

b) Reviewed and discussed the external auditors' audit report and areas of concern highlighted in the management letter, 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.

3. 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 controls;

c) Monitored the implementation programme recommended by the Internal Audit and Risk Management department arising from its audits in order to obtain assurance that all key risks and controls have been fully dealt with; and

d) Reviewed of the performance of members of the internal audit function.

Corporate Social Responsibility

At Pelikan we strive to uphold responsible practices that benefit the environment and our stakeholders in the community, workplace and marketplace.

Corporate Social Responsibility ("CSR") at its purest is not just a tool for a company to increase its brand name. CSR is much more than that; for a company to continue operating and staying relevant, corporate responsibility is the key - an absolute necessity.

Here at Pelikan, we understand that the way forward for an organisation is not complete without integrating social and environment concerns in its core. Even with the backdrop of an unstable economic climate, our commitment in this has not waivered. How Pelikan as a whole relates itself to its community, environment, staff and marketplace shows that as an organisation, Pelikan is on the right track.

2009 saw how we strengthened our efforts in supporting causes and campaigns for the environment. Our staff were very much in the centre of this effort, working and striving together for the same goal, which in return created the much sought after solidarity in the workplace. With a great working environment and teamwork, our contribution towards the community has been far bigger than before.

THE COMMUNITY

Pelikan has been actively responding to the needs of the community, with a special focus on children and young people.

Already in its second year, Pelikan's three year tie up with HOPE Worldwide Kuala Lumpur's Learning with Pelikan Activity Corner in Malaysia has generated a pool of dedicated volunteers who guide underprivileged children through their arts and crafts class twice a month. Besides wanting to expose children to art from an early age, one of Pelikan's objectives was to give children confidence in their abilities. When the classes first began, the children were reserved and afraid of making mistakes when creating their art work. However by 2009, a marked improvement could be seen, as the children showed confidence in using the tools provided and deciding for themselves just how they wanted to create their masterpieces.

Pelikan is also open to collaborating with other companies for the greater good of the community. Pelikan Malaysia has collaborated twice with HSBC bank, with the latest project being the sprucing up of an orphanage. On 4 July, a record number of volunteers came forward, and packed half a day of spring cleaning and showing the orphans of Rumah Amal Limpahan Kasih how plain mugs could be converted into something unique with the use of Pelikan's hobby paint.

2009 was also the year in which Pelikan Malaysia introduced the Pelikan CSR Champ award which rewards top volunteering employees with the coveted title and a token of appreciation at the end of the year. This will hopefully spur more employees to volunteer.

Children with disabilities are also aided, as in the case of Pelikan Thailand which launched an innovative CSR programme for the blind using Pelikan's tagline of "Colour Your World"on 1 June. In a bid to colour the world for the blind, staff read aloud from books, and had their readings recorded in an audio CD format.

These CDs were then distributed to blind people. In Singapore spastic children from the Spastic Children's Centre have been hired as packers. Their work scope involves dismantling products needed for Pelikan's sales needs.

Throughout the year, Pelikan worldwide has been active in fundraising activities which saw many schools benefitting, like the Humbold School in Mexico.

Pelikan Mexico helped the Parent Teacher Association to raise much needed funds by holding a workshop. In Malaysia a school near the Pelikan office required a new roof, and Pelikan helped its Parent Teacher Association to raise money by donating products.

Pelikan Middle East co-sponsored an anti-obesity event which aimed at educating children on the need to eat healthily and to stay fit.

Pelikan Germany brought Easter cheer to primary school students by donating moulding clay. The clay was also donated to a popular German charity organization called "Ein Herz fuer Kinder" (A Heart for Children), a charity by the German paper, Bild.

THE ENVIRONMENT

Pelikan cares for the environment and practices the 3Rs (Reduce, Reuse, Recycle) in its production plants and takes these elements into consideration when deciding on the most efficient type of raw material to use, the processes involved and the packaging that is finalized.

Pelikan collects empty packaging in a bid to reduce the ever increasing pile of waste produced every year by empty toner modules and ink jet cartridges. Empty packaging of various brands are also tested for their reusability in our recycling depot and is then brought back into the production circulation. Due to accurate treatment and testing of the consolidated goods, the quality of all recycled products is guaranteed and all non-useable parts are professionally disposed of.

Environmental awareness amongst staff is something that is advocated by Pelikan too through activities within the workplace. Pelikan Malaysia was one of 400 businesses which pledged to observe Earth Hour, an initiative by World Wide Fund for Nature ("WWF") to make a stand on climate change. Non-essential lights and electrical appliances were switched off for two hours. Pelikan's efforts to create environmental awareness did not stop there; a month later on Earth Day, the management at Pelikan Malaysia planted trees at the office.

THE WORKPLACE

Where would a company be without its employees? As such, Pelikan aims to be a responsible and supportive employer which prioritizes the health and safety of all its employees worldwide.

In addition to achieving a multi-site ISO 9001 and ISO 14001 Certificate by the Swiss Certification Institute for all production plants, Pelikan looks into the welfare of employees in the form of medical coverage, subsidized meals and discounted product purchases.

A month long health awareness campaign was launched by Pelikan Malaysia which invited non-profit organizations in different areas of expertise to give talks and workshops to staff. Staff were trained in CPR, and found out more about the state of their health from the talks given by the Malaysian AIDS Council, The Heart Foundation of Malaysia, The National Kidney Foundation, Pride Foundation and the National Transplant Resource Centre.

THE MARKETPLACE

Pelikan is committed to ensuring good governance, transparency and consistency in reporting every aspect of its operations and continuously takes steps in ensuring that it is a responsible company towards its stakeholders.

Pelikan Global Best Practice

Since 2008, all subsidiaries within the group have been adhering to these guidelines which seek to address the principles of internal controls governing the areas of inventory, logistics, purchasing, accounts payable, sales administration, and accounts receivables controls.

financial statements

Directors' Report

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 2009.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	39,634	25,399
Attributable to:		
Equity holders of the Company	36,391	25,399
Minority interests	3,243	–
	39,634	25,399

DIVIDENDS

Since the end of the previous financial year, the Company has paid a final single tier dividend* of 2.0 sen per ordinary share of RM1 each amounting to RM6,785,091 in respect of the financial year ended 31 December 2008, paid on 8 September 2009.

The Board of Directors proposed a final dividend of 2.0 sen per ordinary share of RM1 each single tier dividend*. The proposed dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

* single tier dividend is non-tax deductible under Section 108 of the Income Tax Act, 1967 and is exempted from Income Tax in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the said Act.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS

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

Tan Sri Musa bin Mohamad
Loo Hooi Keat
Yap Kim Swee
Syed Hussin bin Shaikh Al Junid
Haji Abdul Ghani bin Ahmad
Hajah Rozaida binti Omar
Datuk Ismee bin Ismail (Appointed on 9 September 2009)

At the forthcoming Annual General Meeting, Loo Hooi Keat and Syed Hussin bin Shaikh Al Junid are due to retire pursuant to Article 127 of the Company's Articles of Association while Datuk Ismee bin Ismail is due to retire pursuant to Article 132 and, being eligible, offer themselves for re-election.

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS

Issue of shares

As approved by the shareholders at the Extraordinary General Meeting held on 17 December 2009, the authorised share capital of the Company was increased from RM500,000,000 to RM1,000,000,000 through creation of 500,000,000 ordinary shares of RM1.00 each.

There was no share option issued during the financial year.

Rights issue

On 21 October 2009, the Company proposed a renounceable rights issue of 169,627,220 new ordinary shares of RM1.00 each in the Company ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM1.00 each in the Company ("Pelikan Shares") held at an issue price of RM1.10 per Rights Share ("Rights Issue").

The Rights Issue had been approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 17 December 2009.

The Rights Issue was completed on 12 February 2010 with the listing of and quotation for 169,627,220 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad with effect on that date.

Treasury shares

During the financial year, the Company repurchased 205,200 of its issued ordinary shares from the open market at an average price of RM0.86 per share. The total consideration paid for the repurchase including transaction costs was RM176,734. The repurchase transactions were financed through internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2009, the Company held 3,914,400 treasury shares. Such treasury shares are held at carrying amount of RM13,678,000. Further details are disclosed in note 26 (b) to the financial statements.

Executives' Share Option Scheme

The Company's Executives' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 17 December 2009. The ESOS was effected on 1 March 2010 and is to be in force for a period of five (5) years from the effective date of implementation and may be extended or renewed for a further period of five (5) years, at the sole and absolute discretion of the Board upon the recommendation of Option Committee and pursuant to the by-law and shall not in aggregate exceed a duration of ten (10) years from the effective date of implementation.

The salient features of the ESOS are as follows:

(i) The Board has appointed the Options Committee ("Committee") to administer the ESOS.

(ii) The Company may from time to time grant option to eligible employees of the Group to subscribe for new ordinary shares of RM1.00 each.

(iii) Subject to the determination and discretion of the Option Committee, ESOS may be granted to any employee whose is a confirmed full-time employee of the Company and/or its eligible subsidiaries and if that person is servicing under a fixed term of contract of employment, the contract (including any period of employment which that person has already served) should be for a duration of at least one (1) year of continous service and any Director named in the Register of Directors of the Company.

(iv) The total number of shares to be issued under ESOS shall not exceed five percent (5%) of the issued and paid up capital of the Company at any point of time throughout the duration of the ESOS and of which not more than fifty percent (50%) of the new Company shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than ten percent (10%) of the new Company shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through person connected with the eligible employee, holds twenty percent (20%) or more in the issued and paid-up capital of the Company.

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS (Cont'd)

Executives' Share Option Scheme (Cont'd)

(v) The options price for each share shall be the higher of the weighted average market price of the Company shares, as quoted on Bursa Malaysia Securities Berhad, for the five (5) market days immediately preceding the date of offer of the option with a discount of not more than ten percent (10%) or the par value of the shares of the Company of RM1.00 each.

(vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company except that the so allotted and issued shares will not be entitled for any dividends, rights, allotments or other distribution, where the entitlement date precedes the date of allotment of the new Company shares and will be subject to the provisions of the Articles of Association of the Company relating to transfer, transmission or otherwise of the Company shares.

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2009, 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 36 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' INTEREST

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			
	As at 1.1.2009	**Additions**	**Disposals**	**As at 31.12.2009**
Loo Hooi Keat				
- Direct	3,522,080	353,100	(3,236,000)	639,180
- Indirect	96,529,670	13,101,700	(16,354,400)	93,276,970

By virtue of Loo Hooi Keat's 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 Loo Hooi Keat, 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 (Cont'd)

Before the income statements and balance sheets were made out, the Directors took reasonable steps: (Cont'd)

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the 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 of the 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 of the 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 of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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 of the 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 of the 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 of the Company which has arisen since the end of the financial year other than the contingent liabilities as disclosed in note 35 to the financial statements.

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 of the 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 of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Details of significant events are disclosed in note 37 to the financial statements.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 April 2010.

TAN SRI MUSA BIN MOHAMAD
Director

LOO HOOI KEAT
Director

Kuala Lumpur

Statement by Directors Pursuant to Section 169(15) of the Companies Act, 1965

We, TAN SRI MUSA BIN MOHAMAD and LOO HOOI KEAT, 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 65 to 120 are drawn up in accordance with Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 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 2009 and of the results and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 April 2010.

TAN SRI MUSA BIN MOHAMAD
Director

LOO HOOI KEAT
Director

Statutory Declaration Pursuant to Section 169(16) of the Companies Act, 1965

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 65 to 120 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 29 April 2010.

Before me,

MOHAN A.S. MANIAM
Commissioner for Oaths

Kuala Lumpur

Independent Auditors' Report to the Members of Pelikan International Corporation Berhad (Company No: 63611 U)

Report on the Financial Statements

We have audited the financial statements of PELIKAN INTERNATIONAL CORPORATION BERHAD, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 65 to 120.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 ("the Act") in Malaysia, we also report on the following:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) we have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, of which are indicated in note 17 to the financial statements.

(c) we are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations as required by us for those purposes.

