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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 2010.

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, papeterie products, provision of computer software and hardware products, provision of logistics services and investment holding. The Group distributes its products through wholesalers, dealers, retailers, modern trade channels including hypermarkets, schools and specialised stores for luxury items. Apart from the new activities arising from newly acquired subsidiaries, there have been no significant changes in the nature of the Group's activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	141,779	38,710
Attributable to:		
Owners of the parent	138,796	38,710
Minority interests	2,983	–
	141,779	38,710

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 on 15 September 2010 amounting to RM10,144,487 in respect of the financial year ended 31 December 2009.

The Board of Directors proposed a final single tier dividend* of 2.0 sen per ordinary share of RM1 each in respect of the financial year ended 31 December 2010. 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 exempt 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:

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 (Retired on 21 June 2010)

At the forthcoming Annual General Meeting, Tan Sri Musa bin Mohamad and Haji Abdul Ghani bin Ahmad are due to retire pursuant to Article 127 of the Company's Articles of Association. Save for Haji Abdul Ghani bin Ahmad who does not seek to be re-elected, Tan Sri Musa bin Mohamad, being eligible, offers himself for re-election.

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS

Issue of shares

During the financial year, the Company increased its issued and paid-up share capital from RM343,168,841 to RM512,796,061 by way of a rights issue of 169,627,220 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share for cash on the basis of one (1) rights share for every two (2) existing ordinary shares held.

The newly issued shares rank pari passu in all respects with the existing shares of the Company. Other than the above, there were no other issuance of shares during the financial year.

Treasury shares

During the financial year, the Company repurchased 1,667,400 of its issued ordinary shares from the open market at an average price of RM1.13 per share. The total consideration paid for the repurchase including transaction costs was RM1,890,932. 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 2010, the Company held 5,581,800 treasury shares. Such treasury shares are held at carrying amount of RM15,569,079. Further details are disclosed in note 25(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. It may be extended or renewed for a further period of five (5) years, at the sole and absolute discretion of the Board of Directors upon the recommendation of the 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.

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS (CONT'D)

The salient features of the ESOS are as follows:

(i) The Board of Directors has appointed the Option 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 Director named in the Register of Directors of the Company or any employee who 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 continuous service.

(iv) The total number of shares to be issued under the ESOS shall not exceed five percent (5%) of the issued and paid-up share 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 share capital of the Company.

(v) The option 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.

No options were granted during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2010, no arrangements subsisted to which the Company is a party, being any arrangements with the objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

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

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

DIRECTORS' 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 1.1.2010	**Additions**	**Disposals**	**As at 31.12.2010**
Loo Hooi Keat				
– Direct	639,180	16,896,500	(2,250,000)	15,285,680
– Indirect	93,276,970	87,657,314	(72,077,850)	108,856,434

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 statements of comprehensive income and statements of financial position 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

(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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D)

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 34 to the financial statements.

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 as and when they fall due.

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 other than those disclosed in the financial statements; 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 in relation to the acquisition of subsidiaries and related assets are disclosed in note 17 to the financial statements.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 April 2011.

TAN SRI MUSA BIN MOHAMAD
Director

LOO HOOI KEAT
Director

Selangor Darul Ehsan

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, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 66 to 126 are drawn up in accordance with Financial Reporting Standards and the provisions of 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 at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 April 2011.

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, being 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 66 to 126 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 abovenamed LOO HOOI KEAT at Selangor Darul Ehsan on 27 April 2011.

Before me,

K. SAUDRANRAJAN
Commissioner for Oaths

independent auditors' report

to the members of Pelikan International Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of PELIKAN INTERNATIONAL CORPORATION BERHAD, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 66 to 126.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 2010 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 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, 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 reporting responsibilities

The supplementary information set out in note 26(b) to the financial statements on page 114 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the member 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

LIM KOK BENG
588/02/13 (J)
Chartered Accountant

Kuala Lumpur
27 April 2011

statements of comprehensive income

for the financial year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Revenue	6	**1,786,848**	1,202,494	**59,469**	41,798
Change in the level of finished goods and work in progress		**(19,341)**	(10,187)	**56**	(971)
Other operating income		**196,123**	26,880	**53,636**	34,469
Materials used		**(832,926)**	(476,889)	**(56,955)**	(39,041)
Staff costs	7	**(505,667)**	(354,700)	**(6,033)**	(4,497)
Depreciation of property, plant and equipment		**(51,622)**	(33,532)	**(349)**	(310)
Amortisation of intangible assets		**(8,837)**	(7,065)	**–**	–
Other operating expenses		**(391,774)**	(277,626)	**(4,172)**	(2,859)
Profit from operations	10	**172,804**	69,375	**45,652**	28,589
Share of profits of associates		**8,504**	3,647	**–**	–
Finance costs	11	**(22,334)**	(22,879)	**(6,970)**	(3,190)
Profit before taxation		**158,974**	50,143	**38,682**	25,399
Taxation	12	**(17,195)**	(10,509)	**28**	–
Profit for the financial year		**141,779**	39,634	**38,710**	25,399
Other comprehensive income/(loss):					
Net gain on available-for-sale financial assets					
– gain on fair value changes		**2,822**	–	**2,765**	–
– transfer to profit or loss upon disposal		**(1,943)**	–	**(1,781)**	–
Foreign currency translations		**(47,229)**	6,192	**–**	–
Other comprehensive (loss)/income, net of tax		**(46,350)**	6,192	**984**	–
Total comprehensive income		**95,429**	45,826	**39,694**	25,399
Profit attributable to:					
Owners of the parent		**138,796**	36,391	**38,710**	25,399
Minority interests		**2,983**	3,243	**–**	–
		141,779	39,634	**38,710**	25,399
Total comprehensive income attributable to:					
Owners of the parent		**92,072**	43,377	**39,694**	25,399
Minority interests		**3,357**	2,449	**–**	–
		95,429	45,826	**39,694**	25,399
Earnings per share attributable to equity holders of the Company (sen)	13	**27.04**	9.84	**–**	–
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.

statements of financial position

as at 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**603,809**	359,502	**854**	936
Intangible assets	16	**153,422**	167,570	**–**	–
Investment in subsidiaries	17	**–**	–	**429,230**	217,238
Investment in associates	18	**36,854**	34,557	**300**	300
Available-for-sale financial assets	19	**3,006**	16,146	**–**	11,749
Pension Trust Fund	20	**192,565**	188,776	**192,565**	188,776
Deferred tax assets	21	**27,980**	31,538	**–**	–
		1,017,636	798,089	**622,949**	418,999
Current assets					
Inventories	22	**388,200**	306,934	**74**	18
Receivables, deposits and prepayments	23	**395,019**	317,337	**234,017**	141,625
Tax recoverable		**5,234**	5,287	**1,672**	1,365
Pension Trust Fund	20	**21,335**	25,124	**21,335**	25,124
Deposits, bank and cash balances	24	**109,263**	62,709	**50,377**	4,032
		919,051	717,391	**307,475**	172,164
TOTAL ASSETS		**1,936,687**	1,515,480	**930,424**	591,163
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	25	**512,796**	343,169	**512,796**	343,169
Share premium		**74,964**	59,869	**74,964**	59,869
Currency translation		**(63,423)**	(27,902)	**–**	–
Retained profits	26	**335,009**	218,583	**72,365**	55,894
Treasury shares at cost	25(b)	**(15,569)**	(13,678)	**(15,569)**	(13,678)
		843,777	580,041	**644,556**	445,254
Minority interests		**36,580**	23,095	**–**	–
Total equity		**880,357**	603,136	**644,556**	445,254

statements of financial position
as at 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current liabilities					
Payables	30	**6,303**	11,527	**–**	–
Post employment benefits obligations	27	**206,755**	260,352	**–**	–
Borrowings	29	**193,134**	152,921	**126,957**	31,651
Deferred tax liabilities	21	**9,510**	7,705	**–**	–
		415,702	432,505	**126,957**	31,651
Current liabilities					
Payables	30	**383,242**	223,892	**26,052**	22,543
Post employment benefits obligations	27	**10,802**	13,468	**–**	–
Provision	28	**346**	422	**–**	–
Borrowings	29	**231,539**	235,210	**132,859**	91,715
Current tax liabilities		**14,699**	6,847	**–**	–
		640,628	479,839	**158,911**	114,258
Total liabilities		**1,056,330**	912,344	**285,868**	145,909
TOTAL EQUITY AND LIABILITIES		**1,936,687**	1,515,480	**930,424**	591,163

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

consolidated statement of changes in equity

for the financial year ended 31 December 2010

	Note	Share capital RM'000	Share premium (non-distributable) RM'000	Currency translation (non-distributable) RM'000	Available-for-sale reserves (non-distributable) RM'000	Retained profits (distributable) RM'000	Treasury shares (distributable) RM'000	Attributable to owners of the parent 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
Total comprehensive income		–	–	6,986	–	36,391	–	43,377	2,449	45,826
Transactions with owners										
Acquisition of a subsidiary		–	–	–	–	–	–	–	1,469	1,469
Treasury shares, at cost	25(b)	–	–	–	–	–	(177)	(177)	–	(177)
Dividends		–	–	–	–	(6,785)	–	(6,785)	–	(6,785)
Total transactions with owners		–	–	–	–	(6,785)	(177)	(6,962)	1,469	(5,493)
At 31 December 2009		**343,169**	**59,869**	**(27,902)**	**–**	**218,583**	**(13,678)**	**580,041**	**23,095**	**603,136**
Effects of adopting FRS 139		**–**	**–**	**12,095**	**(892)**	**(12,226)**	**–**	**(1,023)**	**(1)**	**(1,024)**
As restated		**343,169**	**59,869**	**(15,807)**	**(892)**	**206,357**	**(13,678)**	**579,018**	**23,094**	**602,112**
Total comprehensive income		**–**	**–**	**(47,616)**	**892**	**138,796**	**–**	**92,072**	**3,357**	**95,429**
Transactions with owners										
Acquisition of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,328**	**27,328**
Acquisition of shares in an existing subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,427)**	**(16,427)**
Rights Issue, net of share issue costs	25(a)	**169,627**	**15,095**	**–**	**–**	**–**	**–**	**184,722**	**–**	**184,722**
Treasury shares, at cost	25(b)	**–**	**–**	**–**	**–**	**–**	**(1,891)**	**(1,891)**	**–**	**(1,891)**
Dividends	14	**–**	**–**	**–**	**–**	**(10,144)**	**–**	**(10,144)**	**(772)**	**(10,916)**
Total transactions with owners		**169,627**	**15,095**	**–**	**–**	**(10,144)**	**(1,891)**	**172,687**	**10,129**	**182,816**
At 31 December 2010		**512,796**	**74,964**	**(63,423)**	**–**	**335,009**	**(15,569)**	**843,777**	**36,580**	**880,357**

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

company statement of changes in equity

for the financial year ended 31 December 2010

	Note	Share capital RM'000	Share premium (non-distributable) RM'000	Available-for-sale reserves (non-distributable) RM'000	Retained profits (distributable) RM'000	Treasury shares (distributable) RM'000	Total equity RM'000
At 1 January 2009		343,169	59,869	–	37,280	(13,501)	426,817
Total comprehensive income		–	–	–	25,399	–	25,399
Transactions with owners							
Treasury shares, at cost	25(b)	–	–	–	–	(177)	(177)
Dividends		–	–	–	(6,785)	–	(6,785)
Total transactions with owners		–	–	–	(6,785)	(177)	(6,962)
At 31 December 2009		**343,169**	**59,869**	**–**	**55,894**	**(13,678)**	**445,254**
Effects of adopting FRS 139		**–**	**–**	**(984)**	**(12,095)**	**–**	**(13,079)**
As restated		**343,169**	**59,869**	**(984)**	**43,799**	**(13,678)**	**432,175**
Total comprehensive income		**–**	**–**	**984**	**38,710**	**–**	**39,694**
Transactions with owners							
Rights issue shares, net of share issue costs	25(a)	**169,627**	**15,095**	**–**	**–**	**–**	**184,722**
Treasury shares, at cost	25(b)	**–**	**–**	**–**	**–**	**(1,891)**	**(1,891)**
Dividends	14	**–**	**–**	**–**	**(10,144)**	**–**	**(10,144)**
Total transactions with owners		**169,627**	**15,095**	**–**	**(10,144)**	**(1,891)**	**172,687**
At 31 December 2010		**512,796**	**74,964**	**–**	**72,365**	**(15,569)**	**644,556**

