Pelikan

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

Annual Report 2012

Exploring new grounds

CONTENTS

Exploring new grounds

With each passing year, Pelikan continues to explore new opportunities and new grounds to stay ahead. This is because we need to keep abreast of the times, in an ever-shifting global landscape, in order to meet the discerning needs of markets we serve. The key to our continued success as a market leader lies in our ability to continue delivering innovative products that bear the hallmarks of our distinct identity and rich German heritage.

VISION

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

MISSION

We create products that inspire creativity and imagination, fulfil customers' satisfaction and confidence by offering the highest quality products and services.

We accomplish our mission by:

- Establishing a strong brand presence worldwide by building brand awareness since young from children to adults
- Accumulating in-depth knowledge of our customers' needs and provide the expected solutions
- Applying proven technology and tools for developing and executing innovative ideas
- Selecting and developing a network of effective distribution channels
- Recruiting, training, developing, retaining and rewarding talented and motivated people
- Ensuring the environment in which we operate is safe, healthy and secured

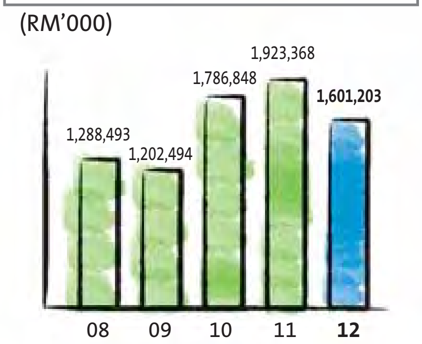
OUR GUIDING PRINCIPLES

FINANCIAL HIGHLIGHTS

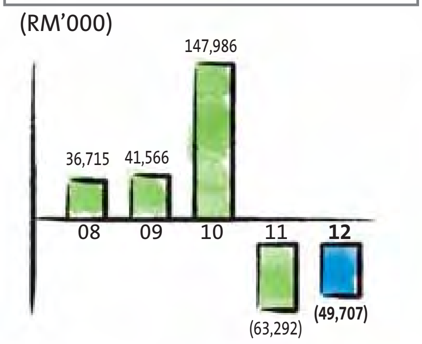
for the financial year ended 31 December

		2012	2011	2010 Restated	2009 Restated	2008 Restated
Revenue	RM'000	**1,601,203**	1,923,368	1 ,786,848	1,202,494	1,288,493
(Loss)/Profit before taxation	RM'000	**(49,707)**	(63,292)	147,986	41,566	36,715
(Loss)/Profit for the financial year	RM'000	**(66,084)**	(101,302)	130,791	31,057	25,119
(Loss)/Profit for the financial year attributable to owners of the parent	RM'000	**(59,080)**	(88,423)	127,808	27,814	23,972
Equity attributable to owner of the parent	RM'000	**624,106**	702,133	811,519	558,771	530,933
Basic (loss)/earning per share	sen	**(11.67)**	(17.44)	24.90	7.52	8.04
Fully diluted (loss)/earning per share	sen	**(11.67)**	(17.44)	24.90	7.52	8.04
Net asset per share attributable to owner of the parent	sen	**1.22**	1.37	1 .58	1.63	1 .55
Dividend per share – proposed	sen	**–**	3.00	2 .00	2.00	2 .00

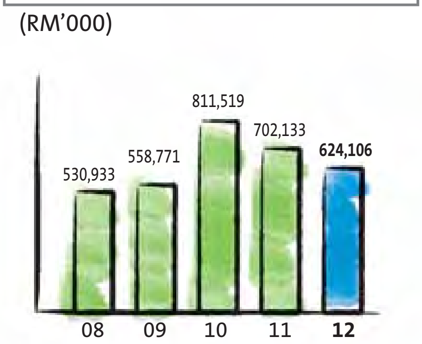
REVENUE



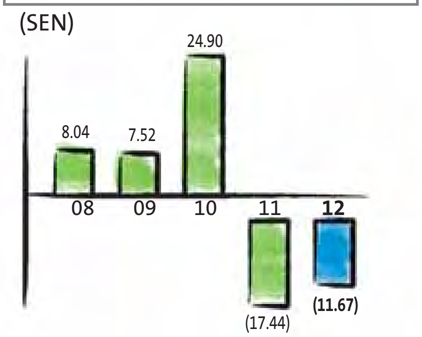
(LOSS)/PROFIT BEFORE TAXATION



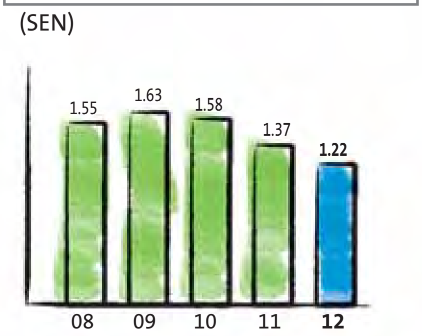
EQUITY ATTRIBUTABLE



BASIC (LOSS)/EARNING PER SHARE



NET ASSETS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Abi Musa Asa'ari bin Mohamed Nor
(Appointed on 27 July 2012)
Chairman & Non-Independent Non-Executive Director

Loo Hooi Keat
President/Chief Executive Officer

Dato' Afifuddin bin Abdul Kadir
(Appointed on 1 August 2012)
Independent Non-Executive Director

Dato' Mohamad Norza bin Zakaria
(Appointed on 1 April 2013)
Independent Non-Executive Director

Dato' Lua Choon Hann
(Appointed on 1 April 2013)
Independent Non-Executive Director

Yap Kim Swee
Independent Non-Executive Director

Hajah Rozaida binti Omar
Non-Independent Non-Executive Director

Normimy binti Mohamed Noor
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Yap Kim Swee *Chairman*
Dato' Afifuddin bin Abdul Kadir
Hajah Rozaida binti Omar

NOMINATION COMMITTEE

Yap Kim Swee *Chairman*
Dato' Afifuddin bin Abdul Kadir
Dato' Lua Choon Hann

REMUNERATION COMMITTEE

Tan Sri Abi Musa Asa'ari bin Mohamed Nor *Chairman*
Yap Kim Swee
Dato' Mohamad Norza bin Zakaria

EXECUTIVES' SHARE OPTION SCHEME COMMITTEE

Tan Sri Abi Musa Asa'ari bin Mohamed Nor *Chairman*
Loo Hooi Keat
Yap Kim Swee

COMPANY SECRETARIES

Ho Ming Hon (MICPA 3814)
Chua Siew Chuan (MAICSA 0777689)

AUDITORS

BDO (AF 0206)
Chartered Accountants
12th Floor Menara Uni. Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel : (+603) 2616 2888
Fax : (+603) 2616 3190

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel : (+603) 2264 3883
Fax : (+603) 2282 1886

REGISTERED OFFICE

No. 9 Jalan Pemaju U1/15
Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (+603) 5569 5511
Fax : (+603) 5569 5522