(d) the audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

WONG SOO THIAM
1315/12/10(J)
Partner of the Firm

Kuala Lumpur
29 April 2010

Income Statements for the Financial Year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue	6	**1,202,494**	1,288,493	**41,798**	20,255
Change in the level of finished goods and work in progress		**(10,187)**	(6,610)	**(971)**	–
Other operating income		**26,880**	46,500	**34,469**	39,867
Materials used		**(476,889)**	(554,846)	**(39,041)**	(15,761)
Staff costs	7	**(354,700)**	(360,597)	**(4,497)**	(4,524)
Depreciation of property, plant and equipment		**(33,532)**	(31,720)	**(310)**	(278)
Amortisation of intangible assets		**(7,065)**	(3,758)	**–**	–
Other operating expenses		**(277,626)**	(300,420)	**(2,859)**	(6,260)
Profit from operations	10	**69,375**	77,042	**28,589**	33,299
Share of profits of associates		**3,647**	4,545	**–**	–
Finance costs	11	**(22,879)**	(32,179)	**(3,190)**	(7,305)
Profit before taxation		**50,143**	49,408	**25,399**	25,994
Taxation	12	**(10,509)**	(11,596)	**–**	213
Profit for the financial year		**39,634**	37,812	**25,399**	26,207
Attributable to:					
Equity holders of the Company		**36,391**	36,665	**25,399**	26,207
Minority interests		**3,243**	1,147	**–**	–
Profit for the financial year		**39,634**	37,812	**25,399**	26,207
Earnings per share attributable to equity holders of the Company (sen)	13	**10.73**	12.30	**–**	–
Proposed dividends per share (sen)	14	**2.00**	2.00	**2.00**	2.00

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

Balance Sheets as at 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**359,502**	343,661	**936**	1,190
Intangible assets	16	**167,570**	162,246	**–**	–
Investment in subsidiaries	17	**–**	–	**136,075**	131,980
Investment in associates	18	**34,557**	29,044	**300**	300
Long term investments	19	**16,146**	16,845	**11,749**	13,013
Long term receivable	20	**–**	–	**81,163**	81,141
Pension Trust Fund	21	**188,776**	185,847	**188,776**	185,847
Deferred tax assets	22	**31,538**	29,934	**–**	–
		798,089	767,577	**418,999**	413,471
Current assets					
Inventories	23	**306,934**	313,470	**18**	989
Receivables, deposits and prepayments	24	**317,337**	311,894	**141,625**	90,820
Tax recoverable		**5,287**	3,237	**1,365**	1,116
Pension Trust Fund	21	**25,124**	28,053	**25,124**	28,053
Deposits, bank and cash balances	25	**62,709**	77,009	**4,032**	2,952
		717,391	733,663	**172,164**	123,930
TOTAL ASSETS		**1,515,480**	1,501,240	**591,163**	537,401
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	26	**343,169**	343,169	**343,169**	343,169
Share premium		**59,869**	59,869	**59,869**	59,869
Currency translation		**(27,902)**	(34,888)	**–**	–
Retained profits	27	**218,583**	188,977	**55,894**	37,280
Treasury shares at cost	26(b)	**(13,678)**	(13,501)	**(13,678)**	(13,501)
		580,041	543,626	**445,254**	426,817
Minority interests		**23,095**	19,177	**–**	–
Total equity		**603,136**	562,803	**445,254**	426,817

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities					
Payables	31	**11,527**	10,607	**–**	–
Post employment benefits obligations	28	**260,352**	273,351	**–**	–
Borrowings	30	**152,921**	196,530	**31,651**	50,018
Deferred tax liabilities	22	**7,705**	8,617	**–**	–
		432,505	489,105	**31,651**	50,018
Current liabilities					
Payables	31	**223,892**	255,699	**22,543**	23,670
Post employment benefits obligations	28	**13,468**	14,797	**–**	–
Provisions	29	**422**	654	**–**	–
Borrowings	30	**235,210**	169,876	**91,715**	36,896
Current tax liabilities		**6,847**	8,306	**–**	–
		479,839	449,332	**114,258**	60,566
Total liabilities		**912,344**	938,437	**145,909**	110,584
TOTAL EQUITY AND LIABILITIES		**1,515,480**	1,501,240	**591,163**	537,401

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

Consolidated Statement of Changes in Equity

for the Financial Year ended 31 December 2009

	Note	Share capital RM'000	Share premium (non-distributable) RM'000	Currency translation (non-distributable) RM'000	Retained profits (distributable) RM'000	Treasury shares (distributable) RM'000	Redeemable Convertible Unsecured Loan Stock (RCULS) (equity component) RM'000	Attributable to equity holders of the Company RM'000	Minority interests RM'000	Total RM'000
At 1 January 2008		288,068	46,093	(13,113)	166,595	(3,314)	4,406	488,735	20,779	509,514
Exchange differences on translation of foreign operations		–	–	(21,775)	–	–	–	(21,775)	(2,749)	(24,524)
Loss recognised directly in equity		–	–	(21,775)	–	–	–	(21,775)	(2,749)	(24,524)
Profit for the financial year		–	–	–	36,665	–	–	36,665	1,147	37,812
Total recognised income and expense for the financial year		–	–	(21,775)	36,665	–	–	14,890	(1,602)	13,288
Issue of share capital - conversions of RCULS		55,101	13,776	–	2,548	–	(4,406)	67,019	–	67,019
Treasury shares, at cost	26(b)	–	–	–	–	(10,187)	–	(10,187)	–	(10,187)
Dividends		–	–	–	(16,831)	–	–	(16,831)	–	(16,831)
At 31 December 2008		343,169	59,869	(34,888)	188,977	(13,501)	–	543,626	19,177	562,803

	Note	Share capital RM'000	Share premium (non-distributable) RM'000	Currency translation (non-distributable) RM'000	Retained profits (distributable) RM'000	Treasury shares (distributable) RM'000	Attributable to equity holders of the Company RM'000	Minority interests RM'000	Total RM'000
At 1 January 2009		**343,169**	**59,869**	**(34,888)**	**188,977**	**(13,501)**	**543,626**	**19,177**	**562,803**
Exchange differences on translation of foreign operations		**–**	**–**	**6,986**	**–**	**–**	**6,986**	**(794)**	**6,192**
Income recognised directly in equity		**–**	**–**	**6,986**	**–**	**–**	**6,986**	**(794)**	**6,192**
Profit for the financial year		**–**	**–**	**–**	**36,391**	**–**	**36,391**	**3,243**	**39,634**
Total recognised income and expense for the financial year		**–**	**–**	**6,986**	**36,391**	**–**	**43,377**	**2,449**	**45,826**
Acquisition of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**1,469**	**1,469**
Treasury shares, at cost	26(b)	**–**	**–**	**–**	**–**	**(177)**	**(177)**	**–**	**(177)**
Dividends	14	**–**	**–**	**–**	**(6,785)**	**–**	**(6,785)**	**–**	**(6,785)**
At 31 December 2009		**343,169**	**59,869**	**(27,902)**	**218,583**	**(13,678)**	**580,041**	**23,095**	**603,136**

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

Company Statement of Changes in Equity

for the Financial Year ended 31 December 2009

	Note	Share capital RM'000	Share premium (non distributable) RM'000	Retained profits (distributable) RM'000	Treasury shares (distributable) RM'000	Redeemable Convertible Unsecured Loan Stock (RCULS) (equity component) RM'000	Total Equity RM'000
At 1 January 2008		288,068	46,093	25,356	(3,314)	4,406	360,609
Profit for the financial year, representing total income and expense for the financial year		–	–	26,207	–	–	26,207
Issue of share capital - conversions of RCULS		55,101	13,776	2,548	–	(4,406)	67,019
Treasury shares, at cost	26(b)	–	–	–	(10,187)	–	(10,187)
Dividends		–	–	(16,831)	–	–	(16,831)
At 31 December 2008		343,169	59,869	37,280	(13,501)	–	426,817
Profit for the financial year, representing total income and expense for the financial year		**–**	**–**	**25,399**	**–**	**–**	**25,399**
Treasury shares, at cost	26(b)	**–**	**–**	**–**	**(177)**	**–**	**(177)**
Dividends	14	**–**	**–**	**(6,785)**	**–**	**–**	**(6,785)**
At 31 December 2009		**343,169**	**59,869**	**55,894**	**(13,678)**	**–**	**445,254**

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

Consolidated Cash Flow Statement for the Financial Year ended 31 December 2009

	Note	2009 RM'000	2008 RM'000
Operating activities			
Cash receipts from customers		**1,232,596**	1,362,886
Cash paid to suppliers and employees		**(1,168,424)**	(1,290,146)
		64,172	72,740
Interest received		**2,232**	3,417
Interest paid		**(14,715)**	(21,308)
Taxation paid		**(18,047)**	(11,033)
Net cash flow generated from operating activities		**33,642**	43,816
Investing activities			
Net cash outflow on acquisition of a subsidiary	32(a)	**(14,644)**	–
Purchase of property, plant and equipment		**(27,461)**	(38,932)
Proceeds from disposal of property, plant and equipment		**4,941**	11,404
Proceeds from disposal of investments		**3,748**	–
Proceeds from disposal of intangible assets		**90**	476
Purchase of intangible assets		**(790)**	(767)
Purchase of investments		**(15)**	(3,001)
Development expenses paid		**(12,259)**	(7,808)
Interest paid		**(4,593)**	(9,145)
Dividends received		**5,966**	3,971
Net cash flow used in investing activities		**(45,017)**	(43,802)
Financing activities			
Repayment of hire purchase and lease creditors		**(2,417)**	(1,759)
Bank borrowings, net		**31,138**	30,306
Interest paid		**(178)**	(1,622)
Repurchase of shares		**(177)**	(10,187)
Deposits uplifted		**1,922**	2,016
Dividends paid to shareholders		**(6,785)**	(16,831)
Net cash flow generated from financing activities		**23,503**	1,923
Net increase in cash and cash equivalents during the financial year		**12,128**	1,937
Currency translation		**(3,128)**	(26,846)
Cash and cash equivalents at beginning of the financial year		**40,784**	65,693
Cash and cash equivalents at end of the financial year	25	**49,784**	40,784

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

Company Cash Flow Statement for the Financial Year ended 31 December 2009

	Note	2009 RM'000	2008 RM'000
Operating activities			
Cash receipts from customers		**34,747**	17,917
Cash paid to suppliers and employees		**(51,081)**	(24,866)
		(16,334)	(6,949)
Interest received		**3**	159
Interest paid		**(3,041)**	(7,305)
Taxation paid		**(249)**	(157)
Receipt from Pension Trust Fund		**17,127**	26,206
Net cash flow (used in)/generated from operating activities		**(2,494)**	11,954
Investing activities			
Acquisition of a subsidiary		**–**	(37)
Investment in subsidiaries		**(4,095)**	(1,454)
Purchase of investments		**(15)**	(3,001)
Proceeds from disposal of investments		**3,748**	–
Purchase of property, plant and equipment		**(59)**	(370)
Net cash outflow on transfer of business to a subsidiary		**–**	(2)
Advances to subsidiaries, net		**(31,619)**	(4,024)
Dividends received		**6,121**	4,347
Net cash flow used in investing activities		**(25,919)**	(4,541)
Financing activities			
Bank borrowings, net		**36,452**	18,771
Deposits (pledged)/uplifted		**(278)**	1,274
Dividends paid to shareholders		**(6,785)**	(16,831)
Repurchase of shares		**(177)**	(10,187)
Net cash flow generated from/(used in) financing activities		**29,212**	(6,973)
Net increase in cash and cash equivalents during the financial year		**799**	440
Cash and cash equivalents at beginning of the financial year		**2,818**	2,378
Cash and cash equivalents at end of the financial year	25	**3,617**	2,818

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

1. General information

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

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

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 29 April 2010.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Group and of the 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 Financial Reporting Standards ("FRSs") in Malaysia.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company.

The Group is using purchase method of accounting to consolidate the financial statements. Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

Subsidiaries are consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into consideration.

At the date of acquisition, the cost of business combination is allocated to identifiable assets acquired, liabilities assumed and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill (see note 2d(i) to the financial statements on goodwill). If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of business combination; and

(b) recognise immediately in profit and loss any excess remaining after that assessment.

2. Significant accounting policies (Cont'd)

(b) Basis of consolidation (Cont'd)

All intragroup balances, transactions and unrealised gains and losses on intragroup transactions eliminated in full on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interests is the net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries' identifiable assets and liabilities at the acquisition date and the minority's share of changes in subsidiaries' equity since that date.

Where losses applicable to the minority interests in a subsidiary exceed the minority's interest in the equity of that subsidiary, the excess and any further losses applicable to the minority interests are all allocated against the Group's interest except to the extent that the minority interests has a binding obligation and is able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's interest until the minority's interest share of losses previously absorbed by the Group has been recovered.

Minority interests is presented in the consolidated balance sheet within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Company. Minority interests in the results of the Group is presented in the consolidated income statement as an allocation of the total profit or loss for the financial year between minority interest and equity holders of the Company. Transactions with minority interests are treated as transactions with parties external to the Group.

(c) Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's 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 period in which they are incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated as it has an infinite life. Construction/capital work-in-progress is not depreciated until such time when the asset is ready for their intended use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset over the estimated useful life, at the following annual rates:

Buildings	10 - 50 years
Machinery and technical equipment	5 - 30 years
Mould	1 - 25 years
Office equipment, furniture and fittings	3 - 10 years
Motor vehicles	3 - 7 years

2. Significant accounting policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

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. The Group accounting policy of impairment on property, plant and equipment is disclosed in note 2(l).

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit and loss.

(d) Intangible assets

(i) Goodwill

Goodwill includes purchased goodwill and the 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. The amount initially recognised is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria as listed above. 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 relates to the "Geha" brand (in printer consumables, office and presentation equipment) and 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 are 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.

2. Significant accounting policies (Cont'd)

(d) Intangible assets (Cont'd)

(iv) Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use specific software. These costs are amortised over their estimated useful lives (3 - 5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 3 years).

(e) Investments

(i) Subsidiaries

A subsidiary is an entity in which the Group and the Company have power to control financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity and are no longer consolidated from the date that control ceases.

An investment in subsidiary, which are eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between net disposal proceeds and its carrying amount is included in profit and loss account.

(ii) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate in the consolidated balance sheet is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate. The Group's share of net profit or loss of the associate is recognised in the consolidated profit and loss. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. 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.

2. Significant accounting policies (Cont'd)

(e) Investments (Cont'd)

(ii) Associates (Cont'd)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminuous with those of the Group, the share of the results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit and loss.

(iii) Other investments

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 recognised 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.

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

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risk and rewards to the lessee. Assets held under finance lease are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower at the minimum lease payments. The corresponding liability to the leasee is included in the balance sheet as a finance lease obligation. 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 expense in the period in which the termination takes place.