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

consolidated statement of cash flows

for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Operating activities			
Cash receipts from customers		**1,821,092**	1,232,596
Cash paid to suppliers and employees		**(1,764,243)**	(1,168,424)
		56,849	64,172
Interest received		**1,976**	2,232
Interest paid		**(15,845)**	(14,715)
Taxation paid		**(15,748)**	(18,047)
Net cash generated from operating activities		**27,232**	33,642
Investing activities			
Net cash outflow on acquisition of subsidiaries	31(a)	**(186,626)**	(14,644)
Purchase of property, plant and equipment		**(24,374)**	(27,461)
Purchase of intangible assets		**(571)**	(790)
Purchase of investments		**(2,286)**	(15)
Proceeds from disposal of property, plant and equipment		**3,894**	4,941
Proceeds from disposal of intangible assets		**38**	90
Proceeds from disposal of investments		**16,944**	3,748
Development expenses paid		**(6,747)**	(12,259)
Interest paid		**(7,324)**	(4,593)
Dividends received		**7,525**	5,966
Net cash used in investing activities		**(199,527)**	(45,017)
Financing activities			
Repayment of hire purchase and lease creditors		**(1,185)**	(2,417)
Bank borrowings, net		**61,696**	31,138
Interest paid		**(99)**	(178)
Deposits (pledged)/uplifted, net		**(31,723)**	1,922
Repurchase of shares		**(1,891)**	(177)
Rights issue, net of share issue costs		**184,722**	–
Dividends paid to shareholders		**(10,144)**	(6,785)
Net cash generated from financing activities		**201,376**	23,503
Net increase in cash and cash equivalents during the financial year		**29,081**	12,128
Currency translation		**(15,954)**	(3,128)
Cash and cash equivalents at beginning of the financial year		**49,784**	40,784
Cash and cash equivalents at end of the financial year	24	**62,911**	49,784

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

company statement of cash flows

for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Operating activities			
Cash receipts from customers		**68,625**	34,747
Cash paid to suppliers and employees		**(63,575)**	(51,081)
		5,050	(16,334)
Interest received		**1,459**	3
Interest paid		**(5,662)**	(3,041)
Taxation paid		**(69)**	(249)
Receipt from Pension Trust Fund		**14,339**	17,127
Net cash generated from/(used in) operating activities		**15,117**	(2,494)
Investing activities			
Investment in subsidiaries	31(a)	**(210,050)**	(4,095)
Additional investment in an existing subsidiary		**(19,354)**	–
Purchase of property, plant and equipment		**(267)**	(59)
Purchase of investments		**(2,286)**	(15)
Proceeds from disposal of investments		**23,985**	3,748
Advances to subsidiaries, net		**(79,534)**	(31,619)
Dividends received		**9,597**	6,121
Net cash used in investing activities		**(277,909)**	(25,919)
Financing activities			
Repayment of hire purchase and lease creditors		**(49)**	–
Bank borrowings, net		**136,499**	36,452
Deposits pledged, net		**(32,450)**	(278)
Repurchase of shares		**(1,891)**	(177)
Rights issue, net of share issue costs		**184,722**	–
Dividends paid to shareholders		**(10,144)**	(6,785)
Net cash generated from financing activities		**276,687**	29,212
Net increase in cash and cash equivalents during the financial year		**13,895**	799
Cash and cash equivalents at beginning of the financial year		**3,617**	2,818
Cash and cash equivalents at end of the financial year	24	**17,512**	3,617

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, papeterie products, provision of computer software and hardware products, provision of logistics services and investment holding. The Group distributes its products through wholesalers, dealers, retailers, modern trade channels including hypermarkets, schools and specialised stores for luxury items. Apart from the new activities arising from newly acquired subsidiaries, there have been no significant changes in the nature of the Group's activities during the financial year.

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 27 April 2011.

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 approved 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 made up to the end of the financial year using the purchase method of accounting.

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 or loss any excess remaining after that assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (cont'd)

When a business combination includes more than one exchange transaction, any adjustmnet to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

All intragroup balances, transactions and unrealised gains and losses on intragroup transactions are 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 statement of comprehensive income.

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

Where losses applicable to the minority in a subsidiary exceed the minority's interest in the equity of that subsidiary, the excess and any further losses applicable to the minority are all allocated against the Group's interest except to the extent that the minority 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 share of losses previously absorbed by the Group has been recovered.

Minority interest is presented in the consolidated statement of financial position within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to owners of the parent. Minority interest in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the total profit or loss for the financial year between minority interest and owners of the parent. 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 statement of comprehensive income 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, technical equipment and mould	1 – 30 years
Office equipment, furniture and fittings	2 – 14 years
Motor vehicles	4 – 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

At the end of each reporting period, 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(j) to the financial statements.

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period 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 statement of comprehensive income.

(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 statement of comprehensive income 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 the end of each reporting period.

(iii) Trademark

Trademark relates mainly 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.

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 statement of comprehensive income.

(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 statement of financial position 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 statement of comprehensive income. 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 statement of comprehensive income.

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

Leases are classified as finance lease and hire purchase 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 lease is included in the statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income 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.

(h) 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.

(i) Employee benefits

(i) Short term employee benefits

The Group recognises a liability and an expense for bonus and profit-sharing, based on achievement of key performance indicator ("KPI") and a 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits (cont'd)

(ii) Defined contribution plan

The Group's contributions to defined contribution plans are charged to the statement of comprehensive income 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 end of reporting period 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 end of reporting period.

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 end of reporting period, 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 statement of comprehensive income 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 reporting period are discounted to present value.

(j) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets (excluding investments in subsidiaries and associates), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated 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 individually. 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 asset 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of non-financial assets (cont'd)

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 statement of comprehensive income 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 (net of amortisation or depreciation) that would have been determined 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 statement of comprehensive income.

(k) Income tax

Income tax in the statement of comprehensive income 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 profits to companies in the Group.

Deferred tax is recognised in full using the liability method on temporary differences at the end of reporting period 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 or loss. See significant accounting estimates and judgements in note 4(c) to the financial statements 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 statement of comprehensive income 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 end of reporting period.

(l) 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 statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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 statement of comprehensive income. 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 statement of comprehensive income in the period in which they are incurred.

(n) 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 statement of comprehensive income. Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue in respect of the rendering of services is recognised when the stage of completion at the end of the reporting period and the cost incurred can be reliably measured.

(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 on 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.

(o) 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 statement of comprehensive income 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Share capital (cont'd)

(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 end of reporting period. A dividend proposed or declared after the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of reporting period. Upon the dividend becoming payable, it will be accounted for as a liability.

(p) 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.

(q) Warranty

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

(r) 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 RM at exchange rates at the dates of transaction. Monetary assets and liabilities in foreign currencies at the end of reporting period are translated into RM 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 statement of comprehensive income 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 statement of financial position presented are translated at the closing rate prevailing at the end of reporting period;

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Foreign currencies (cont'd)

(iii) Foreign operations (cont'd)

- income and expenses for each statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income upon disposal of the net investment.

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 end of financial period. 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 rates used in translation of foreign currency amounts are as follows:

Foreign currency	2010 RM	2009 RM
EUR (EU Euro)	**4.0887**	4.9152
CHF (Swiss Franc)	**3.2801**	3.3043
PLN (Polish Zloty)	**1.0327**	1.1911
USD (US Dollar)	**3.0851**	3.4292
MXN (Mexican Peso)	**0.2495**	0.2634
JPY (Japanese Yen)	**0.0378**	0.0372
SGD (Singapore Dollar)	**2.3905**	2.4405
TWD (New Taiwan Dollar)	**0.1062**	0.1064
CNY (Chinese Yuan Renminbi)	**0.4680**	0.5030
AUD (Australian Dollar)	**3.1354**	3.0627
COP (Colombian Peso in million)	**1.5820**	1.6900
GBP (British Pound)	**4.7729**	5.4620
CZK (Czech Koruna)	**0.1624**	0.1864
HUF (Hungarian Forint)	**0.0147**	0.0181
SEK (Swedish Krona)	**0.4556**	0.4776
TRY (Turkish Lira)	**1.9869**	2.2713
ARS (Argentine Peso)	**0.7768**	0.8991
HKD (Hong Kong Dollar)	**0.3964**	0.4422
THB (Thai Baht)	**0.1025**	0.1031
INR (Indian Rupee)	**0.0681**	0.0733
IDR (Indonesian Rupiah in million)	**0.3470**	0.3649
RON (Romanian New Lei)	**1.0485**	–
BGN (Bulgarian Lev)	**0.4779**	–

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Financial instruments

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

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

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

Financial assets or financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Financial assets within the scope of FRS 139 are classified as loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, held-to-maturity investments or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determined the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss is recognised in the statement of comprehensive income.

The Group's financial assets are categorised as loans and receivables and available-for-sale financial assets.

Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised initially in other comprehensive income and accumulated under fair value adjustment reserves in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the statement of comprehensive income. The cumulative gain or loss previously recognised in equity is reclassified from equity to the statement of comprehensive income as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Financial instruments (cont'd)

(ii) Financial liabilities

Financial liabilities within the scope of FRS 139 are classified as loans and payables, financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of loans and payables, any directly attributable transaction cost.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

The Group's financial liabilities are categorised as loans and payables.

Loans and payables
Subsequent to initial recognition, loans and payables are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

(t) Impairment of financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in statement of comprehensive income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the statement of comprehensive income and is measured as the difference between the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to statement of comprehensive income.

(u) 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)

(u) Contingent liabilities and contingent assets (cont'd)

When the Company enters into financial guarantee contracts to guarantee the indebtedness 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.

(v) Segment reporting

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in note 5 to the financial statements, including the factors used to identify the reportable segments and measurement basis of segment information.

(w) 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 risk, liquidity risk, interest rate risk and foreign currency 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

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and Company's exposure to credit risk arises principally from its receivables.

Receivables
The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

The Group does not have any significant exposure to any individual customer. A significant portion of its trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in note 23 to the financial statements.

The Company provides unsecured loans and advances to subsidiaries. Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in note 5 to the financial statements, is measured differently from operating profit or loss in the consolidated financial statements.

The Group and Company's maximum exposure to credit risk arising from the receivables is represented by the carrying amounts in the statements of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial risk management objectives and policies (cont'd)

(i) Credit risk (cont'd)

Financial guarantees

The Company has provided corporate guarantees to financial institutions and suppliers for financing arrangements of certain subsidiaries. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from its various payables, loans and borrowings. The Group's objective is to maintain a balance of funding and flexibility through the use of credit facilities, short and long term borrowings.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates to interest bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

A 50 basis points increase/decrease in interest rate as at the end of the reporting period would have immaterial impact on the profit or loss. This assumes that all other variables remain constant.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currency.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The currency giving rise to this risk is primarily EU Euro (EUR).

As at the end of the financial year, if Ringgit Malaysia had strengthened or weakened 5% against EUR with all other variables held constant, the Group's profit after tax for the year would have been approximately RM9,083,000 lower or higher respectively.

The financial assets and financial liabilities of the Group and of the Company that are not denominated in their functional currencies are disclosed in notes 23, 24, 29 and 30 to the financial statements.

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.

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

On 1 January 2010, the Group and the Company adopted the following new, revised and amended FRSs and IC Interpretations ("IC Int") mandatory for annual financial periods beginning on or after 1 January 2010.

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 123	Borrowings costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 11	FRS 2 – Group and Treasury Share Transactions
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to IC Int 9	Reassessment of Embedded Derivatives
Improvements to FRSs (2009)	

The adoption of the above Standards and Interpretations does not have any effect on the financial performance or position of the Group and of the Company except for those discussed below:

FRS 7, Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132, Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's financial statements for the year ended 31 December 2010.

FRS 8, Operating Segments

As of 1 January 2010, the Group determines and presents operating segments based on the information that is provided internally to the Chief Executive Officer, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114, Segment Reporting.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on statement of comprehensive income.

3. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs AND IC INTERPRETATIONS (CONT'D)

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

FRS 101, Presentation of Financial Statements

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement or in two linked statements. The Company has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 was adopted retrospectively by the Company.

FRS 139, Financial Instruments : Recognition and Measurements

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are:

(i) Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as long term investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, are now categorised and measured as available-for-sale financial assets as detailed in note 2(s) to the financial statements.

(ii) Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

(iii) Inter-company loans

Prior to 1 January 2010, the Company classified its loans to subsidiaries as long term receivables. With the adoption of FRS 139, these receivables are now considered as investment in the subsidiaries. As these amounts are, in substance, a part of the Company's net investments in the subsidiaries, they are stated at cost less accumulated impairment losses.

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

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
Revised FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments/Improvements to FRSs and IC Interpretations		
FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters	1 January 2011
FRS 2	Share-based Payment	1 July 2010 and 1 January 2011
FRS 5	Non-current Assets Held For Sale and Discontinued Operations	1 July 2010
FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
FRS 132	Classification of Rights Issues	1 March 2010
FRS 138	Intangible Assets	1 July 2010
Improvements to FRSs (2010)		1 January 2011
IC Interpretations		
IC Int 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Int 9	Reassessment of Embedded Derivatives	1 July 2010
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 14	Prepayments of a Minimum Funding Requirement	1 July 2011
IC Int 15	Agreements for the Construction of Real Estate	1 January 2012
IC Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Int 18	Transfers of Assets from Customers	1 January 2011
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The initial application of a standard, amendment, improvement 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period 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. The carrying amounts and further details are disclosed in note 16 to the financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(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.

(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 21 to the financial statements.

(d) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is 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 impairment of receivables. 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. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical locations of the assets. The management has determined the operating segments based on the reports reviewed by the Chief Executive Officer.

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

– Germany
– Switzerland
– Italy
– Rest of Europe
– Americas
– Rest of world

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly results, assets and liabilities of companies not involved in the principal activities of the Group such as investment holding companies and dormant companies.

Segment revenue, expenses and results include transfers between operating segments. These transfers are eliminated on consolidation.