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

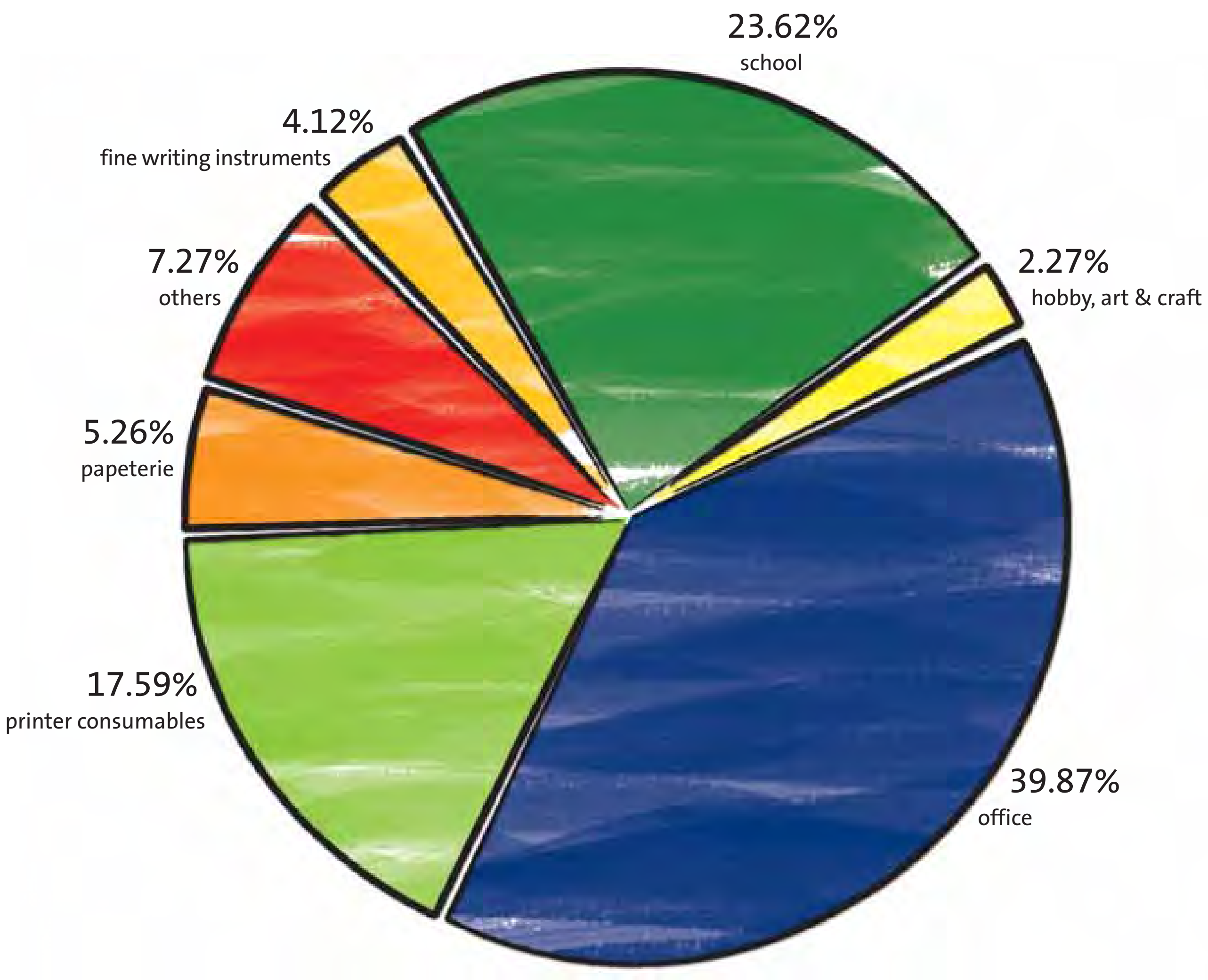
Main Market of
Bursa Malaysia Securities Berhad,
Malaysia
Stock Name: PELIKAN
Stock Code: 5231

WEBSITE

www.pelikan.com

NEW PRODUCTS FOR 2012

REVENUE BY PRODUCT GROUP IN 2012



PELIKAN

School

- th.INK fountain pen and ball point pen
- Pelikano Black fountain pen and roller ball
- Pelikan Transparent fountain pen
- Gallery (new design)
- No.mistake ink eradicator
- Agent Blue ink eradicator
- Finger Paint in flexible bottles
- After Play antibacterial gel
- Watercolours
- Magimasa modelling dough
- PVC free erasers

Office

- Stick pro/Tango ball point pen
- Pelifix footballer & pop star design glue sticks
- Inky (new design)
- Liquid glue

Printer consumables

- HP 364 XL inkjet cartridge series
- 25 toner cartridges
- 66 toner modules
- 5 toner powders
- 13 inkjet cartridges
- 9 UV curing inks