2. Significant accounting policies (Cont'd)

(h) Receivables

Receivables are initially recognised at cost when the contractual right to receive cash or other financial asset from another entity is established. Subsequent to intial recognition, receivables are stated at cost less allowance for doubtful debts.

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) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in future for goods and services received.

(j) 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.

(k) 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 and 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.

2. Significant accounting policies (Cont'd)

(k) Employee benefits (Cont'd)

(iii) Defined benefit plan (Cont'd)

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.

(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.

(l) 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.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible assets might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the assets belongs. 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 of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit and loss in the period in which it arises.

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 recognised in profit and loss.

2. Significant accounting policies (Cont'd)

(m) Income tax

Income tax on the profit and loss for the year comprises currrent and deferred tax.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes 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.

Deferred tax is recognised in full using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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. See significant accounting estimates and judgements note 4.1(c) on deferred tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets againts current tax liabilities and when the deferred income tax relate to the same tax authority.

Deferred tax will be recognised as income or expense and included in profit and loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits and other short term, highly liquid investments that are readily convertible to cash and which have an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(o) 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.

Borrowings 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.

(p) Borrowing costs

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised in profit or loss in the period in which they are incurred.

2. Significant accounting policies (Cont'd)

(q) 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 from investments is recognised when the shareholders' right to receive payment have been established.

(iii) Interest income

Interest income is accrued on an accrual 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 entered with customers.

(r) Share capital

(i) Classification

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium.

The Company reacquires its own equity instruments, where the consideration paid, including any attributable transaction costs is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

(ii) Share issue cost

Cost directly attributable to the issuance of new shares are deducted from share premium reserve.

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared by the Directors 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.

(s) Provision

A provision is 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 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.

2. Significant accounting policies (Cont'd)

(t) 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.

(u) 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 (RM), which is the Company's functional and presentation currency.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies in Group companies are converted into Ringgit Malaysia at exchange rates at the dates of transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at exchange rates at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit and loss in the period they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(iii) Foreign operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- 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
- foreign currencies differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

2. Significant accounting policies (Cont'd)

(u) Foreign currencies (Cont'd)

(iii) Foreign operations (Cont'd)

Goodwill and fair value adjustments arising on the acquisitions of foreign operations on or after 1 January 2006 are treated as assets or liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

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

Foreign currency	2009 RM	2008 RM
EUR (EU Euro)	**4.9152**	4.9160
CHF (Swiss Franc)	**3.3043**	3.3034
PLN (Polish Zloty)	**1.1911**	1.1866
USD (US Dollar)	**3.4292**	3.4872
MXN (Mexican Peso)	**0.2634**	0.2556
JPY (Japanese Yen)	**0.0372**	0.0386
SGD (Singapore Dollar)	**2.4405**	2.4184
TWD (New Taiwan Dollar)	**0.1064**	0.1064
CNY (Chinese Yuan Renminbi)	**0.5030**	0.5115
AUD (Australian Dollar)	**3.0627**	2.4086
COP (Colombian Peso in million)	**1.6900**	1.5810
GBP (British Pound)	**5.4620**	5.0491
CZK (Czech Koruna)	**0.1864**	0.1855
HUF (Hungarian Forint)	**0.0181**	0.0185
SEK (Swedish Krona)	**0.4776**	0.4496
TRY (Turkish Lira)	**2.2713**	2.2942
ARS (Argentine Peso)	**0.8991**	1.0121
HKD (Hong Kong Dollar)	**0.4422**	0.4500
THB (Thai Baht)	**0.1031**	0.1016
INR (Indian Rupee)	**0.0733**	0.0709
IDR (Indonesian Rupiah)	**0.0004**	0.0003

(v) 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.

2. Significant accounting policies (Cont'd)

(v) Financial instruments (Cont'd)

(i) Description (Cont'd)

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.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group became a party to the contractual provisions of the instrument.

(ii) Financial instruments recognised on the balance sheet

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

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

Foreign currency forward contracts are used to hedge foreign exposures as a result of receipts and payments in foreign currency.

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.

(iv) 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 is using a variety of methods and making assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices are used if available or other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value of the 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 financial assets and financial liabilities with a maturity of less than one year and floating rate long-term debts are approximated at their fair values.

(w) Contingent liabilities and contingent assets

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic is remote. Possible obligation, whose existence will only be confirmed by occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of an outflow of economic benefit is remote.

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.

2. Significant accounting policies (Cont'd)

(w) Contingent liabilities and contingent assets (Cont'd)

When the Company enters into financial guarantee contracts to guarantee the indebtness of other companies within its Group, the Company considers these to be contingent liabilities and account for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(x) Segment reporting

A segment is distinguishable component of the Group that is engaged in providing products or services (business segments), or in providing products or services within a particular economic environment (geographical segment).

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 reasonable basis to the segment. Segment revenue, expense, assets and 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.

(y) Summary of financial risk management objectives and policies

The Group's financial risk management policies seek 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 and 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 funding requirement is achieved through credit facilities and short term borrowings.

2. Significant accounting policies (Cont'd)

(y) Summary of financial risk management objectives and policies (Cont'd)

(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 licensed financial institutions are held for short term and not for speculative purpose. The Group does not use derivative financial instrument to hedge its borrowings obligations.

(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.

3. New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations

(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations

There are no new and revised FRSs, amendments/improvements to FRSs and IC Interpretations that are effective and applicable to the Group for the financial year ended 31 December 2009.

(b) New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations that are issued but not yet effective

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs and IC Interpretations that have been issued but not yet effective.

		Effective for financial periods beginning on or after
<u>New FRSs</u>		
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments : Recognition and Measurements	1 January 2010
<u>Revised FRSs</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowings costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010

3. New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations (Cont'd)

(b) New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations that are issued but not yet effective (Cont'd)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to FRSs and IC Interpretations</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for first-time Adopters	1 January 2011
FRS 2	Share-based Payment Vesting Conditions and Cancellations	1 January 2010
FRS 2	Share-based Payment	1 July 2010
FRS 5	Non-current Assets Held For Sale and Discontinued Operations	1 January 2010 and 1 July 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 7	Improving Disclosures about Financial Instrument	1 January 2011
FRS 8	Operating Segments	1 January 2010
FRS 107	Statement of Cash Flows	1 January 2010
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
FRS 110	Events After the Balance Sheet Date	1 January 2010
FRS 116	Property, Plant and Equipment	1 January 2010
FRS 117	Leases	1 January 2010
FRS 118	Revenue	1 January 2010
FRS 119	Employee Benefits	1 January 2010
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements : Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
FRS 128	Investment in Associates	1 January 2010
FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
FRS 131	Interests in Joint Ventures	1 January 2010
FRS 132	Financial Instruments : Presentation	1 January 2010 and 1 March 2010
FRS 134	Interim Financial Reporting	1 January 2010
FRS 136	Impairment of Assets	1 January 2010
FRS 138	Intangible Assets	1 January 2010 and 1 July 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
FRS 140	Investment Property	1 January 2010
IC Int 9	Reassessment of Embedded Derivatives	1 January 2010 and 1 July 2010

3. New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations (Cont'd)

(b) New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations that are issued but not yet effective (Cont'd)

		Effective for financial periods beginning on or after
IC Interpretations ("IC Int")		
IC Int 9	Reassessment of Embedded Derivatives	1 January 2010
IC Int 10	Interim Financial Reporting and Impairment	1 January 2010
IC Int 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 13	Customer Loyalty Programmes	1 January 2010
IC Int 14	FRS 119 The Limit on a Defined Benefit Assets Minimum Funding Requirements and their Interaction	1 January 2010
IC Int 15	Agreements for the Construction of Real Estate	1 July 2010
IC Int 16	Hedges of a Net Investments in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 July 2010

The initial application of a standard, amendments, improvements or an interpretation, when they become effective will be applied prospectively, and are not expected to have any material financial impact to the current and prior periods financial statements.

The impact and disclosures as required by FRS 108-30(b)-Accounting Policies, Changes in Accounting Estimates, and Errors, in respect of applying FRS 7 and FRS 139 will not be disclosed by virtue of the exemptions given in these respective FRSs.

4. Significant Accounting Estimates and Judgements

4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have significant effect on the amounts recognised in the financial statements:

(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 to the financial statements.

(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 may be revised. 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. The carrying amounts and further details are disclosed in note 15 to the financial statements.

4. Significant Accounting Estimates and Judgements (Cont'd)

4.1 Key sources of estimation uncertainty (Cont'd)

(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 utilised. 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 unutilised tax losses is disclosed in note 22 to the financial statements.

(d) Allowance for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of allowances for doubtful debts. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(e) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

5. Segmental 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, school and office stationery and printer consumables.

The Group is organised on a worldwide basis into 6 main geographical units:

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

5. Segmental reporting (Cont'd)

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	Italy 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 2009								
External revenue	562,283	106,465	64,601	233,331	157,855	77,959	–	1,202,494
Inter-segment revenue	305,038	254,497	483	14,207	9,207	117,685	(701,117)	–
Total revenue	867,321	360,962	65,084	247,538	167,062	195,644	(701,117)	1,202,494
Segment result	45,905	(123)	(6,000)	(3,800)	20,983	6,235	(20,369)	42,831
Unallocated income (net of cost)								26,544
Profit from operations								69,375
Share of profit of associates								3,647
Finance costs								(22,879)
Taxation								(10,509)
Profit for the financial year								39,634
At 31 December 2009								
Assets								
Segment assets	588,522	165,728	53,296	132,279	167,117	108,947	–	1,215,889
Associates	–	–	–	–	–	34,557	–	34,557
Pension Trust Fund								213,900
Unallocated assets								51,134
Total assets								1,515,480
Liabilities								
Segment liabilities	463,736	40,141	37,360	71,771	62,253	41,852	–	717,113
Unallocated liabilities								195,231
Total liabilities								912,344
Financial year ended 31 December 2009								
Other information								
Capital expenditure	16,809	15,988	222	2,946	27,081	1,777	–	64,823
Depreciation and amortisation	19,027	5,896	335	5,144	4,961	5,234	–	40,597
Non-cash expenses	1,272	542	2,261	2,421	2,337	187	–	9,020

5. Segmental reporting (Cont'd)

	Germany RM'000	Switzerland RM'000	Italy 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 2008								
External revenue	597,454	149,281	85,032	237,455	129,224	90,047	–	1,288,493
Inter-segment revenue	422,310	306,188	617	16,071	6,029	101,257	(852,472)	–
Total revenue	1,019,764	455,469	85,649	253,526	135,253	191,304	(852,472)	1,288,493
Segment result	43,297	14,855	(3,914)	(6,960)	25,465	11,432	(34,723)	49,452
Unallocated income (net of cost)								27,590
Profit from operations								77,042
Share of profit of associates								4,545
Finance costs								(32,179)
Taxation								(11,596)
Profit for the financial year								37,812
At 31 December 2008								
Assets								
Segment assets	593,632	186,886	66,961	131,314	130,602	112,642	–	1,222,037
Associates	–	–	–	–	1,149	27,895	–	29,044
Pension Trust Fund								213,900
Unallocated assets								36,259
Total assets								1,501,240
Liabilities								
Segment liabilities	523,551	55,514	42,848	75,440	33,441	28,730	–	759,524
Unallocated liabilities								178,913
Total liabilities								938,437
Financial year ended 31 December 2008								
Other information								
Capital expenditure	23,495	13,732	204	5,565	2,541	1,970	–	47,507
Depreciation and amortisation	18,330	4,421	505	3,744	3,531	4,947	–	35,478
Non-cash expenses	875	3,439	2,576	793	203	2,131	–	10,017

Capital expenditure comprises additions to property, plant and equipment and intangible assets including those resulting from acquisition of subsidiaries.

6. Revenue

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Sale of goods	**1,202,177**	1,286,812	**41,798**	20,255
Royalties	**317**	1,681	**–**	–
	1,202,494	1,288,493	**41,798**	20,255

7. Staff costs

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Wages, salaries and bonuses	**281,917**	289,189	**3,891**	3,975
Defined contribution plan	**52,192**	53,252	**445**	444
Defined benefit retirement plan	**9,441**	8,096	**–**	–
Other employee related benefits	**11,150**	10,060	**161**	105
	354,700	360,597	**4,497**	4,524

Staff costs as shown above include the remuneration of the Executive Director as disclosed in note 9.