5. SEGMENT INFORMATION (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	Americas RM'000	Rest of world RM'000	Elimination RM'000	Group RM'000
Financial year ended 31 December 2010								
Revenue:								
External customers	1,057,397	103,024	54,838	321,197	171,434	78,958	–	1,786,848
Inter-segment	747,412	221,470	225	46,350	12,336	124,594	(1,152,387)	–
Total revenue	1,804,809	324,494	55,063	367,547	183,770	203,552	(1,152,387)	1,786,848
Segment result	41,043	(16,527)	(2,284)	(8,683)	25,039	3,071	(15,630)	26,029
Unallocated income (net of cost)								146,775
Profit from operations								172,804
Share of profit of associates	–	–	–	–	–	8,504	–	8,504
Finance costs								(22,334)
Taxation								(17,195)
Profit for the financial year								141,779
Other information:								
Capital expenditure	355,707	9,060	64	4,226	3,766	5,021	–	377,844
Depreciation and amortisation	37,547	8,553	229	4,264	4,996	4,870	–	60,459
Non-cash expenses	3,595	(269)	544	1,116	2,356	1,064	–	8,406
Interest income	7,964	1,189	34	276	455	241	–	10,159
Unallocated interest income								13,761
Elimination								(21,944)
Consolidated interest income								1,976
Finance cost	(20,845)	(2,857)	(174)	(3,241)	(1,927)	(1,054)	–	(30,098)
Unallocated finance cost								(14,065)
Elimination								21,829
Consolidated finance cost								(22,334)
At 31 December 2010								
Assets:								
Segment assets	969,061	122,737	36,332	190,665	173,423	110,013	–	1,602,231
Associates	–	–	–	–	–	36,854	–	36,854
Pension Trust Fund	–	–	–	–	–	213,900	–	213,900
Unallocated assets								83,702
Total assets								1,936,687
Liabilities:								
Segment liabilities	569,294	52,518	21,073	81,340	72,144	38,439	–	834,808
Unallocated liabilities	–	–	–	–	–	–	–	221,522
Total liabilities								1,056,330

5. SEGMENT INFORMATION (CONT'D)

	Germany RM'000	Switzerland RM'000	Italy RM'000	Rest of Europe RM'000	Americas RM'000	Rest of world RM'000	Elimination RM'000	Group RM'000
Financial year ended 31 December 2009								
Revenue:								
External customers	562,283	106,465	64,601	233,331	157,855	77,959	–	1,202,494
Inter-segment	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	–	3,647
Finance costs								(22,879)
Taxation								(10,509)
Profit for the financial year								39,634
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
Interest income	10,078	3,080	39	617	552	580	–	14,946
Unallocated interest income								7,914
Elimination								(20,628)
Consolidated interest income								2,232
Finance cost	(19,142)	(4,679)	(365)	(2,967)	(3,039)	(1,259)	–	(31,451)
Unallocated finance cost								(12,056)
Elimination								20,628
Consolidated finance cost								(22,879)
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	–	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

5. SEGMENT INFORMATION (CONT'D)

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

Unallocated income, interest income and finance cost comprise the income, expenses, interest income and finance cost of investment holding companies and dormant companies in the Group, which are not allocated to any of the geographical segments.

Unallocated assets and liabilities are those assets and liabilities of investment holding companies and dormant companies in the Group, which are not allocated to any of the geographical segments.

Business segment information

	Group	
	2010 RM'000	**2009 RM'000**
Sale of goods and royalties	**1,747,454**	1,202,494
Logistic and related services	**25,927**	–
Information technology and related services	**13,467**	–
	1,786,848	1,202,494

6. REVENUE

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Sale of goods	**1,747,216**	1,202,177	**59,469**	41,798
Royalties	**238**	317	**–**	–
Services rendered	**39,394**	–	**–**	–
	1,786,848	1,202,494	**59,469**	41,798

7. STAFF COSTS

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Wages, salaries and bonuses	**406,491**	281,917	**5,148**	3,891
Defined contribution plan	**78,520**	52,192	**524**	445
Defined benefit retirement plan	**11,464**	9,441	**–**	–
Other employee related benefits	**9,192**	11,150	**361**	161
	505,667	354,700	**6,033**	4,497

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

8. COMPENSATION OF KEY MANAGEMENT PERSONNELS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonuses	**13,116**	8,078	**1,320**	1,200
Defined contribution plan	**465**	512	**158**	144
Defined benefit retirement plan	**212**	188	**–**	–
Other employee related benefits	**482**	333	**128**	128
	14,275	9 ,111	**1,606**	1,472

9. DIRECTORS' REMUNERATION

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-executive Directors				
Fees	**399**	341	**399**	341
Estimated monetary value of benefits in kind	**20**	34	**20**	34
Executive Director				
Salaries	**1,320**	1,200	**1,320**	1,200
Defined contribution plan	**158**	144	**158**	144
Estimated monetary value of benefits in kind	**128**	128	**128**	128
	2,025	1,847	**2,025**	1,847

10. PROFIT FROM OPERATIONS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit from operations is arrived at after charging/(crediting):				
Auditors' remuneration:				
– statutory audit	**3,255**	2,845	**120**	100
– underprovision in prior year	**60**	239	**–**	50
Impairment of intangibles	**1,972**	715	**–**	–
Impairment of property, plant and equipment	**6,542**	–	**–**	–
Property, plant and equipment written off	**–**	243	**–**	3
Rental of land and buildings	**44,684**	20,684	**67**	72
Rental of plant and machinery	**2,539**	1,287	**76**	49
Allowance for impairment loss of receivables:				
– trade	**2,928**	9,428	**–**	–
– non-trade	**265**	–	**265**	–
Net (gain)/loss on foreign exchange:				
– realised	**(4,406)**	1,277	**(3,736)**	428
– unrealised	**(5,212)**	(4,237)	**(4,455)**	(461)
Inventories written down	**5,725**	5,960	**–**	–
External logistics, outward freight and packaging	**91,039**	64,288	**–**	–
Research and development expenses	**29,242**	32,558	**–**	–
Sales promotion	**75,736**	64,631	**–**	6
Receipts from Pension Trust Fund	**–**	–	**(21,345)**	(25,114)
Dividend income	**(8,130)**	(6,698)	**(10,202)**	(6,761)
Interest income	**(1,976)**	(2,232)	**(8,007)**	(75)
Loss/(gain) on disposal of property, plant and equipment	**842**	(26)	**–**	–
Gain on disposal of investments	**(2,427)**	(1,737)	**(5,556)**	(1,737)
Negative goodwill	**(157,001)**	(1,495)	**–**	–

The cost of inventories recognised as expense during the financial year of the Group amounted to RM1,095,468,000 (2009: RM697,411,000).

11. FINANCE COSTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on bank borrowings	**21,135**	21,229	**6,850**	3,012
Interest – others	**99**	178	**120**	178
Factoring charges	**1,100**	1,472	**–**	–
	22,334	22,879	**6,970**	3,190

12. TAXATION

	Group		Company	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Current tax:				
– Malaysian tax	**32**	–	**–**	–
– Foreign tax	**13,620**	12,487	**–**	–
	13,652	12,487	**–**	–
Deferred tax	**3,363**	(2,716)	**–**	–
	17,015	9,771	**–**	–
Prior year's taxation:				
Income tax under/(over) provided	**180**	738	**(28)**	–
	17,195	10,509	**(28)**	–

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

	Group		Company	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Malaysian tax rate of 25% (2009: 25%)	**39,744**	12,536	**9,671**	6,350
Tax effect:				
– different tax regime	**4,833**	(909)	**–**	–
– share of profit of associates	**(3)**	957	**–**	–
– expenses not deductible for tax purposes	**27,351**	8,692	**4,063**	253
– income not subject to tax	**(78,594)**	(25,949)	**(14,234)**	(8,128)
– current year's tax losses not recognised	**20,685**	15,474	**500**	1,525
– unrecognised temporary differences	**1,394**	(665)	**–**	–
– previous year unrecognised tax losses now recognised	**1,605**	(365)	**–**	–
– under/(over) accrual in prior years	**180**	738	**(28)**	–
	17,195	10,509	**(28)**	–

13. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

		Group	
		2010	**2009 Restated**
Profit attributable to owners of the parent	**(RM'000)**	**138,796**	36,391
Weighted average number of ordinary shares in issue	**('000)**	**491,593**	343,169
Notional bonus shares in rights issue	**('000)**	**26,667**	30,476
Weighted average number of shares repurchased	**('000)**	**(4,935)**	(3,879)
	('000)	**513,325**	369,766
Basic earnings per share	**(sen)**	**27.04**	9.84

The Group does not have any potential dilutive ordinary shares. Accordingly, the diluted earnings per share is not presented.

14. DIVIDENDS

	Group and Company	
	Dividend per share Sen	**Amount of dividend RM'000**
Financial year ended 31 December 2010		
Proposed final dividend	**2.0**	**10,144**
Financial year ended 31 December 2009		
Final dividend, paid on 15 September 2010	2.0	10,144

At the forthcoming Annual General Meeting, the final single tier dividend* in respect of the financial year ended 31 December 2010 of 2.0 sen per ordinary share of RM1 each (2009: 2.0 sen per share single tier dividend*) amounting to RM10.1 million (2009: RM10.1 million) will be proposed for shareholders' approval. The current year's 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 exempt 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							
Carrying amounts							
At 1 January 2009	28,721	116,590	153,450	36,558	2,078	6,264	343,661
Acquisition of a subsidiary	8,805	6,192	7,024	1,790	–	418	24,229
Additions	–	25	15,922	5,002	455	6,057	27,461
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**
Acquisition of subsidiaries	**–**	**259,788**	**66,659**	**12,590**	**–**	**2,103**	**341,140**
Additions	**–**	**2,544**	**10,308**	**6,551**	**517**	**4,454**	**24,374**
Disposals	**(809)**	**(178)**	**(1,476)**	**(690)**	**(56)**	**(1,527)**	**(4,736)**
Transfers	**–**	**–**	**2,557**	**827**	**–**	**(3,881)**	**(497)**
Depreciation	**–**	**(10,115)**	**(28,734)**	**(12,019)**	**(754)**	**–**	**(51,622)**
Impairment	**–**	**(6,379)**	**(12)**	**(151)**	**–**	**–**	**(6,542)**
Currency translation	**(1,184)**	**(26,999)**	**(23,595)**	**(4,746)**	**27**	**(1,313)**	**(57,810)**
At 31 December 2010	**35,933**	**338,784**	**185,726**	**37,081**	**1,372**	**4,913**	**603,809**
At 31 December 2010							
Cost	**35,933**	**475,003**	**499,233**	**206,180**	**4,409**	**4,913**	**1,225,671**
Accumulated depreciation	**–**	**(136,219)**	**(313,507)**	**(169,099)**	**(3,037)**	**–**	**(621,862)**
Carrying amounts	**35,933**	**338,784**	**185,726**	**37,081**	**1,372**	**4,913**	**603,809**
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)
Carrying amounts	37,926	120,123	160,019	34,719	1,638	5,077	359,502

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				
Carrying amounts				
At 1 January 2009	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**
Additions	**–**	**27**	**240**	**267**
Depreciation	**(61)**	**(85)**	**(203)**	**(349)**
At 31 December 2010	**154**	**339**	**361**	**854**
At 31 December 2010				
Cost	**307**	**641**	**1,018**	**1,966**
Accumulated depreciation	**(153)**	**(302)**	**(657)**	**(1,112)**
Carrying amounts	**154**	**339**	**361**	**854**
At 31 December 2009				
Cost	307	614	778	1,699
Accumulated depreciation	(92)	(217)	(454)	(763)
Carrying amounts	215	397	324	936

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

	Group	
	2010 RM'000	**2009 RM'000**
Freehold land	**23,587**	25,216
Buildings	**255,965**	54,692
Machinery and technical equipment	**22,402**	693
	301,954	80,601

(b) The carrying amount of the Group's and the Company's property, plant and equipment under hire purchase and finance lease agreements is RM1,074,000 (2009: RM3,549,000) and RM192,000 (2009: Nil) respectively.

16. INTANGIBLE ASSETS

	Goodwill RM'000	Trademarks RM'000	Development costs RM'000	Computer software license RM'000	Total RM'000
Group					
Carrying amounts					
At 1 January 2009	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**
Acquisition of subsidiaries	**–**	**–**	**–**	**2,130**	**2,130**
Acquisition of shares in an existing subsidiary	**2,882**	**–**	**–**	**–**	**2,882**
Additions	**–**	**–**	**6,747**	**571**	**7,318**
Disposals	**–**	**–**	**–**	**(38)**	**(38)**
Amortisation	**–**	**(21)**	**(6,916)**	**(1,900)**	**(8,837)**
Impairment	**(769)**	**(990)**	**–**	**(213)**	**(1,972)**
Transfers	**–**	**–**	**–**	**497**	**497**
Currency translation	**(11,206)**	**(3,179)**	**(1,250)**	**(493)**	**(16,128)**
At 31 December 2010	**109,511**	**14,932**	**25,532**	**3,447**	**153,422**
At 31 December 2010					
Cost	**112,293**	**15,882**	**41,829**	**78,153**	**248,157**
Accumulated amortisation	**(2,782)**	**(950)**	**(16,297)**	**(74,706)**	**(94,735)**
Carrying amounts	**109,511**	**14,932**	**25,532**	**3,447**	**153,422**
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)
Carrying amounts	118,604	19,122	26,951	2,893	167,570

16. INTANGIBLE ASSETS (CONT'D)

Impairment test for goodwill and trademarks

Allocation of goodwill and trademarks:

	Group	
	2010	2009
	RM'000	RM'000
Goodwill		
Germany	**83,799**	93,046
Japan	**11,849**	11,849
Taiwan	**839**	840
Switzerland	**2,889**	2,644
Argentina	**10,135**	10,225
	109,511	118,604
Trademarks		
Germany	**14,932**	19,122

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	
	2010	2009	**2010**	2009	**2010**	2009
	%	%	**%**	%	**%**	%
Germany	**5.1**	8.9	**1.5**	1.0	**5.8**	8.6
Japan	**19.5**	21.0	**2.0**	2.0	**4.8**	4.0
Taiwan	**7.4**	8.1	**2.0**	2.0	**6.4**	7.7
Switzerland	**3.0**	2.9	**1.8**	4.0	**4.9**	8.7
Argentina	**11.4**	10.8	**13.9**	8.5	**22.1**	13.6

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

17. INVESTMENT IN SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
Quoted shares, at cost	**167,319**	129,191
Unquoted shares, at cost	**6,884**	6,884
	174,203	136,075
Amount due from subsidiaries (non-trade)	**255,027**	81,163
	429,230	217,238
Market values of quoted shares	**303,040**	191,769

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of exemption given in Paragraph 44AA of FRS7.