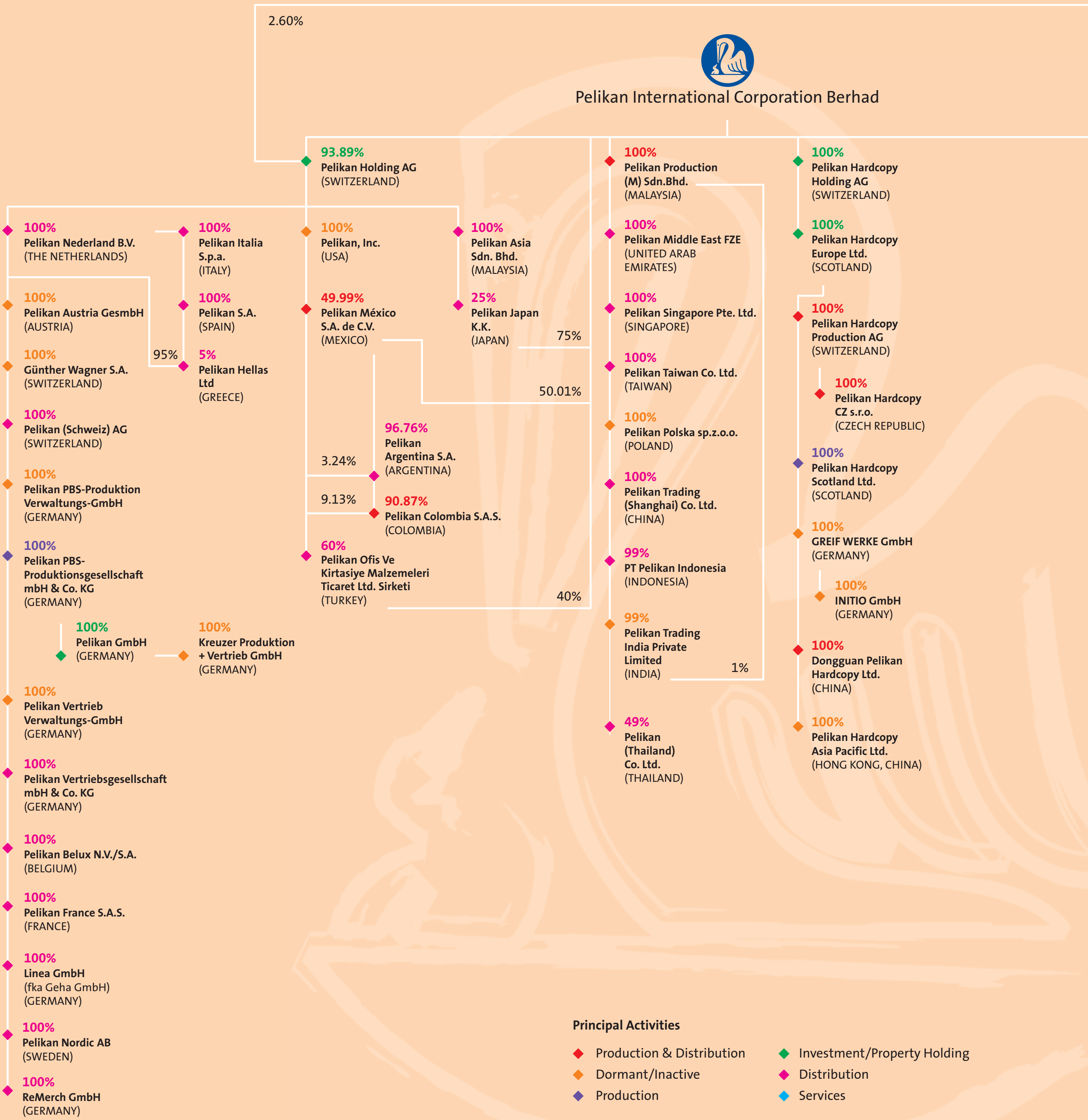
Fine writing instruments

- Edelstein ink 'Turmaline' (Ink of the year)
- Edelstein ink 'Tanzanite'
- Souverän 605 blue-black
- Souverän 605 black
- Souverän 600 tortoise white
- Souverän 600 ruby red
- Toledo 910 silver-black
- Special Edition M101N 'Lizard'
- Special Edition M200 Demonstrator
- Classic 205 taupe
- Limited Edition Maki-e 'Mount Fuji & Cranes'
- Limited Edition Maki-e 'Gingko & Maple Leaves'
- Porsche Design Tec Flex P'3110
- Porsche Design Laserflex P'3115

HERLITZ

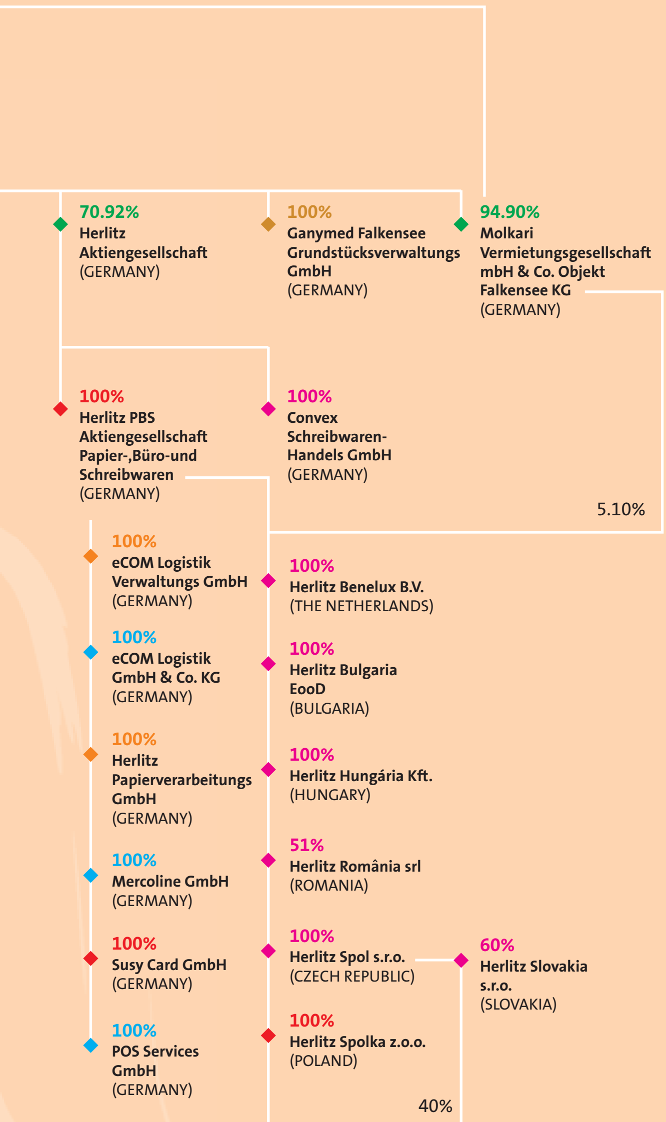
- SmileyWorld license series
- Ladylike design series
- Montana office series (relaunch)
- my.pen style roller ball
- easy orga to go – the PP organisational assortment
- School bag collection new design
- Be.bag rucksacks

GROUP CORPORATE STRUCTURE



Principal Activities

- Production & Distribution
- Dormant/Inactive
- Production
- Investment/Property Holding
- Distribution
- Services



AMERICAS

Sales & marketing organisations in
• Mexico • Colombia • Argentina

Percentage of Group's revenue (2011: 9.5%) 12.3%

Manufacturing facilities 2 plants

Employees (2011: 672) 618

EUROPE

Sales & marketing organisations in
• Turkey • Greece • Hungary • Poland • Italy • Austria • Sweden • Germany • Switzerland • Czech Republic • Bulgaria • Belgium • The Netherlands • France • Romania • Slovakia

Percentage of revenue (2011: 86.7%) 83.6%

Manufacturing facilities 6 plants

Employees (2011: 2,786) 2,283

ASIA, MIDDLE EAST & AFRICA

Sales & marketing organisations in
• United Arab Emirates • India • Thailand
• Malaysia • Singapore • Indonesia • Taiwan
• People's Republic of China •Japan

Percentage of revenue (2011: 3.8%) 4.1%

Manufacturing facilities 2 plants

Employees (2011: 318) 278

CHAIRMAN & CEO'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the annual report of Pelikan International Corporation Berhad ("Pelikan International") for the financial year ended 31 December 2012.

THE GLOBAL ECONOMY 2012

(statistics sourced from the World Bank)

2012 was met with economic uncertainties and challenging markets across the regions. The global Gross Domestic Product ("GDP") growth declined to an estimated 2.3% last year (2011: 2.7%), as developing countries, the main growth drivers pre-crisis period, had decelerated in growth due to financial market uncertainties, weakening external demand, slower industrial output and impact of economic crisis from the Euro area. Financial markets have improved due to measures taken and policies implemented by governments and global financial institutions to stabilise and defend the Euro, however the consequence of the Euro area economic crisis had resulted in slower economic activities on a global level.