8. Compensation of key management personnels

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Wages, salaries and bonuses	**8,078**	9,653	**1,200**	1,200
Defined contribution plan	**512**	765	**144**	144
Defined benefit retirement plan	**188**	277	**–**	–
Other employee benefits	**333**	462	**128**	128
	9,111	11,157	**1,472**	1,472

9. Directors' remuneration

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-executive Directors				
Fee	**341**	269	**341**	269
Estimated monetary value of benefits in kind	**34**	26	**34**	26
Executive Director				
Salaries and bonuses	**1,200**	1,200	**1,200**	1,200
Defined contribution plan	**144**	144	**144**	144
Estimated monetary value of benefits in kind	**128**	128	**128**	128
	1,847	1,767	**1,847**	1,767

10. Profit from operations

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit from operations is arrived at after charging/(crediting):				
Auditors' remuneration:				
- statutory audit	**2,845**	2,283	**100**	50
- underprovision in prior year	**239**	10	**50**	10
Impairment of goodwill	**715**	1,144	**–**	–
Property, plant and equipment written off	**243**	47	**3**	–
Rental of land and buildings	**20,684**	19,470	**72**	34
Rental of plant and machinery	**1,287**	1,936	**49**	–
Bad debts written off	**–**	1,373	**–**	–
Allowance for doubtful debts	**9,428**	494	**–**	–
Net loss/(gain) on foreign exchange:				
- realised	**1,277**	1,724	**428**	(2,150)
- unrealised	**(4,237)**	(16,960)	**(461)**	(4,916)
Inventories written down	**5,960**	6,743	**–**	–
External logistics, outward freight and packaging	**64,288**	70,948	**–**	8
Sales promotion	**64,631**	72,436	**6**	20
Receipts from Pension Trust Fund	**–**	–	**(25,114)**	(26,206)
Dividend income	**(6,698)**	(3,971)	**(6,761)**	(4,347)
Interest income	**(2,232)**	(3,417)	**(75)**	(2,179)
Gain on disposal of property, plant and equipment	**(26)**	(1,222)	**–**	–
Gain on disposal of investments	**(1,737)**	–	**(1,737)**	–
Negative goodwill	**(1,495)**	–	**–**	–

The cost of inventories recognised as expense during the financial year of the Group amounted to RM697,411,000 (2008: RM785,083,000).

Research and development expenses that has been charged to the consolidated income statement for the financial year amounted to RM32,558,000 (2008: RM30,567,000).

11. Finance costs

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on bank borrowings	**21,229**	26,602	**3,012**	4,537
Interest expense on ICULS / RCULS	**–**	1,911	**–**	1,911
Interest - others	**178**	857	**178**	857
Factoring charges	**1,472**	2,809	**–**	–
	22,879	32,179	**3,190**	7,305

ICULS - Irredeemable Convertible Loan Stock
RCULS - Redeemable Convertible Loan Stock

12. Taxation

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Current tax				
- Malaysian tax	**–**	270	**–**	–
- Foreign tax	**12,487**	14,388	**–**	–
	12,487	14,658	**–**	–
Deferred tax	**(2,716)**	(1,967)	**–**	(213)
	9,771	12,691	**–**	(213)
Prior year's taxation:				
Income tax under/(over) provided	**738**	(1,095)	**–**	–
	10,509	11,596	**–**	(213)

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Malaysian tax rate of 25% (2008: 26%)	**12,536**	12,846	**6,350**	6,759
Tax effect:				
- different tax regime	**(909)**	1,825	**–**	–
- share of profit of associates	**957**	769	**–**	–
- expenses not deductible for tax purposes	**8,692**	19,141	**253**	2,395
- income not subject to tax	**(25,949)**	(29,635)	**(8,128)**	(9,367)
- current year's tax losses not recognised	**15,474**	8,813	**1,525**	–
- unrecognised temporary differences	**(665)**	(411)	**–**	–
- previous year unrecognised tax losses now recognised	**(365)**	(657)	**–**	–
- under/(over) accrual in prior years	**738**	(1,095)	**–**	–
	10,509	11,596	**–**	(213)

The Malaysian tax rate has been reduced from 26% to 25% due to changes in legislation under Master Budget 2008. The computation of deferred tax as at 31 December 2009 has taken into account these changes.

13. Earnings per share

		Group	
		2009	**2008**
Profit attributable to equity holders of the Company	**(RM'000)**	**36,391**	36,665
Weighted average number of ordinary shares in issue	**('000)**	**343,169**	301,237
Weighted average number of shares repurchased	**('000)**	**(3,879)**	(3,028)
	('000)	**339,290**	298,209
Basic earnings per share	**(sen)**	**10.73**	12.30

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 2009			
Proposed final dividend	**2.0**	**10,175**	**10,175**
Financial year ended 31 December 2008			
Final dividend, paid on 8 September 2009	2.0	6,785	6,785

At the forthcoming Annual General Meeting, the final dividend in respect of the financial year ended 31 December 2009 of 2.0 sen per share single tier dividend* (2008: 2.0 sen per ordinary share single tier dividend*) amounting to RM10.2 million (2008: RM6.8 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.

* single tier dividend is non-tax deductible under section 108 of the Income Tax Act 1967 and is exempted from Income Tax in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the said Act.

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 2008	31,551	119,702	150,536	37,124	2,610	14,327	355,850
Additions	–	1,076	18,084	12,319	488	6,965	38,932
Disposals	(854)	–	(710)	(313)	(32)	(8,273)	(10,182)
Transfers	–	160	5,130	230	(43)	(6,885)	(1,408)
Depreciation	–	(3,450)	(19,066)	(8,401)	(802)	(1)	(31,720)
Impairment	–	–	(60)	–	–	–	(60)
Write off	–	–	–	(47)	–	–	(47)
Currency translation	(1,976)	(898)	(464)	(4,354)	(143)	131	(7,704)
At 31 December 2008	28,721	116,590	153,450	36,558	2,078	6,264	343,661
Additions	**–**	**25**	**15,922**	**5,002**	**455**	**6,057**	**27,461**
Acquisition of subsidiary	**8,805**	**6,192**	**7,024**	**1,790**	**–**	**418**	**24,229**
Disposals	**(579)**	**–**	**(387)**	**(698)**	**(102)**	**(3,149)**	**(4,915)**
Transfers	**–**	**374**	**1,938**	**596**	**–**	**(3,092)**	**(184)**
Depreciation	**–**	**(3,838)**	**(20,464)**	**(8,460)**	**(770)**	**–**	**(33,532)**
Write off	**–**	**–**	**(172)**	**(21)**	**(30)**	**(20)**	**(243)**
Currency translation	**979**	**780**	**2,708**	**(48)**	**7**	**(1,401)**	**3,025**
At 31 December 2009	**37,926**	**120,123**	**160,019**	**34,719**	**1,638**	**5,077**	**359,502**
At 31 December 2009							
Cost	**37,926**	**154,346**	**357,530**	**122,670**	**4,491**	**5,077**	**682,040**
Accumulated depreciation	**–**	**(34,223)**	**(197,511)**	**(87,951)**	**(2,853)**	**–**	**(322,538)**
Net book value	**37,926**	**120,123**	**160,019**	**34,719**	**1,638**	**5,077**	**359,502**
At 31 December 2008							
Cost	28,721	146,458	313,234	118,872	4,636	6,264	618,185
Accumulated depreciation	–	(29,868)	(159,784)	(82,314)	(2,558)	–	(274,524)
Net book value	28,721	116,590	153,450	36,558	2,078	6,264	343,661

15. Property, plant and equipment (Cont'd)

	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 2008	13,303	2,933	720	16,956
Additions	307	63	–	370
Disposal to a subsidiary	(13,303)	(2,471)	(84)	(15,858)
Depreciation	(30)	(92)	(156)	(278)
At 31 December 2008	277	433	480	1,190
Additions	**–**	**59**	**–**	**59**
Write off	**–**	**(3)**	**–**	**(3)**
Depreciation	**(62)**	**(92)**	**(156)**	**(310)**
At 31 December 2009	**215**	**397**	**324**	**936**
At 31 December 2009				
Cost	**307**	**614**	**778**	**1,699**
Accumulated depreciation	**(92)**	**(217)**	**(454)**	**(763)**
Net book value	**215**	**397**	**324**	**936**
At 31 December 2008				
Cost	307	566	778	1,651
Accumulated depreciation	(30)	(133)	(298)	(461)
Net book value	277	433	480	1,190

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

	Group 2009 RM'000	Group 2008 RM'000
Freehold land	**25,216**	28,721
Machinery and technical equipment	**55,385**	40,386
	80,601	69,107

(b) Net book value of the Group's property, plant and equipment under hire purchase and finance lease agreements is RM3,549,000 (2008: RM5,575,000).

16. Intangible assets

	Goodwill RM'000	Trademarks RM'000	Development costs RM'000	Computer software license RM'000	Total RM'000
Group					
Net book value					
At 1 January 2008	117,370	18,945	13,083	3,240	152,638
Additions	–	105	7,808	662	8,575
Disposals	–	–	–	(476)	(476)
Amortisation	–	(43)	(2,851)	(864)	(3,758)
Impairment	(1,144)	–	–	–	(1,144)
Transfers	–	–	–	1,408	1,408
Currency translation	3,290	127	1,260	326	5,003
At 31 December 2008	119,516	19,134	19,300	4,296	162,246
Acquisition of subsidiary	**–**	**84**	**–**	**–**	**84**
Additions	**–**	**25**	**12,259**	**765**	**13,049**
Disposals	**–**	**(90)**	**–**	**–**	**(90)**
Amortisation	**–**	**(35)**	**(4,684)**	**(2,346)**	**(7,065)**
Impairment	**(715)**	**–**	**–**	**–**	**(715)**
Transfers	**–**	**–**	**–**	**184**	**184**
Currency translation	**(197)**	**4**	**76**	**(6)**	**(123)**
At 31 December 2009	**118,604**	**19,122**	**26,951**	**2,893**	**167,570**
At 31 December 2009					
Cost	**120,938**	**19,200**	**39,697**	**19,632**	**199,467**
Accumulated amortisation	**(2,334)**	**(78)**	**(12,746)**	**(16,739)**	**(31,897)**
Net book value	**118,604**	**19,122**	**26,951**	**2,893**	**167,570**
At 31 December 2008					
Cost	121,099	19,177	27,305	20,185	187,766
Accumulated amortisation	(1,583)	(43)	(8,005)	(15,889)	(25,520)
Net book value	119,516	19,134	19,300	4,296	162,246

Impairment test for goodwill and trademarks

Allocation of goodwill and trademarks:

Goodwill and trademark are allocated to the Group's CGUs identified according to country of operation.

16. Intangible assets (Cont'd)

	Group 2009 RM'000	Group 2008 RM'000
Goodwill		
Germany	**93,046**	93,071
Japan	**11,849**	11,849
Poland	**–**	746
Taiwan	**840**	840
Switzerland	**2,644**	2,644
Argentina	**10,225**	10,366
	118,604	119,516
Trademarks		
Germany	**19,122**	19,134

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.

Key assumptions used for value-in-use calculations:

	EBIT margin		Growth rate		Discount rate	
	2009 %	2008 %	2009 %	2008 %	2009 %	2008
Germany	**8.9**	9.2	**1.0**	1.0	**8.6**	7.8
Japan	**21.0**	30.0	**2.0**	1.0	**4.0**	6.9
Poland	**–**	7.6	**–**	1.0	**–**	5.5
Taiwan	**12.2**	11.5	**2.0**	1.0	**1.4**	4.2
Switzerland	**2.9**	6.1	**4.0**	1.5	**8.7**	6.4
Argentina	**8.4**	10.1	**8.5**	1.0	**13.6**	9.8

EBIT - budget earning 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. Investment in subsidiaries

	Company 2009 RM'000	Company 2008 RM'000
Quoted shares, at cost	**129,191**	129,191
Unquoted shares, at cost	**6,884**	2,789
	136,075	131,980
Market values of quoted shares	**191,769**	392,127

17. Investment in subsidiaries (Cont'd)

The details of the subsidiaries are as follows:

Name of company	Country of Incorporation	Effective Percentage of Ownership 2009 %	2008 %	Principal Activities
Direct subsidiaries				
Pelikan Holding AG (listed on Swiss SIX Exchange)	Switzerland	**87.64***	87.64*	Investment holding
Pelikan Japan K.K.	Japan	**96.91***	96.91*	Distribution of stationery and office products
Pelikan Mexico S.A. de C.V. (formerly known as Productos Pelikan S.A. de C.V)	Mexico	**93.82***	93.82*	Production and distribution of stationery and office products
Pelikan Produktions AG	Switzerland	**100.00***	100.00*	Dormant
Pelikan Polska Sp.z.o.o	Poland	**100.00***	100.00*	Distribution of stationery and office products
Pelikan Middle East FZE	United Arab Emirates	**100.00***	100.00*	Distribution of stationery and office products
Pelikan Singapore Pte Ltd	Singapore	**100.00***	100.00*	Distribution of stationery and office products
Pelikan Taiwan Co Ltd	Taiwan	**100.00***	100.00*	Distribution of stationery and office products
Pelikan Trading (Shanghai) Co Ltd	China	**100.00***	100.00*	Distribution of stationery and office products
PT Pelikan Indonesia	Indonesia	**99.00***	99.00*	Distribution of stationery and office products
Pelikan Production (Malaysia) Sdn Bhd	Malaysia	**100.00**	100.00	Production of stationery and office products
Pelikan Hardcopy Holding AG	Switzerland	**100.00***	100.00*	Investment holding
Pelikan Trading India Private Limited	India	**100.00***	100.00*	Dormant
Indirect subsidiaries				
Pelikan (Schweiz) AG	Switzerland	**87.64***	87.64*	Distribution of stationery and office products
Gunther 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 and distribution 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