Prior to 1 January 2010, the Company classified its loans to subsidiaries as long term receivables. With the adoption of FRS 139, these receivables are now considered as investment in the subsidiaries. As these amounts are, in substance, a part of the Company's net investments in the subsidiaries, they are stated at cost less accumulated impairment losses.

The amount due from subsidiaries is unsecured, interest free and is repayable on demand except for an amount due from a subsidiary which bears interest at 1% per annum.

The details of the subsidiaries are as follows:

Name of company	Country of Incorporation	Effective Percentage of Ownership 2010 %	Effective Percentage of Ownership 2009 %	Principal Activities
Direct subsidiaries				
Pelikan Holding AG (listed on Swiss SIX Exchange)	Switzerland	**96.45***	87.64*	Investment holding
Pelikan Japan K.K.	Japan	**99.11***	96.91*	Distribution of stationery and office products
Pelikan Mexico S.A. de C.V.	Mexico	**98.23***	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

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2010 %	2009 %	Principal Activities
Direct subsidiaries (cont'd)				
Pelikan Trading India Private Limited	India	**100.00***	100.00*	Dormant
Herlitz Aktiengesellschaft (listed on Berlin Stock Exchange and Frankfurt Stock Exchange)	Germany	**70.92***	–	Production and distribution of stationery and office products
Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG	Germany	**98.52***	–	Property holding
Ganymed Falkensee Grundstücksverwaltungs GmbH	Germany	**100.00***	–	Investment holding
Indirect subsidiaries				
Pelikan (Schweiz) AG	Switzerland	**96.45***	87.64*	Distribution of stationery and office products
Günther Wagner SA	Switzerland	**96.45***	87.64*	Dormant
Pelikan GmbH	Germany	**96.45***	87.64*	Investment holding
Pelikan Vertriebsgesellschaft mbH & Co. KG	Germany	**96.45***	87.64*	Distribution of stationery and office products
Pelikan PBS-Produktionsgesellschaft mbH & Co. KG	Germany	**96.45***	87.64*	Production and distribution of stationery and office products
Kreuzer Produktion Vertrieb GmbH	Germany	**96.45***	87.64*	Dormant
Pelikan PBS-Produktion Verwaltungs-GmbH	Germany	**96.45***	87.64*	Dormant
Pelikan Vertrieb Verwaltungs-GmbH	Germany	**96.45***	87.64*	Dormant
ReMerch GmbH	Germany	**96.45***	87.64*	Services
Pelikan Italia S.p.a.	Italy	**96.45***	87.64*	Distribution of stationery and office products
Pelikan S.A.	Spain	**96.45***	87.64*	Distribution of stationery and office products
Pelikan Belux N.V./S.A.	Belgium	**96.45***	87.64*	Distribution of stationery and office products
Pelikan Hellas E.P.E.	Greece	**96.45***	87.64*	Distribution of stationery and office products
Pelikan Austria Ges.m.b.H.	Austria	**96.45***	87.64*	Dormant
Pelikan Nederland B.V.	Netherlands	**96.45***	87.64*	Dormant
Pelikan, Inc.	USA	**96.45***	87.64*	Dormant
Pelikan Asia Sdn. Bhd.	Malaysia	**96.45**	87.64	Distribution of stationery and office products
Pelikan Nordic AB	Sweden	**96.45***	87.64*	Distribution of stationery and office products
Pelikan France S.A.S.	France	**96.45***	87.64*	Distribution of stationery and office products
Pelikan Colombia S.A.S.	Colombia	**98.06***	93.26*	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

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2010 %	2009 %	Principal Activities
Indirect subsidiaries (cont'd)				
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*	Property holding
Pelikan Hardcopy European Logistics and Services GmbH	Germany	**100.00***	100.00*	Dormant
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 s.r.o.	Czech Republic	**100.00***	100.00*	Production of office products
Geha GmbH	Germany	**96.45***	87.64*	Distribution of office products
German Hardcopy ccc Gmbh	Germany	**96.45***	87.64*	Dormant
German Hardcopy doo	Bosnia	**96.45***	87.64*	Dormant
Pelikan Argentina S.A.	Argentina	**98.17***	93.42*	Distribution of stationery and office products
Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd Sirketi	Turkey	**97.87***	92.58*	Distribution of stationery and office products
European Collection Partner GmbH	Germany	**100.00***	100.00*	Services
Herlitz PBS Aktiengesellschaft Papier -, Büro- und Schreibwaren	Germany	**70.92***	–	Production and distribution of stationery and office products
Susy Card GmbH	Germany	**70.92***	–	Development, production and distribution of papeterie and office products
Falken Office Products GmbH	Germany	**70.92***	–	Production and distribution of stationery and office products
Herlitz Papierverarbeitungs GmbH	Germany	**70.92***	–	Production and distribution of stationery and office products
PBS Papeterie Service GmbH	Germany	**70.92***	–	Distribution of stationery and office products
Convex Schreibwaren-Handels GmbH	Germany	**70.92***	–	Distribution of stationery and office products
Mercoline GmbH	Germany	**70.92***	–	Production and distribution of software and hardware products and services
eCom Logistik GmbH & Co. KG	Germany	**70.92***	–	Logistics services
eCom Logistik Verwaltungs GmbH	Germany	**70.92***	–	Dormant
Herlitz Spolka z.o.o.	Poland	**70.92***	–	Production and distribution of stationery and office products
Herlitz Spol s.r.o.	Czech Republic	**70.92***	–	Distribution of stationery and office products
Herlitz Slovakia s.r.o.	Slovakia	**70.92***	–	Distribution of stationery and office products
Herlitz Hungária Kft.	Hungary	**70.92***	–	Distribution of stationery and office products
Herlitz România srl	Romania	**36.17***	–	Distribution of stationery and office products
DELMET PROD srl	Romania	**70.92***	–	Production and distribution of stationery and office products
Herlitz UK Ltd.	United Kingdom	**70.92***	–	Production and distribution of stationery and office products
Herlitz Bulgaria EooD	Bulgaria	**70.92***	–	Distribution of stationery and office products
Herlitz Benelux B.V.	Netherlands	**70.92***	–	Distribution of stationery and office products

* Not audited by Ong Boon Bah & Co.

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries and related assets

(i) In March 2010, the Company completed the acquisitions of new subsidiaries and related assets, namely 65.99% of Herlitz Aktiengesellschaft ("Herlitz"), a public listed company in Germany, 94.90% of Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG ("Molkari"), 100% of Ganymed Falkensee Grundstücksverwaltungs GmbH, EUR85 million shareholder's loan owing by Molkari and EUR15 million shareholder's loan owing by Herlitz for a total consideration of EUR45 million.

(ii) The Company had further acquired additional interest in Herlitz via a take-over offer and market purchases for a total consideration of EUR1.04 million and as at the end of the financial year, the interest of the Company in Herlitz stood at 70.92%.

(iii) The Group has further increased its effective interest in Pelikan Holding AG from 87.64% to 96.45% during the financial year for a total consideration of CHF6.47 million.

(b) The Company's investment in subsidiaries amounting to RM214,589,000 (2009: RM68,918,000) has been pledged as security for borrowings.

18. INVESTMENT IN ASSOCIATES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares, at cost	**14,902**	14,902	**300**	300
Share of post acquisition reserves	**18,775**	17,385	**–**	–
Currency translation	**3,177**	2,270	**–**	–
	36,854	34,557	**300**	300
Group's share of net assets	**36,854**	34,557	**–**	–

The summarised financial information of the associates are as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Current assets	**11,223**	13,628
Non-current assets	**93,680**	81,913
Current liabilities	**(13,090)**	(9,475)
Non-current liabilities	**(63)**	(89)
	91,750	85,977
Revenue	**34,641**	20,651
Profit for the financial year	**21,264**	9,153

18. INVESTMENT IN ASSOCIATES (CONT'D)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2010 %	2009 %	Principal Activities
Direct associate				
Pelikan (Thailand) Co Ltd	Thailand	**49.00***	49.00*	Distribution of stationery and office supplies
Indirect associates				
Columbia Pelikan PTY Limited	Australia	**38.58***	35.06*	Production and distribution of stationery and office products
Henkel-Pelikan Office Products Ltd.	Greece	**47.26***	42.94*	Dormant
Artof C.A.	Venezuela	**21.91***	21.91*	Dormant

* Not audited by Ong Boon Bah & Co.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Quoted shares	**3,010**	16,084	**–**	11,749
Allowance for diminution in value	**(164)**	(125)	**–**	–
	2,846	15,959	**–**	11,749
Unquoted shares	**160**	187	**–**	–
	3,006	16,146	**–**	11,749
Market value of quoted shares	**2,846**	16,745	**–**	10,765

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of exemption given in Paragraph 44AA of FRS7.

Prior to 1 January 2010, the Group classified its equity investments as long term investments which were carried at cost less allowance for diminution in value. With the adoption of FRS 139, these investments are now classified as available-for-sale financial assets and measured at fair value.

20. PENSION TRUST FUND

	Group and Company	
	2010 RM'000	**2009 RM'000**
Current	**21,335**	25,124
Non-current	**192,565**	188,776
	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.

20. PENSION TRUST FUND (CONT'D)

	Group and Company 2010 RM'000	2009 RM'000
Liabilities funded by Pension Trust Fund	**103,188**	149,280
Liabilities assumed by the Company	**65,087**	65,087
	168,275	214,367
Other post employment benefit obligations of the Group	**49,282**	59,453
Total post employment benefit obligations (note 27)	**217,557**	273,820

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2010 RM'000	2009 RM'000	Company 2010 RM'000	2009 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	**27,980**	31,538	**–**	–
Deferred tax liabilities:				
– subject to income tax	**(3,442)**	(3,921)	**–**	–
– subject to capital gains tax	**(6,068)**	(3,784)	**–**	–
	(9,510)	(7,705)	**–**	–
	18,470	23,833	**–**	–
At 1 January	**23,833**	21,317	**–**	–
Acquisition of subsidiaries	**1,258**	–	**–**	–
Credited/(charged) to statement of comprehensive income:				
– tax losses	**(19,620)**	(1,034)	**–**	–
– property, plant and equipment	**(1,315)**	2,433	**–**	–
– intangibles	**(990)**	–	**–**	–
– inventories	**256**	(298)	**–**	–
– others	**18,306**	1,615	**–**	–
	(3,363)	2,716	**–**	–
Currency translation and others	**(3,258)**	(200)	**–**	–
At 31 December	**18,470**	23,833	**–**	–

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Subject to income tax:				
Deferred tax assets				
Tax losses	**21,620**	46,502	**–**	–
Others	**6,360**	(14,964)	**–**	–
	27,980	31,538	**–**	–
Deferred tax liabilities				
Property, plant and equipment	**(6,877)**	(7,193)	**–**	–
Others	**3,435**	3,272	**–**	–
	(3,442)	(3,921)	**–**	–
Subject to capital gains tax:				
Deferred tax liabilities				
Property, plant and equipment	**(6,068)**	(3,784)	**–**	–

The tax effect of the amount of unutilised tax losses for which no deferred tax asset is recognised in the statement of financial position is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unutilised tax losses	**224,296**	289,615	**2,169**	1,669

22. INVENTORIES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At cost				
Raw materials	**73,119**	45,593	**–**	–
Work in progress	**45,947**	47,450	**–**	–
Finished goods	**216,872**	187,687	**74**	18
	335,938	280,730	**74**	18
At net realisable value				
Raw materials	**9,760**	5,565	**–**	–
Work in progress	**6,669**	4,621	**–**	–
Finished goods	**35,833**	16,018	**–**	–
	388,200	306,934	**74**	18

Inventories of the Group pledged as security for borrowings amounted to RM613,000 (2009: RM43,859,000).