The Euro Area countries recorded a contraction of 0.4% (2011: 1.6%) while growth in developing Europe and Central Asia countries estimated to have fallen to 3.0% (2011: 5.3%) last year. As 83.6% of the Group's revenue and operations are based in Europe, Pelikan and Herlitz businesses were also affected by the vulnerable economic climate as consumer spending and business sentiments weakened in 2012. Germany, which represents 57.9% of the Group's revenue, remained flat on growth, while the rest of Europe particularly Western Europe performed poorly against the backdrop of financial market tensions and weak markets of Spain, Italy and Greece. Due to the region's close financial and trade ties with Western Europe, developing Europe and Central Asia countries was directly impacted by the deterioration of growth and financial crisis.

Growth in Latin America and Caribbean countries was mixed across economies and decelerated to 3.0% last year (2011: 4.2%) due to a relatively weak external environment resulting in sluggish regional growth particularly in Brazil and Argentina. Pelikan's activities in Latin America held up well, particularly in Mexico, despite softening domestic demand.

CHAIRMAN & CEO'S STATEMENT

The Middle East and Africa region's GDP grew at 3.8% (2011: -2.4%), a marked improvement from previous year due to economic rebound among oil exporting countries, particularly Libya. However, the region was still faced with continuing political and domestic tensions which could potentially disrupt economic activities and growth, as demonstrated by the Group's activities in the region. Japan grew around 1.9% last year (2011: -0.4%) though industrial production and exports declined overall. On the other hand, performance of East Asia and Pacific countries remained resilient albeit slower at GDP growth of 7.5% (2011: 8.2%), due to weaker domestic conditions in China and effects of the financial tensions in Euro area on the region.

The Group took the opportunity at times of global economic uncertainties to embark on a reorganisation exercise both at the operational structure level as well as product assortment level to improve the operational efficiencies and margin contributions of its products. The reorganised operating structure was geared towards balancing the level of business with the right operating cost structures and capitalising on any reversionary trends in the economic conditions which may have a positive impact on revenues and incremental to the Group's bottom line results. Despite the global economic vulnerabilities, Pelikan Group relentlessly adhered to its long term strategies of strengthening its brand, research and development ("R&D") and distribution channels. The Group will continue to invest and focus on these key pillars of growth to ensure sustainable expansion of sales and revenue for both Pelikan and Herlitz. With this business strategy in mind, making decisions on disposing, discontinuing and eliminating certain business units, product lines and distribution channels that were deemed unprofitable and unproductive to the Group became clear in realising long term goals.

FINANCIAL PERFORMANCE

For the financial year ended 2012, Pelikan International recorded total revenue of RM1.6 billion, a decline of 16.8% from previous year (2011: RM1.9 billion), partly attributable to the weakened foreign exchange rate in Euro, which resulted in lower sales revenue after currency translation into Ringgit Malaysia ("RM"), and also the divestment effects of the private label lever arch filing business in March 2012. Throughout the year, the Group continued on restructuring measures in its European entities in particular on structural reorganisations to eliminate non-profitable business segments and the associated support costs to improve efficiencies and lower production costs. The Group streamlined its product assortment and discontinued certain product lines, distribution channels and manufacturing operations while remained focused on expanding its core products in the school and office categories in existing and new markets. The Group's staff force reduced by approximately 600 personnel mainly arising from the disposals of plants and redundancies made during the year. Overall, the impact of redundancies on the Group was approximately RM30.0 million. Furthermore, certain reorganisation measures has resulted in accelerated amortisation and impairment of assets as some of the non-profitable product lines and business units have been terminated or scaled down. Total assets impaired or written-off during the year amounted to approximately RM18.0 million. These restructuring

measures and internal changes had significant impact on the Group's revenue as reviewed quarter by quarter. On top of the foreign exchange loss, the incurred costs and reduced sales from the restructuring and disposal of business units resulted in a loss before tax of RM49.7 million (2011: RM63.3 million).

In the first financial quarter, the Group's revenue was RM417.5 million (2011: RM460.8 million), a decrease of 9.4% from 2011 corresponding quarter. The Group's efforts to streamline its product lines resulted in lower revenue particularly in the printer consumables segment. As the first quarter is normally a weak quarter due to the seasonal school business cycle, the lower translation rate in Euro has also partly contributed to the lower sales figures. The profit before tax for the first financial quarter was RM8.6 million (2011: RM4.3 million) after taking into consideration the gains on the disposal of its subsidiary units in Europe and certain disposal and restructuring costs related to these disposals as well as the overall restructuring expenses in its European operating units.

The Group's revenue for the second financial quarter decreased by 15.3% to RM427.7 million (2011: RM505.1 million), partly attributable to the weaker Euro which depreciated by 6.2% against RM as compared to 2011 corresponding quarter. The Group however improved its revenue compared to the preceding quarter as "Back to School" season began and recorded higher revenue from sales of school products. Notwithstanding this, the revenue was affected by lower sales contribution from the printer consumables and presentation equipments business. The Group recorded a profit before tax of RM0.1 million mainly due to the foreign exchange loss incurred in the second quarter and recognition of the gain on disposals of subsidiaries recognised in the preceding quarter.

The third financial quarter reported revenue of RM427.8 million (2011: RM527.5 million), a decline of 18.9% because of the weaker Euro against RM by 7.0% as compared to corresponding quarter in 2011, resulting in the lower translation of almost 80.0% of the Group's revenue. The Group recorded a profit before tax of RM0.3 million in the third financial quarter. The Group continued to focus on its core products in the school category and office category which remains strong as "Back to School" season sales continue to increase in the third financial quarter in the Europe and Latin America regions.

The Group's revenue for the fourth financial quarter was RM328.1 million (2011: RM430.0 million), a decline of 23.7% from 2011 corresponding quarter. The Group's lower revenue was the result of the slowdown in sales in the European markets subsequent to the "Back to School" season and the effects of the disposal of business units by Herlitz Group. The Group recorded a loss before tax of RM56.1 million in the fourth financial quarter, mainly attributable to the lower margin contribution from the lower sales value in the last quarter of the year as well as additional charges related to the remaining restructurings implemented or approved in the last quarter. In addition, certain assets and inventories were written off as a result of such restructurings.

EXPLORING NEW GROUNDS

For the past 175 years, Pelikan has reached many generations of consumers worldwide and is recognised as a market leading brand with products of high quality, innovation and German heritage. The Company has from the very beginning dedicated significant amount of resources to ensure that Pelikan continuously create products that inspire creativity and imagination. Our strengths in research and development ("R&D"), manufacturing know-how, product development and marketing have enabled the Company to achieve sustainable growth and expansion. Our roadmap to success is not without challenges, difficulties and failures, of which some were not within our control. Nonetheless, the Group is committed to explore new opportunities in distribution channels and new marketing approach to communicate with global consumers to stay ahead of our competitors and market trends.