17. Investment in subsidiaries (Cont'd)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2009 %	2008 %	Principal Activities
Indirect subsidiaries (Cont'd)				
Remerch GmbH (formerly known as Pelikan Verwaltungs-GmbH)	Germany	**87.64***	87.64*	Services
Pelikan Italia S.p.a.	Italy	**87.64***	87.64*	Distribution of stationery and office products
Pelikan S.A.	Spain	**87.64***	87.64*	Distribution of stationery and office products
Pelikan Belux N.V./S.A. (formerly known as 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*	Distribution of stationery and office products
Pelikan Nederland B.V.	Netherlands	**87.64***	87.64*	Distribution of stationery and office products
Pelikan, Inc	USA	**87.64***	87.64*	Dormant
Pelikan Asia Sdn. Bhd.	Malaysia	**87.64**	87.64	Distribution of stationery and office products
Pelikan Nordic AB	Sweden	**87.64***	87.64*	Distribution of stationery and office products
Pelikan France SAS	France	**87.64***	87.64*	Distribution of stationery and office products
Pelikan Colombia S.A.S. (formerly known as Indistri S.A.)	Colombia	**93.26***	17.53*	Production and distribution of stationery and office products
Pelikan Hardcopy Europe Ltd	United Kingdom	**100.00***	100.00*	Investment holding
Pelikan Hardcopy Production AG	Switzerland	**100.00***	100.00*	Production and distribution of office products
Pelikan Hardcopy Scotland Ltd	United Kingdom	**100.00***	100.00*	Production and distribution of office and industrial products
Initio GmbH	Germany	**100.00***	100.00*	Dormant
Greif Werke GmbH	Germany	**100.00***	100.00*	Investment holding
Pelikan Hardcopy European Logistics and Services GmbH	Germany	**100.00***	100.00*	Services
Dongguan Pelikan Hardcopy Ltd	China	**100.00***	100.00*	Production of stationery and office products
Pelikan Hardcopy Asia Pacific Ltd	Hong Kong	**100.00***	100.00*	Dormant
Pelikan Hardcopy CZ	Czech Republic	**100.00***	100.00*	Production and distribution of office products
Geha GmbH (formerly known as German Hardcopy AG)	Germany	**87.64***	87.64*	Distribution of office products
German Hardcopy ccc Gmbh	Germany	**87.64***	87.64*	Services

17. Investment in subsidiaries (Cont'd)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2009 %	2008 %	Principal Activities
Indirect subsidiaries (Cont'd)				
German Hardcopy doo	Bosnia	**87.64***	87.64*	Dormant
Pelikan Argentina S.A.	Argentina	**93.42***	93.42*	Distribution of stationery and office products
Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd Sirketi	Turkey	**92.58***	92.58*	Distribution of stationery and office products
European Collection Partner GmbH	Germany	**100.00***	100.00*	Services

* Not audited by Ong Boon Bah & Co.

(a) On 13 January 2009, a subsidiary of the Company in Mexico, Pelikan Mexico S.A. de C.V. (formerly known as Productos Pelikan S.A. de C.V.), acquired a further 80.5% equity interest in Pelikan Colombia S.A.S. (formerly known as Indistri S.A.) ("Pelikan Colombia") for a cash consideration of USD4,250,000 (RM15,032,000). The principal activities of Pelikan Colombia are the manufacturing and distribution of office, schools and stationery supplies. The Group has an effective interest of 93.26% in Pelikan Colombia as at 31 December 2009.

(b) The Company's investment in subsidiaries amounting to RM68,918,000 (2008: RM62,218,000) has been pledged as security for borrowings.

18. Investment in associates

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Unquoted shares, at cost	**14,902**	17,055	**300**	300
Share of post acquisition reserves	**17,385**	17,240	**–**	–
Currency translation	**2,270**	(5,251)	**–**	–
	34,557	29,044	**300**	300
Group's share of net assets	**34,557**	29,044	**–**	–

The summarised financial information of the associates are as follows:

	Group 2009 RM'000	Group 2008 RM'000
Current assets	**13,628**	47,935
Non-current assets	**81,913**	72,200
Current liabilities	**(9,475)**	(32,049)
Non-current liabilities	**(89)**	(13,053)
	85,977	75,033
Revenue	**20,651**	75,422
Profit for the financial year	**9,153**	9,519

18. Investment in associates (Cont'd)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2009 %	2008 %	Principal Activities
Direct associates				
Pelikan (Thailand) Co Ltd	Thailand	**49.00***	49.00*	Distribution of stationery and office supplies
Columbia Pelikan PTY Limited	Australia	**35.06***	35.06*	Production and distribution of stationery and office products
Henkel-Pelikan Office Products Ltd.	Greece	**42.94***	42.94*	Dormant
Artof C.A.	Venezuela	**21.91***	21.91*	Dormant
Pelikan Colombia S.A.S. (formerly known as Indistri S.A.)	Colombia	**–#**	17.53*	Production and distribution of stationery and office products

* Not audited by Ong Boon Bah & Co.

As disclosed in note 32(a), Pelikan Colombia became a subsidiary of the Group during the financial year.

19. Long term investments

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Quoted shares, at cost	**16,084**	16,886	**11,749**	13,013
Allowance for diminution in value	**(125)**	(125)	**–**	–
	15,959	16,761	**11,749**	13,013
Unquoted shares, at cost	**187**	84	**–**	–
	16,146	16,845	**11,749**	13,013
Market value of quoted shares	**16,745**	12,554	**10,765**	9,470

20. Long term receivable

	Company 2009 RM'000	Company 2008 RM'000
Amount receivable from a subsidiary	**81,163**	81,141

The long term receivable arose from acquisition of Pelikan Hardcopy Holding AG group. The outstanding amount is unsecured, interest free and is repayable on demand.

21. Pension trust fund

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Current	**25,124**	28,053
Non-current	**188,776**	185,847
	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 (known as "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.

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Liabilities funded by Pension Trust Fund	**149,280**	176,393
Liabilities assumed by the Company	**65,087**	65,087
	214,367	241,480
Other post employment benefit obligations of the Group	**59,453**	46,668
Total post employment benefit obligations (note 28)	**273,820**	288,148

22. Deferred tax assets/(liabilities)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Presented after appropriate offsetting as follows:				
Deferred tax assets	**31,538**	29,934	**–**	–
Deferred tax liabilities				
- subject to income tax	**(3,921)**	(4,686)	**–**	–
- subject to capital gains tax	**(3,784)**	(3,931)	**–**	–
	(7,705)	(8,617)	**–**	–
	23,833	21,317	**–**	–

22. Deferred tax assets/(liabilities) (Cont'd)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	**21,317**	16,740	**–**	(718)
Credited/(charged) to income statement				
- tax losses	**(1,034)**	1,235	**–**	–
- property, plant and equipment	**2,433**	(332)	**–**	–
- inventories	**(298)**	1	**–**	–
- others	**1,615**	1,069	**–**	213
	2,716	1,973	**–**	213
Currency translation and others	**(200)**	2,099	**–**	–
Deferred tax on ICULS/RCULS	**–**	505	**–**	505
At 31 December	**23,833**	21,317	**–**	–
Subject to income tax:				
Deferred tax assets				
Tax losses	**46,502**	40,269	**–**	–
Others	**(14,964)**	(10,335)	**–**	–
	31,538	29,934	**–**	–
Deferred tax liabilities				
Property, plant and equipment	**(7,193)**	(6,865)	**–**	–
Others	**3,272**	2,179	**–**	–
	(3,921)	(4,686)	**–**	–
Subject to capital gains tax:				
Deferred tax liabilities				
Property, plant and equipment	**(3,784)**	(3,931)	**–**	–

The tax effect of the amount of unutilised tax losses for which no deferred tax asset is recognised in the balance sheet is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unutilised tax losses	**289,615**	266,993	**1,669**	144

23. Inventories

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At cost				
Raw materials	**45,593**	57,357	**–**	–
Work in progress	**47,450**	44,698	**–**	–
Finished goods	**187,687**	169,919	**18**	989
	280,730	271,974	**18**	989
At net realisable values				
Raw materials	**5,565**	2,782	**–**	–
Work in progress	**4,621**	3,552	**–**	–
Finished goods	**16,018**	35,162	**–**	–
	306,934	313,470	**18**	989

Inventories of the Group pledged as security for borrowings amounted to RM43,859,000 (2008: RM73,325,000).

24. Receivables, deposits and prepayments

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade receivables	**293,728**	301,189	**234**	110
Allowance for doubtful debts	**(30,576)**	(21,148)	**–**	–
	263,152	280,041	**234**	110
Amounts receivable from:				
- Subsidiaries	**–**	–	**120,021**	81,928
- Associates	**4,154**	3,335	**–**	–
- Others	**34,295**	20,979	**17,353**	8,692
Prepayments	**12,524**	6,612	**3,943**	18
Sundry deposits	**3,212**	927	**74**	72
	317,337	311,894	**141,625**	90,820

Trade receivables of the Group pledged as security for borrowings amounted to RM7,913,000 (2008: RM25,715,000).

The fair values of receivables closely approximate their book values.

Credit terms offered by the Group in respect of trade receivables range from 30 days to 120 days (2008: 30 days to 120 days) from date of invoices. Amounts receivable from subsidiaries and associates which arose mainly from trade transactions, advances and payments made on behalf are unsecured, interest free and are repayable on demand , except for an amount owing by a subsidiary which is subject to interest rate of 2.91% (2008: 5.75%) per annum and trade transactions which are subject to normal trade credit terms.

24. Receivables, deposits and prepayments (Cont'd)

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

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
- RM	**31,598**	19,011	**66,131**	77,726
- EUR	**205,570**	221,189	**57,709**	2,091
- CHF	**5,811**	12,800	**–**	–
- GBP	**4,874**	3,747	**9,067**	4,191
- CZK	**838**	1,321	**–**	–
- HUF	**917**	925	**–**	–
- SEK	**901**	980	**–**	–
- PLN	**4,327**	3,638	**–**	–
- USD	**13,572**	17,306	**7,262**	5,425
- MXN	**10,692**	10,035	**–**	–
- ARS	**8,661**	7,293	**–**	–
- TRY	**10**	–	**–**	–
- JPY	**8,897**	10,785	**106**	43
- SGD	**2,143**	2,099	**362**	359
- TWD	**189**	98	**955**	955
- CNY	**234**	637	**–**	–
- IDR	**213**	–	**–**	–
- THB	**33**	30	**33**	30
- COP	**17,846**	–	**–**	–
- HKD	**11**	–	**–**	–
	317,337	311,894	**141,625**	90,820

25. Cash and cash equivalents

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Deposits with licensed banks	**1,172**	3,093	**415**	134
Cash and bank balances	**61,537**	73,916	**3,617**	2,818
Deposits, cash and bank balances	**62,709**	77,009	**4,032**	2,952
Bank overdrafts (Note 30)	**(11,783)**	(33,161)	**–**	–
	50,926	43,848	**4,032**	2,952
Less: Deposits pledged to licensed banks	**(1,142)**	(3,064)	**(415)**	(134)
	49,784	40,784	**3,617**	2,818

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

	Group		Company	
	2009 %	**2008 %**	**2009 %**	**2008 %**
Deposits with licensed banks	**1.00 - 3.50**	1.50 - 3.60	**1.95 - 2.20**	3.00

25. Cash and cash equivalents (Cont'd)

The deposits of the Group and of the Company as at 31 December 2009 have maturity periods ranging between overnight and one month (2008: between overnight and one month). Certain deposits have been pledged to certain financial institutions for credit facilities.

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

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
- RM	**3,098**	4,871	**2,870**	388
- EUR	**14,850**	(7,705)	**21**	2,366
- CHF	**4,272**	13,220	**–**	–
- USD	**12,298**	17,614	**726**	64
- GBP	**470**	1,350	**–**	–
- CZK	**24**	88	**–**	–
- HUF	**231**	163	**–**	–
- SEK	**601**	1,334	**–**	–
- PLN	**–**	(3,886)	**–**	–
- HKD	**1,540**	–	**–**	–
- MXN	**8,292**	9,352	**–**	–
- ARS	**1,936**	(295)	**–**	–
- JPY	**775**	1,679	**–**	–
- SGD	**225**	89	**–**	–
- TWD	**639**	870	**–**	–
- CNY	**473**	2,005	**–**	–
- COP	**23**	–	**–**	–
- INR	**37**	35	**–**	–
	49,784	40,784	**3,617**	2,818

26. Share capital

	Group and Company Number of ordinary shares of RM1.00 each		Group and Company Amount	
	2009 '000	**2008 '000**	**2009 RM'000**	**2008 RM'000**
Authorised:				
As at 1 January	**500,000**	500,000	**500,000**	500,000
Created during the financial year	**500,000**	–	**500,000**	–
As at 31 December	**1,000,000**	500,000	**1,000,000**	500,000
Issued and fully paid:				
As at 1 January	**343,169**	288,068	**343,169**	288,068
Issued during the financial year				
- conversion of RCULS	**–**	55,101	**–**	55,101
As at 31 December	**343,169**	343,169	**343,169**	343,169

26. Share capital (Cont'd)

(a) Authorised share capital

As approved by the shareholders at the Extraordinary General Meeting held on 17 December 2009, the authorised share capital of the Company was increased from RM500,000,000 to RM1,000,000,000 through creation of 500,000,000 ordinary shares of RM1.00 each.

(b) Treasury shares

	Group and Company Number of shares		Group and Company	
	2009	**2008**	**2009**	**2008**
	'000	**'000**	**RM'000**	**RM'000**
At cost:				
As at 1 January	**3,709**	746	**13,501**	3,314
Additions during the financial year	**205**	2,963	**177**	10,187
As at 31 December	**3,914**	3,709	**13,678**	13,501

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issue.

The shareholders of the Company granted a mandate to the Company to repurchase its own shares at the Annual General Meeting held on 10 June 2009.

During the financial year, the Company repurchased 205,200 of its issued ordinary shares from the open market at an average price of RM0.86 per share. The total consideration paid for the repurchase including transaction costs was RM176,734. The repurchase transactions were financed through internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

27. Retained profits

Effective from 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credits under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest, by 31 December 2013.