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**352,854**	293,728	**1,741**	234
Amount due from subsidiaries (Trade)	**–**	–	**13,909**	7,167
Less: impairment loss	**(23,398)**	(30,576)	**–**	–
	329,456	263,152	**15,650**	7,401
Amounts receivable from:				
– Subsidiaries	**–**	–	**192,394**	112,854
– Associates	**5,209**	4,154	**–**	–
– Others	**57,844**	34,295	**25,893**	17,353
Prepayments	**1,431**	12,524	**6**	3,943
Sundry deposits	**1,079**	3,212	**74**	74
	395,019	317,337	**234,017**	141,625

Trade receivables of the Group pledged as security for borrowings amounted to RM19,350,000 (2009: RM7,913,000).

The fair values of receivables closely approximate their carrying amounts.

Credit terms offered by the Group in respect of trade receivables range from 30 days to 120 days (2009: 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 certain amounts due from subsidiaries which are subject to interest rate of 3.32% (2009: 2.91%) per annum and trade transactions which are subject to normal trade credit terms.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
– RM	**41,399**	31,598	**74,380**	66,131
– EUR	**245,137**	205,570	**133,710**	57,709
– CHF	**3,406**	5,811	**–**	–
– GBP	**4,599**	4,874	**11,885**	9,067
– CZK	**9,382**	838	**–**	–
– HUF	**3,677**	917	**–**	–
– SEK	**657**	901	**–**	–
– PLN	**13,647**	4,327	**–**	–
– USD	**20,735**	13,572	**12,035**	7,262
– MXN	**5,943**	10,692	**–**	–
– ARS	**9,415**	8,661	**–**	–
– TRY	**61**	10	**–**	–
– JPY	**9,150**	8,897	**176**	106
– SGD	**1,504**	2,143	**403**	362
– TWD	**245**	189	**953**	955
– CNY	**331**	234	**444**	–
– IDR	**111**	213	**–**	–
– THB	**–**	33	**31**	33
– COP	**17,112**	17,846	**–**	–
– HKD	**4**	11	**–**	–
– RON	**7,748**	–	**–**	–
– BGN	**756**	–	**–**	–
	395,019	317,337	**234,017**	141,625

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The ageing analysis of trade receivables of the Group and the Company are as follows:

	2010	
	Group RM'000	**Company RM'000**
Neither past due nor impaired	**271,820**	**5,000**
0 to 30 days past due	**52,875**	**3,078**
31 to 60 days past due	**6,141**	**1,886**
61 to 90 days past due	**3,088**	**1,091**
More than 90 days past due	**18,930**	**4,595**
	352,854	**15,650**
Allowance for impairment	**(23,398)**	**–**
	329,456	**15,650**

Receivables that are neither past due nor impaired
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. None of the trade receivables of the Group and of the Company that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired
As at 31 December 2010, the Group has trade receivables amounting to RM16,745,000 that are past due at the reporting date but not impaired. Trade receivables that are past due but not impaired relate to customers that have good track records with the Group. Based on past experience and no adverse information to date, the Directors of the Group are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered to be fully recoverable.

Receivables that are past due and impaired
Trade receivables of the Group and of the Company that are past due and impaired at the end of the reporting period are as follows:

		2010	
Group	**Collectively impaired RM'000**	**Individually impaired RM'000**	**Total RM'000**
Trade receivables, gross	**37,823**	**26,466**	**64,289**
Less: Impairment loss	**(3,514)**	**(19,884)**	**(23,398)**
	34,309	**6,582**	**40,891**

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments.

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The reconciliation of movement in the impairment loss are as follows:

	2010 Group RM'000
At 1 January	**30,576**
Charged for the financial year	**2,928**
Acquisition of subsidiaries	**3,956**
Written off	**(10,917)**
Currency translation	**(3,145)**
At 31 December	**23,398**

24. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Deposits with licensed banks	**52,430**	1,172	**32,929**	415
Cash and bank balances	**56,833**	61,537	**17,448**	3,617
Deposits, cash and bank balances	**109,263**	62,709	**50,377**	4,032
Bank overdrafts (note 29)	**(13,487)**	(11,783)	**–**	–
	95,776	50,926	**50,377**	4,032
Less: Deposits pledged to licensed banks	**(32,865)**	(1,142)	**(32,865)**	(415)
	62,911	49,784	**17,512**	3,617

Effective interest rates per annum of deposits as at the end of reporting period are as follows:

	Group		**Company**	
	2010 %	**2009 %**	**2010 %**	**2009 %**
Deposits with licensed banks	**1.00 – 4.00**	1.00 – 3.50	**2.70 – 3.70**	1.95 – 2.20

The deposits of the Group and of the Company as at 31 December 2010 have maturity periods ranging between overnight and one month (2009: between overnight and one month). Certain deposits have been pledged to financial institutions for credit facilities.

24. CASH AND CASH EQUIVALENTS (CONT'D)

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
– RM	**9,815**	3,098	**9,861**	2,870
– EUR	**20,383**	14,850	**2,627**	21
– CHF	**2,615**	4,272	**14**	–
– USD	**12,170**	12,298	**5,010**	726
– GBP	**3,755**	470	**–**	–
– CZK	**248**	24	**–**	–
– HUF	**(2,125)**	231	**–**	–
– SEK	**347**	601	**–**	–
– TRY	**27**	–	**–**	–
– HKD	**288**	1,540	**–**	–
– MXN	**6,837**	8,292	**–**	–
– ARS	**3,744**	1,936	**–**	–
– JPY	**1,069**	775	**–**	–
– SGD	**304**	225	**–**	–
– TWD	**515**	639	**–**	–
– CNY	**830**	473	**–**	–
– COP	**102**	23	**–**	–
– INR	**34**	37	**–**	–
– PLN	**1,227**	–	**–**	–
– IDR	**15**	–	**–**	–
– RON	**572**	–	**–**	–
– BGN	**139**	–	**–**	–
	62,911	49,784	**17,512**	3,617

25. SHARE CAPITAL

	Group and Company Number of ordinary shares of RM1.00 each		Group and Company Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Authorised:				
As at 1 January	**1,000,000**	500,000	**1,000,000**	500,000
Created during the financial year	**–**	500,000	**–**	500,000
As at 31 December	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
As at 1 January	**343,169**	343,169	**343,169**	343,169
Rights issue during the financial year	**169,627**	–	**169,627**	–
As at 31 December	**512,796**	343,169	**512,796**	343,169

25. SHARE CAPITAL (CONT'D)

(a) Issues of shares

During the financial year, the Company increased its issued and paid-up share capital from RM343,168,841 to RM512,796,061 by way of a rights issue of 169,627,220 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share for cash on the basis of one (1) rights share for every two (2) existing ordinary shares held.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Treasury shares

	Group and Company Number of shares		Group and Company	
	2010 '000	**2009 '000**	**2010 RM'000**	**2009 RM'000**
At cost:				
As at 1 January	**3,914**	3,709	**13,678**	13,501
Additions during the financial year	**1,668**	205	**1,891**	177
As at 31 December	**5,582**	3,914	**15,569**	13,678

The shareholders of the Company granted a mandate to the Company to repurchase its own shares at the Annual General Meeting held on 21 June 2010. This amount relates to the acquisition cost of treasury shares as there has not been any subsequent sale or issue.

During the financial year, the Company repurchased 1,667,400 of its issued ordinary shares from the open market at an average price of RM1.13 per share. The total consideration paid for the repurchase including transaction costs was RM1,890,932. 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.

26. RETAINED PROFITS

(a) 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 profits as at the end of the financial period.

26. RETAINED PROFITS (CONT'D)

(b) The retained profits as at the end of the reporting period may be analysed as follows:

	2010 Group RM'000	2010 Company RM'000
Total retained profits of the Company and its subsidiaries:		
– Realised profit	364,941	50,560
– Unrealised (loss)/profit	(689)	21,805
	364,252	72,365
Total share of accumulated losses from associated companies:		
– Realised loss	(1,774)	–
– Unrealised profit	38	–
	(1,736)	–
Less: Consolidation adjustments	(27,507)	–
Total retained profits as per statements of financial position	335,009	72,365

The determination of realised and unrealised profits/losses above is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants on 20 December 2010.

27. 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 2010.

	Removable Pension Liabilities: Funded by Pension Trust Fund RM'000	Removable Pension Liabilities: Assumed by the Company RM'000	Others RM'000	Group Total RM'000
At 31 December 2010				
Current	**9,600**	**–**	**1,202**	**10,802**
Non-current	**93,588**	**65,087**	**48,080**	**206,755**
	103,188	**65,087**	**49,282**	**217,557**
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

27. POST EMPLOYMENT BENEFITS OBLIGATIONS (CONT'D)

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 statement of financial position are as follows:

	Removable Pension Liabilities			
	Funded by Pension Trust Fund RM'000	**Assumed by the Company RM'000**	**Others RM'000**	**Group Total RM'000**
At 1 January 2009	176,393	65,087	46,668	288,148
Reclassified from payables	–	–	1,355	1,355
Expenses charged to statement of comprehensive income	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**
Expenses charged to statement of comprehensive income	**9,681**	**–**	**11,464**	**21,145**
Utilised during the financial year	**(21,176)**	**–**	**(11,608)**	**(32,784)**
Currency translation and others	**(34,597)**	**–**	**(10,027)**	**(44,624)**
At 31 December 2010	**103,188**	**65,087**	**49,282**	**217,557**

The amount recognised in the consolidated statement of financial position may be analysed as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Present value of funded obligations	**255,486**	271,023
Fair value of plan assets	**(197,560)**	(197,105)
Status of funded plan	**57,926**	73,918
Present value of unfunded obligations	**202,387**	226,001
Unrecognised acturial loss	**(42,756)**	(26,099)
	217,557	273,820

27. POST EMPLOYMENT BENEFITS OBLIGATIONS (CONT'D)

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

	Group	
	2010	**2009**
	RM'000	**RM'000**
Current service cost	**5,195**	9,627
Interest cost	**23,057**	27,786
Amortisation of transitional liability	**–**	(2,923)
Expected return on plan assets	**(8,819)**	(9,404)
Unrecognised past service cost	**–**	1,305
Actuarial gain/(loss) recognised	**1,712**	(3,842)
Total included in staff costs	**21,145**	22,549

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

	Group	
	2010	**2009**
	%	**%**
Discount rate	**2.60 – 9.00**	3.25 – 9.00
Expected return on plan assets	**4.00 – 9.00**	3.30 – 9.00
Expected rate of salary increases	**1.00 – 5.00**	1.00 – 5.00

28. PROVISION

	Group
	Warranty
	RM'000
At 1 January 2009	654
Charged to statement of comprehensive income	3
Currency translation and others	(235)
At 31 December 2009	**422**
Acquisition of subsidiaries	**22**
Charged to statement of comprehensive income	**(25)**
Utilised during the financial year	**(1)**
Currency translation and others	**(72)**
At 31 December 2010	**346**

29. BORROWINGS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Bank overdrafts	**13,487**	11,783	**–**	–
Bankers' acceptances/Trust receipts	**25,377**	25,057	**14,541**	10,904
Revolving credits	**86,441**	44,668	**63,191**	32,146
Discounted bills	**14,176**	6,719	**9,993**	540
Hire purchase and lease payables	**791**	1,550	**50**	–
Short term loans	**33,701**	121,574	**–**	30,098
Term loans	**57,566**	23,859	**45,084**	18,027
	231,539	235,210	**132,859**	91,715
Non-current				
Hire purchase and lease payables	**918**	1,547	**41**	–
Term loans	**192,216**	151,374	**126,916**	31,651
	193,134	152,921	**126,957**	31,651

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total				
Bank overdrafts (note 24)	**13,487**	11,783	**–**	–
Bankers' acceptances/Trust receipts	**25,377**	25,057	**14,541**	10,904
Revolving credits	**86,441**	44,668	**63,191**	32,146
Discounted bills	**14,176**	6,719	**9,993**	540
Hire purchase and lease payables	**1,709**	3,097	**91**	–
Short term loans	**33,701**	121,574	**–**	30,098
Term loans	**249,782**	175,233	**172,000**	49,678
	424,673	388,131	**259,816**	123,366