The Group aims to continue delivering innovative and high quality products to meet the discerning needs of the markets we serve despite the challenging global landscape. We believe that innovation, not only in products but also in promotion and marketing activities, has enabled the Company to renew our brand identity over and over again. In 2012, faced with a difficult market environment for sales and marketing activities particularly in Europe, Pelikan Group challenged ourselves by using new ways of presenting our brand and products that would reach the mass markets in the most efficient and cost beneficial way. For the first time, Pelikan Group worked together on a European based project to launch a "Back to School" campaign entitled "Live your dream" using the Pelikan website as a platform for building brand awareness and initiating marketing activities. The campaign was simple, straightforward and effective in communicating the message and products across to our target audience. The campaign was also localised and utilised in Latin America and Middle East regions for their "Back to School" season. Using the internet as a launch platform has allowed the Group to experiment on other new ways of marketing such as social media advertising. Pelikan Group also explored the possibility of selling Fine Writing Instruments directly to end users together with the support of our dealers and distributors worldwide. By using our website as a platform, the Group launched an online auction allowing consumers from all over the world to bid in real time for the Maki-e Unique Collection of 15 beautiful and one-of-a-kind high value writing instruments. Not only was the online auction a success story for the Company, it also helped in building a brand reputation for Pelikan.

BACK TO BASICS

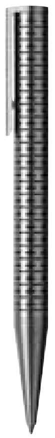
Going back to basics, the Group wants to focus on inspiring innovation and imagination in children from a young age through writing, reading, drawing, colouring, painting and designing. Every young being can display their thoughts with a pen and a piece of paper or create a picture with colour pencils and crayons. Making tools to facilitate children's aspiring dreams is what Pelikan and Herlitz do best; tools that are not only functional but safe, well designed, durable and suitable for children, young teens and adults too. Pelikan and Herlitz are brands which have brought joy to kids in their quest for learning, creating and schooling for many generations as parents, teachers and educators believed that we can help enhance the kids' ability to learn and develop. Hence, we have always worked closely with teachers to understand further the needs of children in their early years and help build a foundation for children to develop. As the child grows up, the brands grow with the child as Pelikan and Herlitz continue to develop succeeding school stationery to accompany the child all the way to adulthood. Many of our products are designed and developed with that thought in mind, and as products have shorter life cycle, the products series are enhanced and extended with more accompanying products as the children mature in their school stationery needs.

AWARDS & ACCOLADES

The Group takes pride in its product development, technical and R&D department as product innovation is one of the Group's key focus and strategies to carry the brand forward. The significant amount of investments made in R&D has proven rewarding as our products have garnered acclaims and awards in respective product categories in the past year. For school and office products, Pelikan won a prestigious Red Dot Design Award for 'Stick Pro' ball point pen and Herlitz also won a Red Dot Design Award for its my.pen style design and packaging. The my.pen style rollerball also garnered a Good Design Award last year.

Pelikan's Fine Writing Instruments are highly valued and vastly collected by many pen aficionados worldwide and the Group was honoured with several prestigious awards for the new collection of FWI launched throughout the year. A honourary Red Dot Award mention was given to Pelikan for the new FWI packaging design. Also honoured is the prestigious *Trophée du Stylised* award from the specialist

French pen magazine *Le Stylised* for the Special Edition Classic M200 Demonstrator under the category "Writing instrument for daily use" chosen from a jury of vendors and exclusive roster of writing instrument enthusiasts. Porsche Design's P'3115 Laserflex also won the award for category "Best Design writing instrument". At the Middle East's Watches, Jewellery & Pen Awards 2012, Pelikan's Limited Edition 'Fire' was nominated as winner of the "Best Theme Pen" category. Last but not least, Pelikan's in-house auction site for the Maki-e Unique Collection won the "World Luxury Award Finalist Certificate" in the Design and Accessories category as the innovative concept of allowing selected dealers and all collectors worldwide the opportunity to bid as auction unique Maki-e pieces for the first time. These global awards reaffirmed Pelikan's position alongside other globally renowned luxury brands and the Group is determined to further appease and impress the global pen collectors and critics with many new and beautiful FWI for 2013.



CORPORATE GOVERNANCE

The Board of Directors for Pelikan International has gone through some changes in the past year as the Group bids farewell to our long serving Directors and welcomes new people to the board. On behalf of the board, the Group, our employees and stakeholders, we would like to sincerely thank Tan Sri Musa bin Mohamad, who has served as the esteemed Chairman of the Board of Directors for Pelikan International since 2007, and Syed Hussin bin Shaikh al Junid for his 17 long years of service as a Director to the Group. Their unwavering commitment, loyalty and generous support to the Group will be fondly remembered and appreciated, and the Group wishes them all the best in their future endeavours.

The Group would like to whole heartedly welcome Tan Sri Abi Musa Asa'ari bin Mohamed Nor, who was appointed Chairman and Non-Independent Non-Executive Director of Pelikan International since July 2012. Also joining the Group as Independent Non-executive Director is Dato' Afifuddin bin Abdul Kadir, Dato' Lua Choon Hann, and Dato' Mohamad Norza bin Zakaria. We are pleased to welcome these very experienced and talented professionals to the Board and we are certain that their expertise, knowledge and diverse backgrounds will bring about immense contribution to the Group.

IN APPRECIATION

By the end of 2012, the Group had 3,179 staff dedicated and dutiful to the brand, products, customers, shareholders, business partners and the Company. On behalf of the Board of Directors, we want to thank the management and all employees of Pelikan and Herlitz for their unwavering loyalty, hard work and support. We would also like to extend our utmost gratitude to our shareholders, investors, business associates and all other stakeholders who have supported and believed in the brand, the Company and our vision.

MOVING FORWARD

(statistics sourced from World Bank)

Overall, the global economy remains fragile and is projected to recover in the medium term though the factors crucial to facilitate growth are still at large. A global GDP growth rate of 2.4% is expected for 2013. Euro area economies will continue to experience contractions albeit less at -0.1% in 2013 before growing marginally in 2014. Growth in developing Europe and Central Asia region is projected to rebound only slightly to 3.6% in 2013 before accelerating to 4.0% and 4.3% in 2014 and 2015 respectively. Despite the overall weakness in Europe, our major sales market Germany has shown signs of growth and is forecasted to improve with growth rate of 0.5% in 2013 *(statistics sourced from the German Economy Ministry)*. East Asia and Pacific region is projected to accelerate at 7.9% GDP growth before stablising around 7.5-7.6% in 2014-2015. Strong domestic demand, trade flows, industrial activities and improved financial conditions will see stronger growth in China at 8.4% GDP while growth in the region excluding China will increase to 5.8% in 2013. Growth in Latin America and the Caribbean countries are projected to grow by 3.5% in 2013 and averaging at 3.9% over 2014-2015 period. The Middle East and Africa region will see slower GDP growth of 3.4% before sustainable growth is expected at about 4.3% by 2015.

Looking at the global economic prospects, growth in the European markets may be challenging. Nevertheless, the efforts of the Group in particular the German market should shed more light as the operating structures are now leaner and operating costs base is more aligned to the sales levels. In the meantime, the Group has taken steps to improve sales within Europe and also worldwide by introducing new products, new marketing strategies, and new distribution channels. Such actions are garnered towards gaining market shares within a challenging market as market growth is limited.