The Company has made election to move to the single tier system and as a result, there are no longer any restrictions of the Company to frank the payment of dividends out of its entire retained earnings as at the balance sheet date.

28. Post employment benefits obligations

The Group operates both funded and unfunded final salary defined benefits retirement plans for its employees. The latest actuarial valuations of the plans were carried out in 2009.

	Removable Pension Liabilities			
	Funded by Pension Trust Fund	Assumed by the Company	Others	Group Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2009				
Current	**11,909**	**–**	**1,559**	**13,468**
Non-current	**137,371**	**65,087**	**57,894**	**260,352**
	149,280	**65,087**	**59,453**	**273,820**
At 31 December 2008				
Current	14,184	–	613	14,797
Non-current	162,209	65,087	46,055	273,351
	176,393	65,087	46,668	288,148

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 (known as "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 consolidated balance sheet are as follows:

	Removable Pension Liabilities			
	Funded by Pension Trust Fund	Assumed by the Company	Others	Group Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2008	170,821	65,087	62,673	298,581
Reclassified from payables	–	–	4,180	4,180
Expenses charged to income statement	22,296	–	8,096	30,392
Utilised during the financial year	(28,597)	–	(15,873)	(44,470)
Currency translation and others	11,873	–	(12,408)	(535)
At 31 December 2008	176,393	65,087	46,668	288,148
Reclassified from payables	**–**	**–**	**1,355**	**1,355**
Expenses charged to income statement	**13,108**	**–**	**9,441**	**22,549**
Utilised during the financial year	**(25,596)**	**–**	**(13,378)**	**(38,974)**
Currency translation and others	**(14,625)**	**–**	**15,367**	**742**
At 31 December 2009	**149,280**	**65,087**	**59,453**	**273,820**

28. Post employment benefits obligations (Cont'd)

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

	Group	
	2009	**2008**
	RM'000	**RM'000**
Present value of funded obligations	**271,023**	216,039
Fair value of plan assets	**(197,105)**	(176,564)
Status of funded plan	**73,918**	39,475
Present value of unfunded obligations	**226,001**	221,988
Unrecognised acturial (losses) /gains	**(26,099)**	26,685
	273,820	288,148

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

	Group	
	2009	**2008**
	RM'000	**RM'000**
Current service cost	**9,627**	10,063
Interest cost	**27,786**	28,265
Amortisation of transitional liability	**(2,923)**	(2,882)
Expected return on plan assets	**(9,404)**	(10,078)
Unrecognised past service cost	**1,305**	186
Actuarial (loss)/gain recognised	**(3,842)**	4,838
Total included in staff costs	**22,549**	30,392

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

	Group	
	2009	**2008**
	%	**%**
Discount rate	**3.25 - 9.00**	3.50 - 6.70
Expected return on plan assets	**3.30 - 9.00**	2.50 - 6.00
Expected rate of salary increases	**1.00 - 5.00**	1.00 - 3.00

29. Provisions

	Group
	Warranty
	RM'000
At 1 January 2008	3,550
Charged to income statement	(2,962)
Currency translation and others	66
At 31 December 2008	654
Credited to income statement	3
Utilised during the financial year	(235)
At 31 December 2009	**422**

30. Borrowings

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current				
Bank overdrafts	**11,783**	33,161	**–**	–
Bankers' acceptances	**25,057**	6,642	**10,904**	–
Revolving credits	**44,668**	25,950	**32,146**	18,000
Discounted bills	**6,719**	14,817	**540**	–
Short term loans	**121,574**	58,070	**30,098**	–
Hire purchase and lease payables	**1,550**	2,660	**–**	–
Term loans	**23,859**	28,576	**18,027**	18,896
	235,210	169,876	**91,715**	36,896
Non-current				
Hire purchase and lease payables	**1,547**	2,870	**–**	–
Term loans	**151,374**	193,660	**31,651**	50,018
	152,921	196,530	**31,651**	50,018

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Total				
Bank overdrafts	**11,783**	33,161	**–**	–
Bankers' acceptances	**25,057**	6,642	**10,904**	–
Revolving credits	**44,668**	25,950	**32,146**	18,000
Discounted bills	**6,719**	14,817	**540**	–
Short term loans	**121,574**	58,070	**30,098**	–
Hire purchase and lease payables	**3,097**	5,530	**–**	–
Term loans	**175,233**	222,236	**49,678**	68,914
	388,131	366,406	**123,366**	86,914

30. Borrowings (Cont'd)

Contractual terms of borrowings:

	Effective interest rate %	Functional currency	Total carrying amount RM'000	Maturity profile < 1 year RM'000	2nd year RM'000	3rd year RM'000	4th year RM'000	5th year RM'000	> 5 years RM'000
Group									
2009									
Unsecured									
Bank overdraft	15.20 - 16.89	ARG	2,614	2,614	–	–	–	–	–
Bank overdraft	1.70 - 8.85	EUR	8,931	8,931	–	–	–	–	–
Bank overdraft	11.38 - 27.60	COP	238	238	–	–	–	–	–
Revolving credits	4.59	EUR	1,573	1,573	–	–	–	–	–
Revolving credits	3.76	USD	17,146	17,146	–	–	–	–	–
Revolving credits	4.20	RM	1,000	1,000	–	–	–	–	–
Discounted bills	4.50	USD	540	540	–	–	–	–	–
Hire purchase and lease payables	6.00	USD	79	21	21	21	16	–	–
Hire purchase and lease payables	4.30 - 9.00	CZK	392	87	87	87	87	44	–
Short term loans	4.72	PLN	3,808	3,808	–	–	–	–	–
Short term loans	3.93	RM	30,098	30,098	–	–	–	–	–
Short term loans	1.70 - 2.00	EUR	11,369	11,369	–	–	–	–	–
Short term loans	4.30 - 5.00	CZK	78	78	–	–	–	–	–
Short term loans	1.48	JPN	1,486	1,486	–	–	–	–	–
			79,352	78,989	108	108	103	44	–
Secured									
Revolving credits	3.82 - 5.70	RM	22,000	22,000	–	–	–	–	–
Revolving credits	5.97	EUR	2,949	2,949	–	–	–	–	–
Banker's acceptances	3.75	RM	25,057	25,057	–	–	–	–	–
Discounted bills	3.00	CHF	6,179	6,179	–	–	–	–	–
Hire purchase and lease payables	5.35	EUR	1,676	621	461	358	236	–	–
Hire purchase and lease payables	3.00	CHF	258	258	–	–	–	–	–
Hire purchase and lease payables	11.00	PLN	303	174	129	–	–	–	–
Hire purchase and lease payables	12.60	COP	389	389	–	–	–	–	–
Short term loans	3.65 - 6.32	EUR	73,890	73,890	–	–	–	–	–
Short term loans	7.75	COP	845	845	–	–	–	–	–
Term loans	2.40 - 7.47	EUR	128,011	15,648	19,398	31,053	4,517	2,531	54,864
Term loans	6.68 - 8.08	MXN	12,528	–	2,780	2,780	2,780	2,780	1,408
Term loans	2.40 - 7.47	COP	5,421	11	5,410	–	–	–	–
Term loans	2.29	USD	20,148	3,842	16,306	–	–	–	–
Term loans	3.77 - 3.93	RM	9,089	4,336	4,753	–	–	–	–
Term loans	4.30 - 5.00	CZK	36	22	14	–	–	–	–
			308,779	156,221	49,251	34,191	7,533	5,311	56,272
			388,131	235,210	49,359	34,299	7,636	5,355	56,272

30. Borrowings (Cont'd)

Contractual terms of borrowings:

	Effective interest rate %	Functional currency	Total carrying amount RM'000	Maturity profile < 1 year RM'000	2nd year RM'000	3rd year RM'000	4th year RM'000	5th year RM'000	> 5 years RM'000
Group									
2008									
Unsecured									
Bank overdraft	4.50 - 13.25	EUR	24,815	24,815	–	–	–	–	–
Bank overdraft	5.00	PLN	4,247	4,247	–	–	–	–	–
Bank overdraft	14.50	ARG	3,062	3,062	–	–	–	–	–
Revolving credits	6.20 - 6.50	EUR	2,950	2,950	–	–	–	–	–
Revolving credits	5.70	RM	1,000	1,000	–	–	–	–	–
Short term loans	6.00 - 6.20	EUR	12,607	12,607	–	–	–	–	–
			48,681	48,681	–	–	–	–	–
Secured									
Bank overdraft	8.50	EUR	1,037	1,037	–	–	–	–	–
Revolving credits	5.00 - 5.50	RM	22,000	22,000	–	–	–	–	–
Bankers' acceptances	5.00	RM	6,642	6,642	–	–	–	–	–
Discounted bills	4.60 - 5.50	EUR	14,817	14,817	–	–	–	–	–
Short term loans	5.10 - 9.00	EUR	31,070	31,070	–	–	–	–	–
Short term loans	4.30 - 9.00	CZK	251	251	–	–	–	–	–
Short term loans	6.00 - 7.00	CHF	14,142	14,142	–	–	–	–	–
Term loan	5.60 - 8.00	EUR	183,624	19,532	51,697	15,024	30,509	52,607	14,255
Term loan	3.10	USD	25,195	4,708	6,277	6,277	6,277	1,656	–
Term loan	5.00 - 5.20	RM	13,417	4,336	4,336	2,583	1,999	163	–
Hire purchase and lease payables	2.90	EUR	3,146	1,303	762	477	359	245	–
Hire purchase and lease payables	2.95	CHF	1,427	1,113	314	–	–	–	–
Hire purchase and lease payables	6.02 - 8.95	CZK	481	96	98	98	98	91	–
Hire purchase and lease payables	13.00	PLN	467	139	199	51	70	8	–
Hire purchase and lease payables	4.25	USD	9	9	–	–	–	–	–
			317,725	121,195	63,683	24,510	39,312	54,770	14,255
			366,406	169,876	63,683	24,510	39,312	54,770	14,255

30. Borrowings (Cont'd)

Contractual terms of borrowings:

	Effective interest rate %	Functional currency	Total carrying amount RM'000	Maturity profile < 1 year RM'000	2nd year RM'000	3rd year RM'000	4th year RM'000	5th year RM'000	> 5 years RM'000
Company									
2009									
Secured									
Revolving credits	**3.82 - 4.07**	**RM**	**15,000**	**15,000**	**–**	**–**	**–**	**–**	**–**
Bankers' acceptances	**3.75**	**RM**	**10,904**	**10,904**	**–**	**–**	**–**	**–**	**–**
Term loan	**2.40**	**EUR**	**20,443**	**9,850**	**9,850**	**743**	**–**	**–**	**–**
Term loan	**2.29**	**USD**	**20,146**	**3,841**	**3,841**	**3,841**	**3,841**	**3,841**	**941**
Term loan	**3.77 - 3.93**	**RM**	**9,089**	**4,336**	**2,583**	**1,999**	**171**	**–**	**–**
			75,582	**43,931**	**16,274**	**6,583**	**4,012**	**3,841**	**941**
Unsecured									
Short term loans	**3.93**	**RM**	**30,098**	**30,098**	**–**	**–**	**–**	**–**	**–**
Revolving credits	**3.76**	**USD**	**17,146**	**17,146**	**–**	**–**	**–**	**–**	**–**
Discounted bills	**4.50**	**USD**	**540**	**540**	**–**	**–**	**–**	**–**	**–**
			47,784	**47,784**	**–**	**–**	**–**	**–**	**–**
			123,366	**91,715**	**16,274**	**6,583**	**4,012**	**3,841**	**941**
2008									
Secured									
Revolving credits	5.00 - 5.80	RM	18,000	18,000	–	–	–	–	–
Term loan	5.60	EUR	30,298	9,852	9,852	9,852	742	–	–
Term loan	3.10	USD	25,195	4,708	6,277	6,277	6,277	1,656	–
Term loan	5.00 - 5.20	RM	13,421	4,336	4,336	2,583	1,999	167	–
			86,914	36,896	20,465	18,712	9,018	1,823	–

30. Borrowings (Cont'd)

	Group 2009 RM'000	Group 2008 RM'000
Minimum hire purchase and lease payment:		
- Not later than 1 year	**1,583**	3,026
- Later than 1 year and not later than 5 years	**1,571**	2,619
	3,154	5,645
Future finance charges	**(57)**	(115)
	3,097	5,530
Present value of hire purchase and lease payables		
- Not later than 1 year	**1,550**	2,660
- Later than 1 year and not later than 5 years	**1,547**	2,870
	3,097	5,530

Discounted bills are secured over the subsidiaries' receivables.

Short term loans and bank overdrafts are secured over the subsidiaries' property, plant and equipment as disclosed in note 15 to the financial statements.

The term loans, revolving credits and bankers' acceptances are secured by legal charges over the property, plant and equipment as disclosed in note 15 to the financial statements, investment in subsidiaries as disclosed in note 17 and deposits with licensed banks as disclosed in note 25.

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

31. Payables

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	**101,583**	124,467	**7,139**	1,721
Amount payable to subsidiaries	**–**	–	**10,924**	2,397
Accruals:				
- Staff costs	**32,474**	28,234	**201**	1,498
- Bonus to customers	**38,180**	39,381	**–**	–
- ICULS/RCULS interest	**–**	782	**–**	1,182
- Others	**–**	–	**450**	–
Employee related benefits	**15,921**	12,527	**–**	–
Other payables	**47,261**	60,915	**3,829**	16,872
	235,419	266,306	**22,543**	23,670
At 31 December				
Current	**223,892**	255,699	**22,543**	23,670
Non-current	**11,527**	10,607	**–**	–
	235,419	266,306	**22,543**	23,670

31. Payables (Cont'd)

The fair values of payables closely approximate to their book values.