29. 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									
2010									
Secured									
Bank overdrafts	1.90 - 2.15	EUR	973	973	–	–	–	–	–
Banker's acceptances/ Trust receipts	3.53 - 7.80	RM	25,377	25,377	–	–	–	–	–
Revolving credits	4.45 - 4.86	RM	27,000	27,000	–	–	–	–	–
Revolving credits	2.95	USD	12,340	12,340	–	–	–	–	–
Revolving credits	4.30 - 7.79	COP	2,524	2,524	–	–	–	–	–
Hire purchase and lease payables	3.50	RM	91	50	41	–	–	–	–
Hire purchase and lease payables	3.90 - 12.53	EUR	890	350	335	205	–	–	–
Hire purchase and lease payables	13.00	CHF	56	56	–	–	–	–	–
Hire purchase and lease payables	6.09	USD	53	19	19	15	–	–	–
Hire purchase and lease payables	6.02 - 8.95	CZK	266	81	88	97	–	–	–
Hire purchase and lease payables	11.00 - 12.00	PLN	111	43	68	–	–	–	–
Hire purchase and lease payables	6.50	COP	175	175	–	–	–	–	–
Hire purchase and lease payables	3.65	SGD	67	17	17	17	16	–	–
Short term loans	4.20 - 4.40	EUR	30,952	30,952	–	–	–	–	–
Short term loans	5.00	CZK	14	14	–	–	–	–	–
Short term loans	15.30	ARS	1,223	1,223	–	–	–	–	–
Term loans	4.25 - 4.53	RM	4,753	2,583	1,999	171	–	–	–
Term loans	2.60 - 7.23	EUR	64,940	15,599	32,123	817	–	–	16,401
Term loans	1.66 - 2.32	CHF	6,560	–	–	3,280	–	–	3,280
Term loans	2.36 - 2.95	USD	158,436	34,306	34,306	34,306	34,306	21,212	–
Term loans	7.03	MXN	9,219	2,634	2,634	2,634	1,317	–	–
Term loans	6.00	COP	3,779	2,215	1,564	–	–	–	–
			349,799	158,531	73,194	41,542	35,639	21,212	19,681
Unsecured									
Bank overdrafts	2.19 - 8.85	EUR	9,515	9,515	–	–	–	–	–
Bank overdrafts	6.56	HUF	2,989	2,989	–	–	–	–	–
Bank overdrafts	21.22 - 21.98	COP	10	10	–	–	–	–	–
Revolving credits	4.42 - 5.07	RM	2,936	2,936	–	–	–	–	–
Revolving credits	5.55	EUR	756	756	–	–	–	–	–
Revolving credits	3.29 - 3.30	USD	30,851	30,851	–	–	–	–	–
Revolving credits	6.98 - 8.08	MXN	10,034	10,034	–	–	–	–	–
Discounted bills	2.30 - 3.25	EUR	6,785	6,785	–	–	–	–	–
Discounted bills	2.36 - 4.50	USD	7,391	7,391	–	–	–	–	–
Short term loans	1.48	JPY	1,512	1,512	–	–	–	–	–
Term loans	4.25	GBP	2,095	229	229	229	229	229	950
			74,874	73,008	229	229	229	229	950
			424,673	231,539	73,423	41,771	35,868	21,441	20,631

29. BORROWINGS (CONT'D)

Contractual terms of borrowings (cont'd):

	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									
Secured									
Banker's acceptances	3.75	RM	25,057	25,057	–	–	–	–	–
Revolving credits	3.82 - 5.70	RM	22,000	22,000	–	–	–	–	–
Revolving credits	5.97	EUR	2,949	2,949	–	–	–	–	–
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	3.77 - 3.93	RM	9,089	4,336	4,753	–	–	–	–
Term loans	2.40 - 7.47	EUR	128,011	15,648	19,398	31,053	4,517	2,531	54,864
Term loans	2.29	USD	20,148	3,842	16,306	–	–	–	–
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	4.30 - 5.00	CZK	36	22	14	–	–	–	–
			308,779	156,221	49,251	34,191	7,533	5,311	56,272
Unsecured									
Bank overdrafts	1.70 - 8.85	EUR	8,931	8,931	–	–	–	–	–
Bank overdrafts	15.20 - 16.89	ARS	2,614	2,614	–	–	–	–	–
Bank overdrafts	11.38 - 27.60	COP	238	238	–	–	–	–	–
Revolving credits	4.20	RM	1,000	1,000	–	–	–	–	–
Revolving credits	4.59	EUR	1,573	1,573	–	–	–	–	–
Revolving credits	3.76	USD	17,146	17,146	–	–	–	–	–
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	3.93	RM	30,098	30,098	–	–	–	–	–
Short term loans	1.70 - 2.00	EUR	11,369	11,369	–	–	–	–	–
Short term loans	4.72	PLN	3,808	3,808	–	–	–	–	–
Short term loans	4.30 - 5.00	CZK	78	78	–	–	–	–	–
Short term loans	1.48	JPY	1,486	1,486	–	–	–	–	–
			79,352	78,989	108	108	103	44	–
			388,131	235,210	49,359	34,299	7,636	5,355	56,272

29. BORROWINGS (CONT'D)

Contractual terms of borrowings (cont'd):

	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									
2010									
Secured									
Banker's acceptances/Trust receipts	**4.53 - 7.80**	**RM**	**14,541**	**14,541**	**–**	**–**	**–**	**–**	**–**
Revolving credits	**4.45 - 4.86**	**RM**	**20,000**	**20,000**	**–**	**–**	**–**	**–**	**–**
Revolving credits	**2.95**	**USD**	**12,340**	**12,340**	**–**	**–**	**–**	**–**	**–**
Hire purchase and lease payables	**3.50**	**RM**	**91**	**50**	**41**	**–**	**–**	**–**	**–**
Term loans	**4.25 - 4.53**	**RM**	**4,753**	**2,583**	**1,999**	**171**	**–**	**–**	**–**
Term loans	**2.60**	**EUR**	**8,811**	**8,195**	**616**	**–**	**–**	**–**	**–**
Term loans	**2.36 - 2.95**	**USD**	**158,436**	**34,306**	**34,306**	**34,306**	**34,306**	**21,212**	**–**
			218,972	**92,015**	**36,962**	**34,477**	**34,306**	**21,212**	**–**
Unsecured									
Revolving credits	**3.29 - 3.30**	**USD**	**30,851**	**30,851**	**–**	**–**	**–**	**–**	**–**
Discounted bills	**3.25**	**EUR**	**2,602**	**2,602**	**–**	**–**	**–**	**–**	**–**
Discounted bills	**2.36 - 4.50**	**USD**	**7,391**	**7,391**	**–**	**–**	**–**	**–**	**–**
			40,844	**40,844**	**–**	**–**	**–**	**–**	**–**
			259,816	**132,859**	**36,962**	**34,477**	**34,306**	**21,212**	**–**
2009									
Secured									
Bankers' acceptances	3.75	RM	10,904	10,904	–	–	–	–	–
Revolving credits	3.82 - 4.07	RM	15,000	15,000	–	–	–	–	–
Term loans	3.77 - 3.93	RM	9,089	4,336	2,583	1,999	171	–	–
Term loans	2.40	EUR	20,443	9,850	9,850	743	–	–	–
Term loans	2.29	USD	20,146	3,841	3,841	3,841	3,841	3,841	941
			75,582	43,931	16,274	6,583	4,012	3,841	941
Unsecured									
Revolving credits	3.76	USD	17,146	17,146	–	–	–	–	–
Discounted bills	4.50	USD	540	540	–	–	–	–	–
Short term loans	3.93	RM	30,098	30,098	–	–	–	–	–
			47,784	47,784	–	–	–	–	–
			123,366	91,715	16,274	6,583	4,012	3,841	941

29. BORROWINGS (CONT'D)

	Group		Company	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Minimum hire purchase and lease payment:				
– Not later than 1 year	**825**	1,583	**56**	–
– Later than 1 year and not later than 5 years	**931**	1,571	**47**	–
	1,756	3,154	**103**	–
Future finance charges	**(47)**	(57)	**(12)**	–
	1,709	3,097	**91**	–
Present value of hire purchase and lease payables:				
– Not later than 1 year	**791**	1,550	**50**	–
– Later than 1 year and not later than 5 years	**918**	1,547	**41**	–
	1,709	3,097	**91**	–

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/trust receipts 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 to the financial statements and deposits with licensed banks as disclosed in note 24 to the financial statements.

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

30. PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**200,534**	101,583	**6,246**	7,139
Amounts payable to subsidiaries	–	–	**9,826**	10,924
Accruals:				
– Staff costs	**41,314**	32,474	**485**	201
– Bonus to customers	**67,162**	38,180	**–**	–
– Others	**–**	–	**1,851**	450
Employee related benefits	**11,081**	15,921	**–**	–
Other payables	**69,454**	47,261	**7,644**	3,829
	389,545	235,419	**26,052**	22,543

30. PAYABLES (CONT'D)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 31 December				
Current	**383,242**	223,892	**26,052**	22,543
Non-current	**6,303**	11,527	**–**	–
	389,545	235,419	**26,052**	22,543

The fair values of payables closely approximate to their carrying amounts.

Credit terms of trade payables granted to the Group and to the Company range from 1 day to 120 days (2009: 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	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
– RM	**10,796**	9,446	**19,790**	11,148
– EUR	**269,731**	145,200	**1,285**	3,232
– CHF	**21,075**	20,311	**–**	–
– GBP	**10,241**	4,653	**–**	–
– CZK	**8,445**	3,257	**–**	–
– HUF	**1,967**	–	**–**	–
– SEK	**1,240**	44	**–**	–
– PLN	**6,123**	1,134	**–**	–
– TRY	**37**	1,841	**–**	–
– USD	**22,273**	17,818	**4,917**	6,574
– MXN	**13,042**	11,433	**–**	–
– ARS	**5,934**	5,449	**–**	–
– JPY	**4,055**	2,585	**60**	1,589
– SGD	**1,156**	1,241	**–**	–
– TWD	**72**	66	**–**	–
– CNY	**1,109**	1,182	**–**	–
– HKD	**904**	1,168	**–**	–
– COP	**8,011**	8,408	**–**	–
– IDR	**259**	158	**–**	–
– INR	**–**	25	**–**	–
– RON	**2,977**	–	**–**	–
– BGN	**98**	–	**–**	–
	389,545	235,419	**26,052**	22,543

31. STATEMENT OF CASH FLOWS

(a) Change in group composition

During the financial year, the Company acquired 70.92% of Herlitz, 94.90% of Molkari, 100% of Ganymed and the shareholder's loans as described in note 17 to the financial statements, acquisition of subsidiaries and related assets.

The effects on the acquisition are as follows:

(i) Purchase consideration

	RM'000
Purchase consideration	
Cash consideration	191,806
Expenses directly attributable to acquisition, paid in cash	18,244
Total purchase consideration	210,050
Share of the fair value of net identifiable assets acquired	367,051
Negative goodwill	(157,001)

(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	341,140	305,372
Intangible assets	2,130	2,130
Long term receivables	17,558	17,558
Deferred tax assets	3,978	3,978
Inventories	128,772	128,772
Receivables, deposits and prepayments	122,189	122,189
Cash and cash equivalents	23,424	23,424
	639,191	603,423
Payables	(235,114)	(235,114)
Provision	(22)	(22)
Borrowings	(6,956)	(6,956)
Deferred tax liabilities	(2,720)	(216)
	(244,812)	(242,308)
Net identifiable assets	394,379	361,115
Less: Minority interests	(27,328)	
Group's share of net identifiable assets	367,051	
Negative goodwill on acquisition	(157,001)	
Total cost of investment	210,050	

31. STATEMENT OF CASH FLOWS (CONT'D)

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

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

	RM'000
Cash consideration	210,050
Less: Cash and cash equivalents of subsidiaries acquired	(23,424)
	186,626

(iv) The acquired subsidiaries have contributed the following results to the Group:

	RM'000
Revenue	793,569
Profit for the financial year	5,521

32. COMMITMENTS

	Group	
	2010 RM'000	2009 RM'000
Authorised and contracted for:		
– Property, plant and equipment	**463**	4,696
Authorised but not contracted for:		
– Property, plant and equipment	**277**	890

33. OPERATING LEASE COMMITMENTS

	Group	
	2010 RM'000	2009 RM'000
Minimum lease payments under operating lease commitments:		
Not later than 1 year	**25,836**	14,960
Later than 1 year and not later than 5 years	**25,732**	16,630
Later than 5 years	**11,825**	1,824
	63,393	33,414

34. 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 ("OEM") for perceived breach of patents with an assessed potential maximum exposure of EUR26.1 million (RM106.7 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.

(b) Based on the latest actuaries assumption as at 31 December 2010, Pelikan Hardcopy Holding AG's (“PHH”) wholly owned subsidiary Pelikan Hardcopy Scotland Limited's (“PHSL”) retirement fund has GBP21.1 million (RM100.7 million) assets to meet pension liabilities of GBP28.6 million (RM136.5 million). The Company provided a corporate guarantee for the shortfall. An amount of GBP1.3 million (RM6.0 million) has been recognised as a pension liability for the financial year ended 31 December 2010 in accordance with 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 in the foreseeable future.

(c) The Company has provided corporate guarantees to financial institutions and suppliers for financing arrangements of certain subsidiaries amounting to RM160,888,000 (2009: RM154,983,000).

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, significant related party transactions entered into by the Group during the financial year ended 31 December 2010 are set out below. These transactions were carried out on terms, conditions and prices obtainable in transactions with unrelated parties.

	Group	
	2010 RM'000	**2009 RM'000**
Sale of goods to associates:		
– Columbia Pelikan PTY Limited	**34**	116
– Pelikan (Thailand) Co Ltd	**3,796**	2,407
Sale of stationery and office supplies to KLB group	**873**	739
Purchase of logistics services from KLB group	**513**	429
Rental of buildings from KLB group	**664**	844
Sale of goods to Geha Werke (M) Sdn Bhd	**–**	72
Sale of goods to Macvantage group	**1,565**	–

Konsortium Logistik Berhad and its subsidiaries ("KLB group") are a group of companies which a Director and substantial shareholder, Loo Hooi Keat has substantial interest. Loo Hooi Keat ceased to have substantial interest in KLB on 18 October 2010.

Geha Werke (M) Sdn Bhd is a company of which a Director of certain subsidiaries of the Company has substantial interest.

Macvantage Sdn Bhd and its subsidiaries ("Macvantage group") are a group of companies which a Director and substantial shareholder, Loo Hooi Keat has substantial interest.