Moving forward in 2013, Pelikan celebrates its 175th anniversary and has introduced many new and exciting products to commemorate this milestone such as the Limited Edition 175th anniversary pen M101N ‘Lizard’. Following the success of the “Back to School” campaign in Europe and Latin America last year, the Group has launched a bigger campaign entitled “Discover your future” across

Europe which will last through the summer. Herlitz Group has also launched a wide range of products in anticipation of the “Back to School” season this year with new designs to its series stationery category and more products to complete the schoolbag and filing assortment.

The Group anticipates a very challenging year ahead but believes that as long as the Group remains committed to its 3 long-term strategies for growth: Brand; Global Distribution Network; R&D, the Group will progress ahead and achieve significant results in the coming years.

Tan Sri Abi Musa Asa’ari bin Mohamed Nor
Chairman

Loo Hooi Keat
Chief Executive Officer

Selangor Darul Ehsan
Malaysia

BOARD OF DIRECTORS

standing from left to right

Yap Kim Swee
Dato' Mohamad Norza bin Zakaria
Normimy binti Mohamed Noor
Loo Hooi Keat
Tan Sri Abi Musa Asa'ari bin Mohamed Nor
Dato' Afifuddin bin Abdul Kadir
Hajah Rozaida binti Omar
Dato' Lua Choon Hann

BOARD OF DIRECTORS' PROFILE

Tan Sri Abi Musa Asa'ari bin Mohamed Nor, a Malaysian aged 63, was appointed Chairman and Non-Independent Non-Executive Director of Pelikan on 27 July 2012.

He started his career with the Malaysian Government as a Civil Service Officer in 1973 holding the post of Assistant Director in the Public Service Department. In 1977, he was seconded to the National Bureau of Investigation (presently known as the Malaysian Anti Corruption Commission), and later to INTAN as Programme Coordinator for Public Enterprises Training before serving as Deputy Director of Petroleum Development in the Prime Minister's Department.

He also served as Deputy Director of Budget in the Ministry of Finance from 1955 to 1998, following which he was appointed Director General of FAMA in the Ministry of Agriculture. In 2001, he was appointed Secretary General of the Ministry of Agriculture and Agrobased Industry, a post he held until his retirement in 2006.

Currently, he is a Director of Heitech Padu Bhd, a public company listed on the Main Market of Bursa Malaysia Securities Berhad, Chairman of the Board of Tabung Haji Malaysia, Board of Sultan Idris Education University (UPSI), Platinum Energy Sdn Bhd and Dapat Vista (M) Sdn Bhd. He also sits on the Board of Directors of E Mas Sdn Bhd.

He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. He has no convictions for any offences within the past 10 years other than traffic offences, if any.

TAN SRI ABI MUSA ASA'ARI BIN MOHAMED NOR

Chairman & Non-Independent Non-Executive Director
Chairman of Remuneration Committee
Chairman of ESOS Committee

Loo Hooi Keat, a Malaysian aged 58, was appointed as an Executive Director of Pelikan on 22 April 2005 and thereafter as Executive Chairman on 26 April 2005. Subsequently, he was re-designated as President/Chief Executive Officer of Pelikan on 14 November 2007.

He is a certified Public Accountant and a member of the Malaysian Institute of Certified Public Accountants (MICPA). He received his training in accountancy from a reputable international accounting firm where he obtained his Certified Public Accountant accreditation. Since then, he has gained experience in various international companies in Malaysia, namely as Group Accountant for the Sime Darby group of companies, from 1982 to 1985 and Lion group of companies, from 1986 to 1989. He was Group General Manager for Business Management of United Engineers (Malaysia) Berhad from 1990 to 1992. He then joined Konsortium Logistik Berhad, a logistics service provider company as an Executive Director until 2010.

Presently, he is the President and a Board member of Pelikan Holding AG, a subsidiary of Pelikan listed on the SIX Swiss Exchange. He is also a Board Member of Herlitz AG, a subsidiary of Pelikan listed on the Frankfurt Stock Exchange.

Except for certain recurrent related party transactions of a trading or revenue nature which are necessary for the day-to-day operations of the Group for which he is deemed to have interest, there are no other business arrangement with the Group in which he has a personal interest.

He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. He has no convictions for any offences within the past 10 years other than traffic offences, if any.

LOO HOOI KEAT

President/Chief Executive Officer
Member of ESOS Committee

BOARD OF DIRECTORS' PROFILE

YAP KIM SWEE

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

Yap Kim Swee, a Malaysian aged 66, was appointed as an Independent Non-Executive Director of Pelikan on 22 May 2006.

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

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

He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. He has no convictions for any offences within the past 10 years other than traffic offences, if any.

HAJAH ROZAIDA BINTI OMAR

Non-Independent Non-Executive Director
Member of Audit Committee

Hajah Rozaida binti Omar, a Malaysian aged 50, was appointed as a Non-Independent Non-Executive Director of Pelikan on 21 November 2008.

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

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

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

She does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. She has no convictions for any offences within the past 10 years other than traffic offences, if any.

Dato' Afifuddin bin Abdul Kadir, a Malaysian aged 59, was appointed as an Independent Non-Executive Director of Pelikan on 1 August 2012.

He joined the Malaysian Industrial Development Authority (MIDA) in 1979 as a Technical Professional Officer in the Industrial Studies Division. He was attached to MIDA Sabah from 1982 to1985.

From 1986 to 1990, he served as Deputy Director in MIDA's branch in London. Later, he was attached to the Transport and Machinery Industries Division as a Deputy Director. From 1996 to 2001, he served as a Director in MIDA's branch in Paris, following which, he served as a Director in MIDA's branch in London.

In early 2005, he was posted back to MIDA's Headoffice as Director of the Electronics Industries Division. In late 2005, he was given the task to head the Foreign Investment Promotion Division in MIDA's Headoffice. His responsibilities included overseeing the overall planning, implementation and co-ordination of investment promotion strategies to attract foreign direct investments into Malaysia.

In March 2007, he was promoted to Senior Director, Investment Promotion and responsible for the overall investment promotional activities particularly with regard to promoting foreign and domestic investments as well as cross border investments.

In April 2008, he was promoted to Deputy Director General II and subsequently, to Deputy General I of MIDA in June 2008, a post he held until his retirement on 14 September 2011.

He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. He has no convictions for any offences within the past 10 years other than traffic offences, if any.

DATO' AFIFUDDIN BIN ABDUL KADIR

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

Normimy binti Mohamed Noor, a Malaysian aged 43, was appointed as a Non-Independent Non-Executive Director of Pelikan on 12 September 2011.

She is presently the General Manager in the Office of the Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji, a position she has held since 2009. Prior to that, she was the Assistant General Manager of Bank Islam Malaysia Berhad, Director of Private Banking/Financial Services, Societe Generale Bank & Trust, Singapore and was responsible for the acquisition and management of High Net Worth Individuals (HNWI) and institutions, providing advisory services to HNWI clients in estate planning, trust and investment services as well as providing total financial solutions to HNWI through offshore offerings.