Credit terms of trade payables granted to the Group and to the Company range from 1 day to 120 days (2008: 1 day to 120 days). Amounts payable to subsidiaries which arose mainly from trade transactions, advances and payments made on behalf are unsecured, interest free and repayable on demand except for trade transactions which are subject to normal trade credit terms.

The currency exposure profile of payables are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
- RM	**9,446**	26,188	**11,148**	19,718
- EUR	**145,200**	177,205	**3,232**	2,407
- CHF	**20,311**	24,327	**–**	–
- GBP	**4,653**	4,110	**–**	–
- CZK	**3,257**	1,822	**–**	–
- HUF	**–**	180	**–**	–
- SEK	**44**	579	**–**	–
- PLN	**1,134**	40	**–**	–
- TRY	**1,841**	–	**–**	–
- USD	**17,818**	5,917	**6,574**	1,477
- MXN	**11,433**	12,985	**–**	–
- ARS	**5,449**	6,071	**–**	–
- JPY	**2,585**	2,944	**1,589**	40
- SGD	**1,241**	1,337	**–**	–
- TWD	**66**	63	**–**	–
- CNY	**1,182**	908	**–**	–
- HKD	**1,168**	1,602	**–**	–
- COP	**8,408**	–	**–**	–
- IDR	**158**	–	**–**	–
- INR	**25**	–	**–**	–
- THB	**–**	28	**–**	28
	235,419	266,306	**22,543**	23,670

32. Cash flow statement

(a) Change in group composition

On 13 January 2009, a subsidiary of the Company in Mexico, Pelikan Mexico acquired 80.5% equity interest in Pelikan Colombia for a cash consideration of USD4,250,000 (RM15,032,000). The principal activities of Pelikan Colombia are manufacturing and distribution of office, schools and stationery supplies. The Group has an effective interest of 93.26% in Pelikan Colombia as at 31 December 2009.

The effects on the acquisition are as follows:

(i) Purchase consideration

	RM'000
Purchase consideration	
Equity interest previously held at 19.50%	2,153
Cash consideration for acquisition of additional 80.5%	15,032
Total purchase consideration	17,185
Share of the fair value of net identifiable assets acquired	(18,680)
Negative goodwill	(1,495)

(ii) Assets and liabilities

The assets and liabilities arising from the acquisition are as follows:

	Recognised on date of acquisition RM'000	Carrying amount before combination RM'000
Property, plant and equipment	24,229	15,277
Intangible assets	84	84
Unquoted investments	106	106
Receivables, deposits and prepayments	21,992	21,992
Inventories	10,395	10,395
Cash and cash equivalents	388	388
	57,194	48,242
Payables	(22,746)	(22,746)
Borrowings	(14,299)	(14,299)
	(37,045)	(37,045)
Net identifiable assets	20,149	11,197
Less: Minority interests	(1,469)	
Group's share of net identifiable assets	18,680	
Negative goodwill on acquisition	(1,495)	
Total cost of investment	17,185	

32. Cash flow statement (Cont'd)

(a) Change in group composition (Cont'd)

(iii) The net cash outflow on acquisition is derived as follows:

	RM'000
Cash consideration	15,032
Less: Cash and cash equivalents of a subsidiary acquired	(388)
	14,644

(iv) The acquired subsidiary has contributed the following results to the Group:

	RM'000
Revenue	42,404
Loss for the year	(49)

33. Commitment

	Group	
	2009 RM'000	**2008 RM'000**
Authorised and contracted for:		
- Property, plant and equipment	**4,696**	2,545
Authorised but not contracted for:		
- Property, plant and equipment	**890**	1,771

34. Operating lease commitments

	Group	
	2009 RM'000	**2008 RM'000**
Minimum lease payments under operating lease commitments:		
Not later than 1 year	**14,960**	17,837
Later than 1 year and not later than 5 years	**16,630**	21,239
Later than 5 years	**1,824**	1,286
	33,414	40,362

35. Contingent liabilities

(a) In the ordinary course of business, the business of Pelikan Hardcopy Holding AG and German Hardcopy AG groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the "Hardcopy business") is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers for perceived breach of patents with an assessed potential maximum exposure of EUR24.1 million (RM118.5 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the groups have been successful in defending most cases and management remains confident that the groups' exposure to these claims can be reduced or can be successfully defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the groups will not have a material effect on the Group's financial statements.

35. Contingent liabilities (Cont'd)

(b) Based on the latest actuaries assumption as at 31 December 2009, Pelikan Hardcopy Holding AG's ("PHH") wholly owned subsidiary Pelikan Hardcopy Scotland Limited's ("PHSL") retirement fund has GBP18.6 million (RM101.6 million) assets to meet pension liabilities of GBP26.8 million (RM146.4 million). The Company provided a corporate guarantee for the short fall. An amount of GBP1.2 million (RM6.5 million) has been recognised as a pension liability for the financial year ended 31 December 2009 in accordance with the FRS 119.

The Group believes that its operational cash flow and the assets in the retirement fund of PHSL are sufficient to meet the payouts of the retirement scheme.

(c) The Company has provided corporate guarantees to financial institutions for financing arrangements and suppliers of certain subsidiaries amounting to RM154,983,000 (2008: RM69,261,000).

36. 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 2009 are set out below. These transactions were carried out on terms, conditions and prices obtainable in transactions with unrelated parties.

	Group	
	2009 RM'000	2008 RM'000
Sales of goods to associates:		
- Pelikan Colombia S.A.S. (formerly known as Indistri S.A.)	**–**	241
- Columbia Pelikan PTY Limited	**116**	155
- Pelikan (Thailand) Co Ltd	**2,407**	780
Sales of stationery and office supplies to KLB group	**739**	821
Purchase of logistics services from KLB group	**429**	443
Rental of building from KLB	**844**	843
Sales of goods to Geha Werke (M) Sdn Bhd	**72**	16,967

KLB group (Konsortium Logistik Berhad and its subsidiaries) are a group of companies which a Director and substantial shareholder, Loo Hooi Keat has substantial interest. Geha Werke (M) Sdn Bhd is a company of which a Director of certain subsidiaries of the Company has substantial interest.

37. Significant events

On 21 October 2009, the Company proposed a renounceable rights issue of 169,627,220 new ordinary shares of RM1.00 each in the Company ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM1.00 each in the Company ("Pelikan Shares") held at an issue price of RM1.10 per Rights Share ("Rights Issue").

The Rights Issue had been approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 17 December 2009.

The Rights Issue was completed on 12 February 2010 with the listing of and quotation for 169,627,220 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad with effect on that date.

On 6 November 2009, the Company entered into a conditional sale and purchase agreement relating to shares, options and loans ("Herlitz SPA") with Stationery Products S.á.r.l. The Herlitz SPA relates to:

(i) Acquisition of 7,198,498 non-par value bearer shares in Herlitz AG ("Herlitz") representing 65.99% equity interest in Herlitz and 4,802,763 Herlitz Options for a cash consideration of EUR1;

(ii) Acquisition of rights as lender to a shareholder's loan amounting EUR15.0 million, owing by Herlitz for a cash consideration of EUR1;

(iii) Acquisition of rights as a lender to a shareholder's loan amounting to EUR85.0 million, owing by Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG ("Molkari"), for a cash consideration of EUR45.0 million; and

(iv) Acquisition of two (2) issued shares in the nominal amount of EUR24,000 and EUR1,000 respectively, in Ganymed Falkensee Grundstücksverwaltungs GmbH ("Ganymed"), representing 100% equity interest in Ganymed for a cash consideration of EUR1.

On 6 November 2009, the Company entered into a conditional sale and transfer agreement ("STA") with Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren, a wholly-owned subsidiary of Herlitz, for the acquisition of 94.9% of the registered and paid up sole entire limited partnership interest in Molkari of EUR100,000 for a cash consideration of EUR1.

(The Herlitz SPA and STA shall be collectively referred to as "Herlitz Transactions")

On 6 November 2009, the Company proposed to undertake a conditional voluntary public takeover offer pursuant to Section 29 and Section 34 of the Securities Acquisitions and Takeover Act, Germany for all the Herlitz Shares. The offer price was set at EUR1.90 per Herlitz share ("Takeover Offer").

On 18 March 2010, the Herlitz Transactions became unconditional and proceeded to completion. The Takeover Offer was closed on 6 April 2010. Including further acceptances therefrom, the total acceptances amounted to 450,774 Herlitz shares, representing 4.13% of the issued and paid-up capital of Herlitz. Together with the shares acquired via the Takeover Offer, Herlitz became a 70.13% subsidiary of the Company. In addition, Molkari and Ganymed also became subsidiaries of the Company at shareholding levels of 98.48% and 100% respectively.

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

1. Utilisation of proceeds raised from corporate proposals

The utilisation of proceeds raised from the Rights Issue exercise as at 31 March 2010 is as follows:

	Proposed Utilisation RM000's	Actual Utilisation RM000's
Working capital	184,790	97,969
Incidental expenses	1,800	1,841
Total	**186,590**	**99,810**

2. Share buy-backs

The Company had at the previous Annual General Meeting of the Company held on 10 June 2009, obtained its shareholders' approval to continue the share buy-back exercise, to purchase up to ten percent (10%) of the total issued and paid-up ordinary share capital of the Company at any point of time through Bursa Securities. During the financial year under review, a total of 205,200 shares were repurchased as treasury shares with a total cost of RM176,734. All shares purchased by the Company were retained as treasury shares and none of the shares repurchased was resold or cancelled during the financial year.

The details of shares bought back during the financial year ended 31 December 2009 are shown as follows:

Monthly breakdown of shares purchased	No. of shares purchased	Minimum price per share (RM)	Maximum price per share (RM)	*Average price per share (RM)	*Total Amount Paid (RM)
February 2009	41,000	1.0600	1.0938	1.093	45,083
March 2009	107,000	0.7350	0.8253	0.8202	88,409
April 2009	57,100	0.7500	0.7500	0.7500	43,061
September 2009	100	1.5200	1.5200	1.5200	181
Total	**205,200**				**176,734**

* Including brokerage, commission, clearing house fee and stamp duty.

3. Options, warrants or convertible securities

The shareholders of the Company had on 17 December 2009 during the Extraordinary General Meeting of the Company approved an Executive' Share Option Scheme ("ESOS") for the eligible executives and Directors of the Company. The ESOS was effective 1 March 2010.

During the financial year ended 31 December 2009, the Company has not issued any options, warrants or convertible securities.

4. American Depository Receipts (ADR) or Global Depository Receipts (GDR) programme

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

5. Imposition of sanctions and/or penalties

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

6. Non-Audit fees

The non-audit fees paid or payable to the external auditors of the Company and its subsidiaries for the financial year ended 31 December 2009 amounted to RM688,000.

7. Variation in results

There was no deviation of 10% or more between the unaudited financial results announced and the audited financial results of the Company and the Group for the financial year ended 31 December 2009.

The Company did not release any profit estimate, forecast or projections during the financial year.

8. Profit guarantee

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

9. Material contracts

There was no material contract, not being contract entered into in the ordinary course of business of the Company and its subsidiaries, involving the interest of the Directors and major shareholders of the Company, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

10. Revaluation policy on landed properties

The Company does not have a revaluation policy on landed properties.

Authorised Share Capital	:	**RM1,000,000,000**
Issued and Paid-Up Share Capital	:	**RM512,796,061**
Class of Shares	:	**Ordinary Shares of RM1.00 each**
Voting Rights	:	**One (1) vote per Ordinary Share**

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%*	No. of Shares	%*
1 - 99	226	3.53	6,992	0.00
100 - 1,000	473	7.38	323,314	0.06
1,001 - 10,000	3,893	60.76	18,106,719	3.56
10,001 - 100,000	1,609	25.11	49,600,788	9.75
100,001 to less than 5% of the issued shares	203	3.17	211,787,060	41.63
5% and above of issued shares	3	0.05	228,941,688	45.00
Total	**6,407**	**100.00**	**508,766,561**	**100.00**

** After netting off the treasury shares of Pelikan International Corporation Berhad ("PICB").*

DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

		No. of Shares Held			
	Name of Directors	**Direct Interest**	**%***	**Indirect Interest**	**%***
1.	Loo Hooi Keat	14,975,180	2.94	128,192,784(1)	25.21
2.	Syed Hussin bin Shaikh Al Junid	–	–	–	–
3.	Haji Abdul Ghani bin Ahmad	–	–	–	–
4.	Tan Sri Musa bin Mohamad	–	–	–	–
5.	Yap Kim Swee	–	–	–	–
6.	Hajah Rozaida binti Omar	–	–	–	–
7.	Datuk Ismee bin Ismail	–	–	–	–

Save as disclosed above, none of the Directors of the Company has any interest, direct or indirect, in a related corporation of PICB.

Notes:

(1) Deemed interested by virtue of his substantial shareholdings in PBS Office Supplies Holding Sdn Bhd, Mahir Agresif (M) Sdn Bhd and Konsortium Logistik Berhad and deemed interested by virtue of shares held by his daughter.