36. OPENING STATEMENT OF FINANCIAL POSITION

The opening statement of financial position as at 1 January 2010 primary reflect the effects arising from the adoption of FRS 139 as follows:

	As previously reported RM'000	Effects on adoption of FRS 139 RM'000	As restated RM'000
Group			
Long term investments	16,146	(16,146)	–
Available-for-sale financial assets	–	15,267	15,267
Receivables, deposits and prepayments	317,337	(145)	317,192
Currency translation	27,902	(12,095)	15,807
Available-for-sale reserve	–	892	892
Retained profits	(218,583)	12,226	(206,357)
Minority interests	(23,095)	1	(23,094)

	As previously reported RM'000	Effects on adoption of FRS 139 RM'000	As restated RM'000
Company			
Investment in subsidiaries	136,075	69,068	205,143
Long term investments	11,749	(11,749)	–
Available-for-sale financial assets	–	10,765	10,765
Long term receivable	81,163	(81,163)	–
Available-for-sale reserve	–	984	984
Retained profits	(55,894)	12,095	(43,799)

additional compliance information

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 Company had in February 2010 completed a rights issue of RM186.59 million. The full proceeds were utilised for working capital and defray incidental expenses related to the issuance.

2. Share buy-backs

The Company had at the previous Annual General Meeting of the Company held on 21 June 2010, 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 1,667,400 shares were repurchased as treasury shares with a total cost of RM1,890,931.97. 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 2010 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)
March 2010	115,100	1.2400	1.3111	1.3110	151,445.87
April 2010	191,000	1.2337	1.2337	1.2337	236,402.24
May 2010	1,071,000	1.0159	1.1601	1.0923	1,174,157.73
June 2010	231,200	1.1000	1.1433	1.1277	262,160.98
July 2010	49,000	1.1000	1.1270	1.1233	55,360.71
August 2010	10,100	1.1200	1.1300	1.1201	11,404.44
Total	**1,667,400**				**1,890,931.97**

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

3. Options 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 2010, the Company has not issued any options or convertible securities.

4. Depository Receipt programme

During the financial year, the Company did not sponsor any depository receipt 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 save for a public reprimand and fine of RM10,000 by Bursa Securities on Mr Loo Hooi Keat, a Director of the Company.

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 2010 amounted to RM2,412,000.

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 2010.

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.

analysis of shareholdings

as at 29 April 2011

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	262	4.24	7,251	0.00
100 – 1,000	464	7.50	309,982	0.06
1,001 – 10,000	3,726	60.26	17,910,974	3.53
10,001 – 100,000	1,516	24.52	46,561,895	9.18
100,001 to less than 5% of the issued shares	212	3.43	218,963,371	43.17
5% and above of issued shares	3	0.05	223,460,688	44.06
Total	6,183	100.00	507,214,161	100.00

* *After netting off the 5,581,900 treasury shares of Pelikan International Corporation Berhad ("PICB") held as at 29 April 2011.*

DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

Name of Directors	No. of Shares Held Direct Interest	%*	Interest Indirect	%*
1. Loo Hooi Keat	15,395,680	3.04	111,121,134[(1)]	21.91
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	–	–	–	–

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 and Mahir Agresif (M) Sdn Bhd and deemed interested by virtue of shares held by his daughter.*

* *After netting off the 5,581,900 treasury shares of PICB held as at 29 April 2011.*

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	15,395,680	3.04	111,017,634[(1)]	21.89
2. PBS Office Supplies Holding Sdn Bhd	83,577,699	16.48	19,529,400[(2)]	3.85
3. Marktrade Sdn Bhd	–	–	103,107,099[(3)]	20.33
4. Pembinaan Redzai Sdn Bhd	30,000,001	5.91	–	–
5. Tan Sri Datuk Gnanalingam A/L Gunanathlingam	–	–	30,000,001[(4)]	5.91
6. Ahmayuddin bin Ahmad	–	–	30,000,001[(4)]	5.91
7. Lembaga Tabung Haji	154,103,430	30.38	–	–
8. H Partners Management LLC	–	–	32,744,020[(5)]	6.46

Notes:
(1) Deemed interested by virtue of his substantial shareholdings in PBS Office Supplies Holding Sdn Bhd and Mahir Agresif (M) Sdn Bhd.
(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 5,581,900 treasury shares of PICB held as at 29 April 2011.*

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	30.38
2. Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – Ambank (M) Bhd for PBS Office Supplies Holding Sdn Bhd	39,357,257	7.76
3. Pembinaan Redzai Sdn Berhad	30,000,001	5.91
4. Malaysian Trustees Berhad PBS Office Supplies Holding Sdn Bhd	19,529,400	3.85
5. Citigroup Nominees (Asing) Sdn Bhd GSCO for H Partners LP	17,888,370	3.53
6. ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd (001)	15,270,517	3.01
7. Citigroup Nominees (Asing) Sdn Bhd GSCO for H Offshore Fund Ltd	14,855,650	2.93
8. Citigroup Nominees (Asing) Sdn Bhd Goldman Sachs International	14,198,900	2.80
9. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (CEB)	13,827,000	2.73
10. ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd	12,679,935	2.50

LIST OF TOP THIRTY (30) SHAREHOLDERS (CONT'D)
(Based on the Record of Depositors)

Name of Shareholders	No. of Shares	%*
11. PBS Office Supplies Holding Sdn Bhd	11,159,990	2.20
12. ECML Nominees (Tempatan) Sdn Bhd Konsortium Logistik Berhad (001)	10,011,175	1.97
13. ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Persada Bina Sdn Bhd (001)	5,080,375	1.00
14. HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co. Incorporated (Client)	4,458,500	0.88
15. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	4,130,320	0.81
16. ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mahir Agresif (M) Sdn Bhd (001)	3,709,000	0.73
17. ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd (001)	3,550,000	0.70
18. Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Kim Teck (471848)	2,440,000	0.48
19. Mahir Agresif (M) Sdn Bhd	2,156,200	0.42
20. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mahir Agresif (M) Sdn Bhd (SFD)	2,067,835	0.41
21. Ng Cheong Seng	2,002,300	0.39
22. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Uniasiapacific	1,930,000	0.38
23. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chia Kwoon Meng (M02)	1,897,000	0.37
24. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Chia Kwoon Meng (MM0678)	1,659,200	0.33
25. Chow Song Kuang	1,600,000	0.32
26. PBS Office Supplies Holding Sdn Bhd	1,560,000	0.31
27. HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Allchurches Investment Management Services Ltd	1,484,600	0.29
28. Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-R ES)	1,449,600	0.29
29. ECML Nominees (Tempatan) Sdn Bhd Heah Sieu Lay (PCS)	1,433,735	0.28
30. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Gan Kong Hiok (M52019)	1,200,000	0.24
Total	396,690,290	78.20

* *After netting off the 5,581,900 treasury shares of PICB held as at 29 April 2011.*

list of group properties

Registered Owner		Location	Land area	Existing use	Built-up area	Age of building/ date of acquisition	Tenure	TMYR
1	Pelikan GmbH	Factory Vöhrum Pelikanstrasse 11 D-31228 Peine Germany	68,873 sqm	Production	46,373 sqm	23 years 7/12/1973	Freehold	62,716
2	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	31 years 30/4/1981	Freehold	22,250
3	Pelikan Hardcopy Production AG	Mönchaltdorf Plant Mettlenbachstrasse 3, CH-8617 Mönchaltorf Switzerland	8,245 sqm	Production	2,420 sqm	19 years 12/4/1989	Freehold	12,759
4	Greif-Werke GmbH	Düren Logistics Facility Neue Strasse 19 D-52382 Niederzier Germany	20,349 sqm	Logistic Centre	9,692 sqm	6 years 25/6/2004	Freehold	20,411
5	German Hardcopy AG	Alte Heeresstrasse 27 D-59929 Brilon Germany	3,703 sqm	Office building & warehouse	1,698 sqm	15 years 29/12/1999	Freehold	4,187
6	Pelikan Colombia S.A.S.	Carrera 65B No 18A-17 Bogotá D.C. Colombia	4,478 sqm	Production	5,845 sqm	31 years 8/1/2007	Freehold	9,101
		Carrera 18B No 18A-17 16 Bogotá D.C. Colombia	4,153 sqm	Parking	–	31 years 8/1/2007	Freehold	3,979
7	Pelikan Hardcopy Scotland Limited	Markethill Road Turriff, Scotland AB53 4AW United Kingdom	30,200 sqm	Production	15,400 sqm	45 years 15/1/2010	Freehold	2,267
8	Falken Office Products GmbH	Am Bahnhof 5 03185 Peitz Germany	55,000 sqm	Office building & production	22,800 sqm	19 years 15/8/1992	Freehold	14,142
9	Herlitz Spolka z.o.o	ul. Szamotulska2 62081 Przezmierowo Poland	37,563 sqm	Office building & production	11,125 sqm	13 years 31/12/1995 18 years 28/2/1997	Freehold	11,015
10	Herlitz Spol. s.r.o.	Obchodni 101 25170 Cestlice Czech Republic	6,894 sqm	Office building	2,823 sqm	15 years 10/1/1997	Freehold	5,753
11	Herlitz Romania srl	Depozitelor Str. 22 540240 Tirgu Mures Romania	861 sqm	Land	–	– 15/3/1995	Freehold	53
12	Molkari Vermietungsgesellschaft Mbh & Co. Objekt Falkensee Kg	Strasse der Einheit 142-148 D-14612 Falkensee Germany	385,000 sqm	Logistic Centre	12,000 sqm	18 years 1/2/1994	Freehold	206,084
								374,717

pelikan group of companies directory

PRODUCTION

Colombia
Pelikan Colombia S.A.S.
Carrera 65B No 19-17
Bogotá
Tel: +571 261 1711
Fax: +571 290 5550
Email: servicioclientes@pelikan.com.co
Website: www.indistripen.com.co

Czech Republic
Pelikan Hardcopy CZ s.r.o
Svatoborska 395
CZ-69701 Kyjov
Tel: +42 0 518 699 811
Fax: +42 0 518 699 810
Email: phcz@phiag.com

Germany
Pelikan PBS-Produktionsgesellschaft GmbH
& Co. KG
Factory Vöhrum
Pelikanstrasse 11
D - 31228 Peine
Tel: +49 5171 299 0
Fax: +49 5171 299 205
Email: produktion@pelikan.com

Great Britain
Pelikan Hardcopy Scotland Limited
Markethill Road, GB-Turriff
Aberdeenshire AB 53 4AW
Tel: +44 1 888 564 200
Fax: +44 1 888 562 042
Email: info.uk@phiag.com

Malaysia
Pelikan Production (Malaysia) Sdn. Bhd.
Lot 3410 Mukim Petaling
Batu 12 1/2, Jalan Puchong
47100 Puchong
Selangor Darul Ehsan
Tel: +603 8061 8866
Fax: +603 8062 8668
Email: enquiry@pelikan.com.my

Mexico
Pelikan México, S.A. de C.V.
Carretera a Tehuacán 1033
Col. Maravillas
C.P. 72220 Puebla, Pue
Tel: +52 222 309 8000
Fax: +52 222 309 8049
Email: direccion.general@pelikan.com.mx

People's Republic of China
Dongguan Pelikan Hardcopy Ltd.
Lingtou Administrative District
Qiaotou Zhen, Dongguan
Guangdong 523530
Tel: +86 769 8334 6707
Fax: +86 769 8334 2450
Email: info@pelikan-china.com

Switzerland
Pelikan Hardcopy Production
AG Haldenstrasse 30
CH – 8620 Wetzikon
Tel: +41 449 861 222
Fax: +41 449 861 252
Email: info.com@phiag.com

Germany
Herlitz PBS AG
Strasse der Einheit 142-146
14612 Falkensee
Tel: +49 30 4393 0
Fax: +49 30 4393 3408
Enquiry: www.herlitz.de/servicelinks/kontakt.html

Germany
Herlitz PBS AG/Falken Office Products GmbH
Am Bahnhof 5
03185 Peitz
Tel: +49 35601 84 0
Fax: +49 35601 84 110
Enquiry: www.herlitz.de/servicelinks/kontakt.html

Poland
Herlitz Spolka z.o.o.
ul. Szamotulska 2
Baranowo k/Poznania
62081 Przezmierowo
Tel: +48 61 6501 100
Fax: +48 61 6501 198
Email: kkutscher@herlitz.pl

Romania
DELMET PROD srl
Str. INDUSTRIEI no 3
City BUFTEA, ILFOV County
070000 BUFTEA
Tel: +40 31 824 10 81
Fax: +40 31 824 10 83
Email: viorel.stoian@delmet.ro

United Kingdom
Herlitz U.K. Ltd.
Units 1-3 St Mary's Industrial Park
Talbot Road, Newton, Hyde
Cheshire, SK14 4HN
Tel: +44 161 3677305
Fax: +44 161 8829025
Email: sales@herlitzuk.co.uk

INVESTMENT HOLDINGS

Malaysia
Pelikan International Corporation Berhad
Lot 3410 Mukim Petaling
Batu 12 1/2, Jalan Puchong
47100 Puchong
Selangor Darul Ehsan
Tel: +603 8062 1223
Fax: +603 8062 3407
Email: picb@pelikan.com.my

Switzerland
Pelikan Holding AG
Chaltenbodenstrasse 8
CH-8834 Schindellegi
Tel: +41 44 786 70 20
Fax: +41 44 786 70 21
Email: frauke.wandrey@pelikan.com