Puan Normimy has also served as Vice President of Private Banking/Financial Services, at Clariden Leu, Credit Suisse Group Singapore and was with the Maybank Group for 14 years.

She does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. She has no convictions for any offences within the past 10 years other than traffic offences, if any.

NORMIMY BINTI MOHAMED NOOR

Non-Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

DATO' LUA CHOON HANN

Independent Non-Executive Director
Member of Nomination Committee

Dato' Lua Choon Hann, a Malaysian aged 36, was appointed as an Independent Non-Executive Director of Pelikan on 1 April 2013.

He obtained his Bachelor of Law degree from the University of Cardiff, United Kingdom and started his professional career in the legal practice with the Attorney General's Chambers as a Prosecutor in the Republic of Singapore.

With his years of practice, he gained a substantial and broad expertise, knowledge and experience in advising on legal matters, amongst others, pertaining to corporate affairs, finance and commercial matters. With his professional legal experience, business acumen and commercial know-how, Dato' Lua became an entrepreneur in 2003 through various business ventures in Malaysia involving various sectors, including the provision of corporate consultancy and solution services, property development and other related businesses.

He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. He has no convictions for any offences within the past 10 years other than traffic offences, if any.

DATO' MOHAMAD NORZA BIN ZAKARIA

Independent Non-Executive Director
Member of Remuneration Committee

Dato' Mohamad Norza bin Zakaria, a Malaysian aged 46, was appointed as an Independent Non-Executive Director of Pelikan on 1 April 2013.

He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Fellow of Certified Public Accountants (CPA Australia).

He started his career with Arthur Andersen & Co./Hanafiah, Raslan & Mohamad in 1988. In 1990, he was an Executive, Bank Regulation Department with Bank Negara Malaysia till 1991. He then joined Petronas as a Senior Executive, Finance & Administration in the Gas & Petrochemical Development Division, a position he held until 1994. After that, he became a Group Financial Controller with SPK Sentosa Corporation Berhad till March 1995.

He was with Mun Loong Berhad until 1997 as Group General Manager – Audit and Chief Executive Officer of Gabungan Strategik Sdn Bhd from 1998 till 2004.

He was the Political Secretary to the Minister of Finance II, Ministry of Finance, Malaysia from April 2004 till March 2008.

Currently, he is a Director of Bintulu Port Holdings Berhad and TH Heavy Engineering Berhad, public companies listed on the Main Market of Bursa Malaysia Securities Berhad, and Biport Bulkers Sdn Bhd and Samalaju Industrial Port Sdn Bhd, and President & CEO of Citaglobal Sdn Bhd.

He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. He has no convictions for any offences within the past 10 years other than traffic offences, if any.

GROUP MANAGEMENT TEAM

PELIKAN INTERNATIONAL CORPORATION BERHAD

1. LOO HOOI KEAT

Malaysian, 58
President/Chief Executive Officer

- Certified Public Accountant
- Over 30 years experience
- Group Accountant, Sime Darby Group of Companies (1982-1985)
- Group Accountant, Lion Group of Companies (1986-1989)
- Group General Manager, United Engineers (Malaysia) (1990-1992)
- Executive Director, Konsortium Logistik Berhad (1992-2010)

2. HO MING HON

Malaysian, 38
Vice President Group Corporate Services/ Company Secretary

- Certified Public Accountant
- Practised in a big four audit firm
- Specialised in corporate finance in an investment bank

3. LOO SEOW BENG

Malaysian, 55
Head of Procurement

- BSc in Business
- Over 17 years experience with Pelikan Group
- Pelikan Singapore-Malaysia Pte Ltd (1995)
- Pelikan Holding AG

HERLITZ MANAGEMENT

1. THOMAS RADKE

German, 52
Board Member of Herlitz Group

- Degree in Business Administration (University of Manheim)
- Hold Senior Management positions in major corporations over past 20 years
- Appointed Board Member in 2011, responsible for sales and marketing

GROUP MANAGEMENT TEAM

PELIKAN EUROPE

1. TORSTEN JAHN

German, 38
C.F.O. of Europe

- Diploma in Economics
- Certified German Tax Consultant
- Certified Valuation Analyst (CVA)
- Member of International Association of Consultants, Valuators and Analysts Germany
- Joined Pelikan in 2003

2. SVEN VERGAUWEN

Belgian, 41 years
European Sales Director (ex Germany & Austria)

- Masters in Marketing Management
- Product Manager, Key Accounts Manager, and Marketing Manager at Geha Benelux N.V. (1996 – 1999)
- International Sales and Marketing Manager at Agfa-Gevaert N.V. (1999 – 2002)
- Joined Pelikan Benelux N.V. as Business Development Manager in 2002
- Managing Director of Pelikan Benelux N.V. (2004)

3. ELISABETH GEBLER

German, 45
Head of European Marketing

- Degree in Economics (University of Hannover)
- Over 16 years experience in stationery business
- Regional Marketing Director of Newell Rubbermaid
- Joined Pelikan in 2010

4. FLAVIO MONTI

Swiss, 53
Managing Director, Pelikan Holding Production AG (PHPAG)

- Technical education, BA in Business Economics
- Over 25 years experience in production operations
- International production transfer projects
- Plant Manager of PHPAG
- Joined Pelikan in 1987

PELIKAN AMERICAS

1. CLAUDIO ESTEBAN SELEGUAN

Argentinean, 51
CEO Pelikan Americas
Managing Director, Pelikan Mexico

- BA in Business Administration
- Over 21 years experience with Pelikan Group
- Manager of Pelikan Costa Rica (1989)

2. MATHIAS SHAW

Argentinean,37
Senior Vice President, Sales and Marketing, Latin America
Managing Director, Pelikan Argentina

- Degree in Marketing (UCES Business School)
- Marketing Manager of Pelikan Mexico (2002)

3. YAMIL VALENCIA

Colombian, 44
Managing Director, Pelikan Colombia SAS

- BA in Industrial Engineering
- Diploma in International Business (University of California at Berkeley)
- Over 10 years experience with The Coca-Cola company in Central America
- Joined Pelikan in 2009

PELIKAN ASIA, MIDDLE EAST & AFRICA

1. AZUMA IKEDA

Japanese, 59
Head of Sales and Marketing Japan and South Korea

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

2. WILLIAM LIU

Chinese, 55
Head of Sales and Marketing People's Republic of China, Hong Kong and Taiwan

- BA in Agriculture (National Chung Hsing University, Taiwan)
- Over 20 years experience in the Taiwan consumer market
- Pelikan Taiwan Co. Ltd. (2007)

3. NASSER AL ATRASH

Jordanian, 46
Head of Sales and Marketing Middle East and Africa

- BSc in Business Administration (Yarmouk University)
- Over 22 years experience in strategic business planning, finance, operations, sales and marketing

GROUP OPERATIONS REVIEW 2012

Exploring New Grounds

2012 was a year of new innovations, new partnerships, new marketing campaigns and new styles of presenting our brands and products to discerning consumers worldwide. 2012 was also a year full of new challenges, new difficulties and new opportunities as our main market, Europe were still faced with economic uncertainties and financial crisis. Throughout the year, the Group strived to solve and mitigate issues through consolidated efforts from our staff and immense support from our stakeholders. The Group continues to adhere to our 3 strategies for long term growth as we concentrate on pushing the barriers for product innovations and brand awareness for both Pelikan and Herlitz.