** After netting off the 4,220,500 treasury shares of PICB held as at 30 April 2010.*

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(Based on the Register of Substantial Shareholders)

	Name of Substantial Shareholders	No. of Shares Held			
		Direct Interest	%*	Indirect Interest	%*
1.	Loo Hooi Keat	14,975,180	2.94	128,089,284(1)	25.19
2.	PBS Office Supplies Holding Sdn Bhd	80,054,699	15.74	23,479,400(2)	4.62
3.	Marktrade Sdn Bhd	–	–	103,534,099(3)	20.36
4.	Pembinaan Redzai Sdn Bhd	30,000,001	5.90	–	–
5.	Tan Sri Datuk Gnanalingam A/L Gunanathlingam	–	–	30,000,001(4)	5.90
6.	Ahmayuddin bin Ahmad	–	–	30,000,001(4)	5.90
7.	Lembaga Tabung Haji	154,103,430	30.30	–	–
8.	H Partners Management LLC	–	–	32,744,020(5)	6.44

Notes:

(1) Deemed interested by virtue of his substantial shareholdings in PBS Office Supplies Holding Sdn Bhd, Mahir Agresif (M) Sdn Bhd and Konsortium Logistik Berhad.

(2) Deemed Interested by virtue of the pension trust fund set up by PBS Office Supplies Holding Sdn Bhd (Malaysian Trustees Berhad).

(3) Deemed Interested by virtue of its substantial shareholdings in PBS Office Supplies Holding Sdn Bhd.

(4) Deemed Interested by virtue of his substantial shareholdings in Pembinaan Redzai Sdn Bhd.

(5) Deemed Interested pursuant to H Partners Management LLC providing management and advisory services to H Partners, LP and H Offshore Fund Ltd. as set forth in the H Partners Management LLC Agreement.

** After netting off the 4,220,500 treasury shares of PICB held as at 30 April 2010.*

LIST OF TOP THIRTY (30) SHAREHOLDERS

(Based on the Record of Depositors)

	Name of Shareholders	No. of Shares	%*
1.	Lembaga Tabung Haji	154,103,430	30.29
2.	Amsec Nominees (Tempatan) Sdn Bhd Ambank (M) Bhd for PBS Office Supplies Holding Sdn Bhd	44,838,257	8.81
3.	Pembinaan Redzai Sdn Bhd	30,000,001	5.90
4.	Malaysian Trustees Berhad PBS Office Supplies Holding Sdn Bhd	23,479,400	4.61
5.	ECML Nominees (Tempatan) Sdn. Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn. Bhd.	18,216,935	3.58
6.	Citigroup Nominees (Asing) Sdn Bhd GSCO for H Partners LP	17,888,370	3.52
7.	ECML Nominees (Tempatan) Sdn. Bhd Pledged Securities Account for Konsortium Logistik Berhad (001)	17,305,650	3.40
8.	Citigroup Nominees (Asing) Sdn Bhd GSCO for H Offshore Fund Ltd	14,855,650	2.92
9.	Citigroup Nominees (Asing) Sdn Bhd Goldman Sachs International	14,198,900	2.79

LIST OF TOP THIRTY (30) SHAREHOLDERS (Cont'd)
(Based on the Record of Depositors)

Name of Shareholders	No. of Shares	%*
10. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (CEB)	13,670,000	2.69
11. ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd (001)	13,220,517	2.60
12. HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co. Incorporated (Client)	5,298,900	1.04
13. Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Mahir Agresif (M) Sdn Bhd (SFD)	4,512,835	0.89
14. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	4,130,320	0.81
15. HSBC Nominees (Asing) Sdn Bhd BBH And Co Boston for Unidynamicfonds: Asia	1,930,000	0.38
16. Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-R ES)	1,923,800	0.38
17. PBS Office Supplies Holding Sdn. Bhd.	1,619,000	0.32
18. Chow Song Kuang	1,600,000	0.31
19. ECML Nominees (Tempatan) Sdn. Bhd Pledged Securities Account for Persada Bina Sdn Bhd (001)	1,500,000	0.29
20. ECML Nominees (Tempatan) Sdn. Bhd Pledged Securities Account for Konsortium Logistik Berhad (001)	1,500,000	0.29
21. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Chia Kwoon Meng (MM0678)	1,469,900	0.29
22. ECML Nominees (Tempatan) Sdn. Bhd Heah Sieu Lay (PCS)	1,433,735	0.28
23. Mayban Nominees (Tempatan) Sdn Bhd Syarikat Takaful Malaysia Berhad (TKTK-280349)	1,362,300	0.27
24. ECML Nominees (Tempatan) Sdn. Bhd Konsortium Logistik Berhad (001)	1,161,500	0.23
25. PBS Office Supplies Holding Sdn. Bhd.	1,129,990	0.22
26. HSBC Nominees (Asing) Sdn Bhd BNY Brussels for E.I.O. Trustees Limited	1,125,000	0.22
27. Chow Chee Hin	1,085,000	0.21
28. Chee Sau Foong	1,045,000	0.20
29. Citigroup Nominees (Asing) Sdn Bhd Citigroup GM Inc for OCBC Securities Private Limited	1,038,096	0.20
30. AMMB Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for PBS Office Supplies Holding Sdn Bhd (PELI001)	1,030,000	0.20
Total	**397,672,486**	**78.14**

* *After netting off the 4,220,500 treasury shares of PICB held as at 30 April 2010.*

List of Group Properties

Registered Owner	Location	Land area	Existing use	Built-up area	Age of building	Tenure	NBV as at 31.12.2009 RM'000
Pelikan GmbH	Factory Vöhrum Pelikanstrasse 11 D-31228 Peine Germany	68,873 sqm	Production	46,373 sqm	22 years	Freehold	68,254
Pelikan Mexico S.A. de C.V.	Carretera a Tehuacan 1033 Col. Maravillas C.P. 72220, Puebla Pue, Mexico	80,109 sqm	Production	17,185 sqm	28 years	Freehold	23,986
Pelikan Hardcopy Production AG	Mönchaltdorf Plant Mettlenbachstrasse 3 CH-8617 Mönchaltorf Switzerland	8,245 sqm	Production	2,420 sqm	18 years	Freehold	13,248
Greif-Werke GmbH	Düren Logistics Facility Neue Strasse 19 D-52382 Niederzier Germany	20,349 sqm	Logistic Centre	9,692 sqm	5 years	Freehold	32,308
Geha GmbH	Alte Heeresstrasse 27 D-59929 Brilon Germany	3,703 sqm	Office building & warehouse	1,698 sqm	14 years	Freehold	5,139
Pelikan Colombia S.A.S.	Carrera 65B No.18A-17 Bogotá D.C. Colombia	4,478 sqm	Production	5,845 sqm	30 years	Freehold	10,062
	Calle 18B No. 65B 16 Bogotá D.C. Colombia	4,153 sqm	Parking	–	30 years	Freehold	4,250
	Villeta, Cundinamarca Colombia	98,856 sqm	Vacant	–	23 years	Freehold	802

Pelikan Group of Companies Directory

PRODUCTION

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NOTICE IS HEREBY GIVEN THAT the Twenty-Eighth Annual General Meeting of Pelikan International Corporation Berhad will be held at Sunway Resort Hotel & Spa, Bahamas 1 & 2, Level 12, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 21 June 2010 at 11.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve the payment of a final single tier dividend of 2 sen per share for the financial year ended 31 December 2009. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees of RM340,667.00 for the financial year ended 31 December 2009. **Ordinary Resolution 3**

4. To re-elect the following Directors who retire pursuant to Article 127 of the Company's Articles of Association:

   i. Loo Hooi Keat **Ordinary Resolution 4**

   ii. Syed Hussin bin Shaikh Al Junid **Ordinary Resolution 5**

5. To re-elect Datuk Ismee bin Ismail who retires pursuant to Article 132 of the Company's Articles of Association. **Ordinary Resolution 6**

6. To re-appoint Messrs Ong Boon Boh & Co. as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration. **Ordinary Resolution 7**

AS SPECIAL BUSINESS

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

7. To approve the proposed renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act 1965.

   "THAT, pursuant to Section 132D of the Companies Act 1965, the Articles of Association of the Company and subject to the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised to issue shares of the Company from time to time upon such terms and conditions for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit and expedient in the best interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total issued and paid-up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 8**

8. To approve the proposed renewal of authority for the purchase by the Company of its own shares ("Proposed Renewal of Share Buy-back Authority").

"THAT subject always to the Companies Act 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Articles of Association of the Company, other applicable laws, guidelines, rules and regulations, and the approvals of the relevant government/regulatory authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company as may be determined by the Directors from time to time through Bursa Securities, upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:

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

(b) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits and share premium account of the Company at the time of purchase;

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

(a) cancel the shares so purchased; or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; or

(c) retain part thereof as treasury shares and cancel the remainder;

AND THAT such authority conferred by this resolution shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the said authority shall lapse, unless renewed by an ordinary resolution passed by the shareholders of the Company in a general meeting; or

(b) the expiration of the period within which the next AGM is required by law to be held; or

(c) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is the earliest;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise and give full effect to the Proposed Renewal of Share Buy-back Authority with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities." **Ordinary Resolution 9**

9. To approve the proposed amendments to the Articles of Association of the Company.

   "THAT the existing Article 103(1) of the Company be amended as follows:

   Existing Article 103(1)

   An instrument appointing a proxy or (in the case of a power of attorney appointing an attorney to or to (inter alia) attend and vote at meetings or polls) such power of attorney or a notarially certified copy of such power of attorney and (if required by any Director) any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall:

   (1) be deposited at the Office at least forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument or power of attorney proposes to vote; or

   New Article 103(1)

   An instrument appointing a proxy or (in the case of a power of attorney appointing an attorney to or to (inter alia) attend and vote at meetings or polls) such power of attorney or a notarially certified copy of such power of attorney and (if required by any Director) any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall:

   (1) be deposited at the Office **or at such other place as is specified for that purpose in the notice convening the meeting**, at least forty-eight (48) hours before the time **set** for holding the meeting or adjourned meeting at which the person named in the instrument or power of attorney proposes to vote; or" **Special Resolution**

10. To transact any other business for which due notice has been given in accordance with the Articles of Association of the Company.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final single tier dividend of 2 sen per share in respect of the financial year ended 31 December 2009, if so approved at the Twenty-Eighth Annual General Meeting of the Company, will be paid on 15 September 2010 to depositors whose names appear in the Record of Depositors at the close of business on 17 August 2010.

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 2010 in respect of transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

NG CHEONG SENG (MIA 17444)
CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretaries

Selangor Darul Ehsan
27 May 2010

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. Where a Member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The proxy may but need not be a Member of the Company. 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 ON SPECIAL BUSINESS:

Ordinary Resolution 8
To approve the proposed renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act 1965.

The proposed Ordinary Resolution 8 if passed, will give powers to the Directors to issue up to a maximum 10% of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal to a general mandate sought in the preceding year. As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Twenty-Seventh Annual General Meeting held on 10 June 2009. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Ordinary Resolution 9
To approve the proposed renewal of authority for the purchase by the Company of its own shares.

The proposed Ordinary Resolution 9 if passed, will empower the Directors to purchase the Company's shares up to 10% of the issued and paid-up ordinary share capital of the Company for the time being. This authority, unless revoked or varied by an ordinary resolution passed by the shareholders in general meeting, will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting after that date is required by the law to be held, whichever occurs first.

Please refer to the Share Buy-back Statement dated 27 May 2010 despatched together with the Company's Annual Report 2009 for further information.

Special Resolution
To approve the proposed amendments to the Articles of Association of the Company.

The proposed Special Resolution is to allow the Company to amend its Articles of Association to provide the flexibility for the deposit of the proxy form at any other office other than the registered office of the Company.

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FORM OF PROXY

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Company No. 63611-U)
(Incorporated in Malaysia)

Number of Shares Held	
CDS Account No.	

I/We .... (Full name in Capital Letters)

NRIC/Company No. ....

of.. (Full Address)

being a Member(s) of PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U), hereby appoint

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

NRIC No. ....

of.. (Full Address)

*and/or failing him

(Proxy B) .... (Full name in Capital Letters)

NRIC No. ....

of.. (Full Address)

and/or failing him/her, *the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Twenty-Eighth Annual General Meeting of the Company to be held at Sunway Resort Hotel & Spa, Bahamas 1 & 2, Level 12, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 21 June 2010 at 11.00 a.m. or any adjournment thereof.

My/our proxy/proxies shall vote as follows:

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

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of the Directors' and Auditors' thereon		
2.	To approve the payment of a final single tier dividend of 2 sen per share		
3.	To approve the payment of the Directors' fees		
4.	To re-elect Loo Hooi Keat as Director of the Company		
5.	To re-elect Syed Hussin bin Shaikh Al Junid as Director of the Company		
6.	To re-elect Datuk Ismee bin Ismail as Director of the Company		
7.	To re-appoint Messrs Ong Boon Bah & Co. as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration		
8.	To approve the proposed renewal of authority for Directors to issue shares		
9.	To approve the proposed renewal of authority for the purchase by the Company of its own shares		
NO.	**SPECIAL RESOLUTION**	**FOR**	**AGAINST**
1.	To approve the proposed amendments to the Articles of Association of the Company		

The proportions of my/our holding to be represented by my/our proxy/proxies are as follows:

Proxy A		%
Proxy B		%
	100	%

Signed this .... day of ...., 2010

____
Signature/Common Seal of Member

** Strike out whichever not applicable*

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. Where a Member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The proxy may but need not be the Member of the Company. 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.

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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

Please fold here

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

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