SALES

EUROPE

Austria
Pelikan Austria Gesellschaft m.b.H.
IZ NÖ Süd, Strasse 7, Objekt 58D, TOP 8
A-2355 Wiener Neudorf
Tel: +43 2236 3010
Fax: +43 2236 33655

Belgium
Pelikan Belux N.V./ S.A.
Stationsstraat 43
B - 1702 Groot-Bijgaarden
Tel: +32 2 481 87 00
Fax: +32 2 481 87 19
Email: info@pelikan.be

France
Pelikan France S.A.S.
Les Conquérants – Imm. Annapurna
1 Av. de l'Atlantique – Z.A. Courtaboeuf
91978 Les Ulis Cedex
Tel: +33 01 69 29 88 68
Fax: +33 01 69 29 88 60
Email: info@pelikan.fr

pelikan group of companies directory

Germany
Geha GmbH
Alte Heeresstraße 27
59929 Brilon
Tel: +49 02961 9747 250
Fax: +49 02961 9747 259
Email: info@german-hardcopy.de
Website: www.geha.ag

Germany
Pelikan Vertriebsgesellschaft GmbH & Co.KG
Werftstrasse 9
D - 30163 Hanover
Tel: +49 511 6969 0
Fax: +49 511 6969 212
Email: vertrieb@pelikan.com (domestic sales)
Email: international@pelikan.com
(international sales)

Greece
Pelikan Hellas E.P.E.
8 km of Vari-Koropi Avenue
Koropi Industrial Zone
GR-194 00 Koropi
Tel: +30 210 6625 129
Fax: +30 210 6626 232
Email: pelikan@pelikan.gr

Italy
Pelikan Italia S.p.a.
Via Stephenson 43/A
I-20157 Milan
Tel: +39 02 39016 312
Fax: +39 02 39016 361
Email: dirigen@pelikanitalia.it

Poland
Pelikan Polska Sp.z.o.o
ul. Lowicka 19
02-574 Warsaw
Tel: +48 22 5408700
Fax: +48 22 6519230
Email: info@pelikan.com.pl

Spain
Pelikan S.A.
Lleida 8, nave 1
08185 Llićą de Vall
Barcelona
Tel: +34 902 208 200
Fax: +34 902 208 201
Email: pelikan@pelikan.es

Sweden
Pelikan Nordic AB
Skeppsgatan 19
SE-211 19 Malmö
Tel: +46 40 627 08 40
Fax: +46 40 627 08 41
Email: Nordic@phiag.com

Switzerland
Pelikan (Schweiz) AG
Chaltenbodenstrasse 8
CH-8834 Schindellegi
Tel: +41 44 786 70 20
Fax: +41 44 786 70 21
Email: info@pelikan.ch

The Netherlands
Pelikan Nederland B.V.
Koningsschot 45-3
NL-3905 PR Veenendaal
Tel: +31 0318 580 580
Fax: +31 0318 580 590
Email: info@pelikan.nl

Turkey
Pelikan Ofis Ve Kirtasiye Malzemeleri
Ticaret Ltd Sirketi
9 – 10 Kisim A5-A
D:5 Atakoy
Istanbul
Tel: +9 0 532 494 21 11
Fax: +9 0 212 560 45 39

Bulgaria
Herlitz Bulgaria EooD
Poruchik Nedelcho Bonchev Str. 10
Lager 25-26
Industriegebiet Gara Iskar
1528 Sofia
Tel: +359 2 9732020
Fax: +359 2 9732151
Email: office@herlitzbg.com
Website: www.herlitzbg.com

Czech Republic
Herlitz spol. s.r.o.
Komerční zóna Průhonice
Obchodní 101
25170 Čestlice
okr. Praha-východ
Tel: +420 296 544203
Fax: +420 296 544444
Email: JKotrle@herlitz.cz
Website: www.herlitz.cz

Germany
Herlitz PBS AG
Am Borsigturm 100
13507 Berlin
Tel: +4930 4393 0
Fax: +4930 4393 3408
Enquiry:
www.herlitz.de/servicelinks/kontakt.html
Website: www.herlitz.de

Hungary
Herlitz Hungária Kft.
Campona u.1 (Harbor Park)
1225 Budapest
Tel: +36 1 3052000
Fax: +36 1 3052035
Email: herlitz@herlitz.hu
Website: www.herlitz.hu

Poland
Herlitz Spolka z.o.o
ul. Szamotulska 2
Baranowo k/Poznania
62081 Przezmierowo
Tel: +48 61 6501 100
Fax: +48 61 6501 199
Email: KKutscher@herlitz.pl
Website: www.herlitz.pl

Romania
SC Herlitz România srl
Depozitelor Str. 22
540240 Tirgu Mures
Tel: +402 65 253722
Fax: +402 65 253582
Email: herlitz@herlitzromania.ro
Website: www.herlitzromania.ro

Slovakia
Herlitz Slovakia s.r.o.
Odborárska 52
83102 Bratislava
Tel: +421 244 461766
Fax: +421 244 64402
Email: PAlberty@herlitz.sk
Website: www.herlitz.sk

pelikan group of companies directory

The Netherlands
Herlitz Benelux B.V.
Hoge Bergen 15
4704 Roosendaal
Tel: +31 165 574242
Fax: +31 165 542055
Email: info-benelux@herlitzpbs.com
Website: www.herlitz.de/en

United Kingdom
Herlitz UK Ltd
Units 1-3 St Mary's Industrial Park
Talbot Road, Newton, Hyde
Cheshire, SK14 4HN
Tel: +44 161 3677305
Fax: +44 161 8829025
Email: sales@herlitzuk.co.uk
Website: www.herlitz.de/en

AMERICAS

Argentina
Pelikan Argentina S.A.
San Jose 83 Piso 5
C1076AAA Buenos Aires
Tel: +54 11 4124 3100
Fax: +54 11 4124 3199
Email: info@pelikan.com.ar

Colombia
Pelikan Colombia S.A.S.
Carrera 65B No 19-17
Bogotá
Tel: +571 261 1711
Fax: +571 290 5550
Email: servicioclientes@pelikan.com.co
Website: www.indistripen.com.co

Mexico
Pelikan Mexico, S.A. de C.V.
Carretera a Tehuacán 1033
Col. Maravillas
C.P. 72220 Puebla, Pue
Tel: +52 222 309 8000
Fax: +52 222 309 8049
Email: direccion.general@pelikan.com.mx

ASIA, AUSTRALIA & MIDDLE EAST

Australia
Columbia Pelikan PTY Ltd. /
Pelikan Quartet PTY Ltd.
91 Ashford Avenue
Milperra, NSW 2214
Tel: +61 2 8707 6100
Fax: +61 2 8707 6111
Email: customersupport@pelikan.com.au
Website: www.pelikanquartet.com.au

India
Pelikan Trading India Private Limited
1, Anup Sunbeam CHS
Juhu Dhara Complex
New Juhu Versova Link Road
Andheri (W)
Mumbai 400 053
Tel: +91 11 4155 3060
Fax: +91 11 4155 3068

Indonesia
PT Pelikan Indonesia
Jl. Cideng Barat No 115
Jakarta 10150
Tel: +62 21 3805 685 & 86
Fax: +62 21 3810 317
Email: mangun@pelikan.co.id

Japan
Pelikan Japan K.K.
Ishida Bldg. 3F
3-14-1, Ueno
Taito-ku, Tokyo 110-0005
Tel: +81 3 3836 6541
Fax: +81 3 3836 6545
Email: pelikan@pelikan.co.jp

Malaysia
Pelikan Asia Sdn. Bhd.
Lot 3410 Mukim Petaling
Batu 12 1/2, Jalan Puchong
47100 Puchong
Selangor Darul Ehsan
Tel: +603 8062 1223
Fax: +603 8062 3407
Email: enquiry@pelikan.com.my

People's Republic of China
Pelikan Trading (Shanghai) Co. Ltd.
Room 302, No 1059, Rainbow Eslite Plaza
Wuzhong-Road, Minhang District
Shanghai 201103
Tel: +8621 6465 5365/6/7
Fax: +8621 6465 5375
Email: w.liu@pelikan.net.cn

Singapore
Pelikan Singapore Pte. Ltd.
18, Tannery Lane
#01-02/03/04, Lian Tong Building
Singapore 347780
Tel: +65 6258 5231
Fax: +65 6258 4157
Email: enquiry@pelikan.com.sg

Taiwan
Pelikan Taiwan Co. Ltd.
1F, 32, Lane 21, Hwang Chi Street
Taipei, Taiwan 111
Tel: +886 2 8866 5818
Fax: +886 2 8866 3102
Email: w.liu@pelikan.com.tw

Thailand
Pelikan (Thailand) Co. Ltd.
125/12-13 Moo6, Kanchana-pisek Road
Bangkae Nua, Bangkae
Bangkok 10160
Tel: +662 804 1415-8
Fax: +662 804 1420
Email: pelikan@pelikan.co.th

United Arab Emirates
Pelikan Middle East FZE
Sharjah Airport International Free Zone
W/S A2-103
P.O. Box 120318, Sharjah
Tel: +97 16 5574571
Fax: +97 16 5574572
Email: nalatrash@pelikan.ae

Pelikan International Corporation Berhad (Rep. Office)
1100B, 11th Floor, Union House
Opp. Deira City Centre, Deira
Dubai, United Arab Emirates
Tel: +97 14 2948200
Fax: +97 14 2959833
Email: nalatrash@pelikan.ae
Email: admin@pelikan.ae

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Ninth Annual General Meeting of Pelikan International Corporation Berhad will be held at Sunway Resort Hotel & Spa, Grand Bahamas, Level 12, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 20 June 2011 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 2010 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 2010. **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of RM398,500.00 for the financial year ended 31 December 2010. **(Ordinary Resolution 3)**

4. To re-elect Tan Sri Musa bin Mohamad who retire pursuant to Article 127 of the Company's Articles of Association. **(Ordinary Resolution 4)**

5. To appoint Messrs. BDO as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

   Notice of nomination pursuant to Section 172(11) of the Companies Act 1965, a copy of which is annexed hereto and marked "Appendix I" has been received by the Company for the nomination of Messrs. BDO for appointment as Auditors and of the intention to propose the following ordinary resolution:

   "That Messrs. BDO be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Ong Boon Bah & Co. to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

As Special Business

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

6. 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 6)**

7. 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 7)**

8. 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 2010, if so approved at the Twenty-Ninth Annual General Meeting of the Company, will be paid on 14 September 2011 to depositors whose names appear in the Record of Depositors at the close of business on 17 August 2011.

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 2011 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 2011

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 deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, 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 6

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 6 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-Eighth Annual General Meeting held on 21 June 2010. 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 7

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

The proposed Ordinary Resolution 7 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 2011 despatched together with the Company's Annual Report 2010 for further information.

PBS OFFICE SUPPLIES HOLDING SDN BHD

Company No: 261025-V
Incorporated in Malaysia
Lot 3410, Mukim Petaling, 12½ Miles, Jalan Puchong
47100 Puchong, Selangor Darul Ehsan, Malaysia
Tel: 603 8062 1223 fax: 603 8062 3407

Date : 27 April 2011

The Board of Directors
Pelikan Internantional Corporation Berhad
Lot 3410, Mukim Petaling
Batu 12½, Jalan Puchong
47100 Puchong
Selangor Darul Ehsan

Dear Sirs

NOTICE OF NOMINATION OF MESSRS. BDO FOR APPOINTMENT AS AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, being a shareholder of Pelikan International Corporation Berhad ("the Company") hereby given notice of our intention to nominate Messrs. BDO for appointment as Auditors of the Company to replace the retiring Auditors, Messrs. Ong Boon Bah & Co. and to propose the following as an ordinary resolution to be tabled at the forthcoming Twenty Ninth Annual General Meeting.

"That Messrs. BDO be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Ong Boon Bah & Co to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors"

Thank you.

Yours faithfully
for **PBS Office Supplies Holding Sdn Bhd**

Loo Hooi Keat
Director

form of proxy

Pelikan

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

No. of Shares held	
CDS Account No.	

I/We ____ (Full name in capital letters)

NRIC No./Company No. ____

of ____ (Full address)

being a Member 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/her ____

(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 and on my/our behalf at the Twenty-Ninth Annual General Meeting of the Company to be held at Sunway Resort Hotel & Spa, Grand Bahamas, Level 12, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 20 June 2011 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 2010 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 Tan Sri Musa bin Mohamad as Director of the Company		
5.	To appoint Messrs. BDO as Auditors of the Company in place of the retiring auditors, Messrs. Ong Boon Bah & Co. and to authorise the Directors to fix their remuneration		
6.	To approve the proposed renewal of authority for Directors to issue shares		
7.	To approve the proposed renewal of authority for the purchase by the Company of its own shares		

Signed this ______________ day of ______________, 2011

____
Signature(s) of Member/Common Seal

* *Strike out whichever not applicable*

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

Proxy A	%
Proxy B	%
	100 %

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 deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, 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

TRICOR INVESTOR SERVICES SDN BHD
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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

Lot 3410, Mukim Petaling
Batu 12 1/2, Jalan Puchong
47100 Puchong
Selangor Darul Ehsan
Malaysia
Tel: +603 8062 1223
Fax: +603 8062 3407

www.pelikan.com