GROUP CORPORATE SERVICES

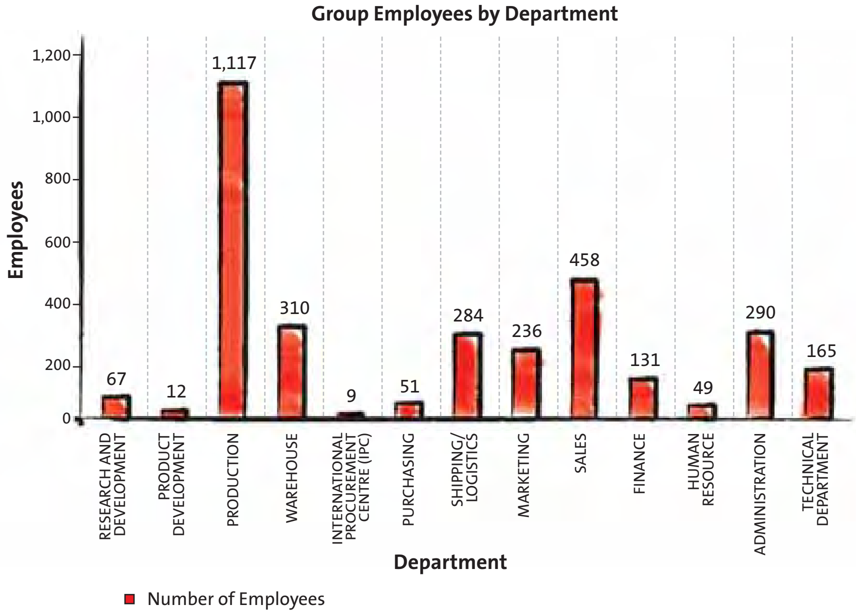
Corporate Planning

On 29 March 2012, Herlitz PBS, a 70.92% indirectly owned subsidiary of Pelikan International via Herlitz AG, has disposed its subsidiaries Falken Office Products, Herlitz UK and Delmet Prod Srl (colletively "Falken Group") to Biella Deutschland GmbH ("Biella") and Donau-Design GmbH ("Donau") for a cash consideration of EUR22.23 million. The business strategy for Herlitz Group was to concentrate its activities on developing and expanding the branded business of Herlitz with high quality products and to strengthen the cooperation with Pelikan Group's companies in order to become the leading supplier of branded stationery in Europe. The disposed companies were manufacturing majoritily for private label businesses which generated lower margins, hence the supply requirements of the Group from the divested manufacturing plants are currently sourced from the purchaser and other external suppliers.

The Board of Directors of Pelikan International announced a proposal for the delisting of Pelikan Holding AG ("PHAG"), a 93.89% directly owned subsidiary of Pelikan International, from the Swiss Stock Exchange ("SIX") which was approved by shareholders during the Annual General Meeting of PHAG on 21 June 2012.

Human Resource and Employees

As of year-end 2012, Pelikan Group had a total headcount of 3,179 employees (2011: 3,776), a decline of 15.8%. Almost 72% of the Group's employees work in Europe, 19% in Latin America region, and remaining 9% in our Asia and Middle East offices. About 35.1% of the staff or 1,117 people were hired in the Group Production department, followed by 458 staff in sales (14.4%) and 310 staff in warehousing (9.8%). The overall reduction in headcount was because of the restructuring exercises in 2012 which also included divestment of several business units and cessation of certain product lines. The restructuring exercise also resulted in certain departments merged and employees shuffled according to job functions in order to achieve efficiency and accommodate potential changes. In order to retain and maintain the right level of workforce, the Group ensures that our staff are continuously trained and qualified to meet the demands of their employment while providing them with a healthy and competitive environment to excel and perform in their profession. The Group also continuously motivates its workers by conducting various knowledge and skills trainings at regional and country level by heads of departments to further develop their potentials and capabilities in their careers.



GROUP PRODUCTION, PRODUCT DEVELOPMENT AND RESEARCH AND DEVELOPMENT ("R&D")

Currently, the Group has 10 manufacturing plants and 1,196 manufacturing related employees worldwide. The main production facility in Vöhrum, Germany, is manufacturing the FWI and school stationery, hobby and writing instruments. The plants in Mexico and Colombia manufacture school and office stationery for local and export markets within the region, where else the plants in China, Malaysia, Scotland, Czech Republic and Switzerland are primarily producing printer supplies such as toner power, toner and inkjet cartridges, ribbons and other accessories. Herlitz Group has two plants: Poland and Germany whereby products such as notebooks and greeting cards are manufactured.

In 2012, Group Production started a restructuring programme in March aimed to reduce complexities of production, to concentrate on core competencies and production units, and to increase competitiveness and efficiency in order to create an economical and sustainable setup for the future. The restructuring programme started with its execution and implementation in the Vöhrum, Germany plant and subsequently trickled into the other factories around Europe. Nearly all kinds of expenses such as personnel, material and operational were reduced and the headcount of production related directly and indirectly were adjusted to the level of utilisation as a result of the restructuring programme. Overall, personnel were reduced and for the remaining employees, especially those with new functions, a qualification and training programme were implemented.

For the printer supply manufacturing facilities, the core strategy consisted of a consolidation of the printer supplies business into 3 focus areas. As well as transferring the refill production from the plant in Kyjov, Czech Republic, the inkjet cartridges business was entirely transferred from the plant in Wetzikon, Switzerland to Glenmarie, Malaysia. With inkjet R&D training for employees in the Glenmarie plant, it has taken over all the functions transferred and began full operations by first half of 2012. The function of the Wetzikon plant is now a service centre for new inkjet cartridge products supporting the plants in Czech Republic and Malaysia while the R&D centre in Wetzikon plant was downsized to focus on the toner business. The remaining team also embarked on a stock level reduction programme and built on its service concepts to customers with an objective to absorb an expected increase of stock-keeping unit ("SKU") by simultaneously reducing overall level of stock. Essentially, the restructuring programme resulted in turning the production plant in Switzerland into a sales division of the Group while reducing its group service functions into R&D and IP (intellectual property) Services.

With focus on its toner powder and remanufacturing operations, the plant in Wetzikon, Switzerland further expanded its industrial sales business with laser toner cartridges into commercial, business-to-business channels targeting private labels products. The Group dedicated a European sales team to serve international key accounts such as office supplies wholesalers. Pelikan Industrial Sales focused further on development and production of coloured toner powder made in Mönchaltorf plant for the recycling industry worldwide.

The strategy for the production plant in Puebla, Mexico was to increase production capacities as well as to improve cost reduction in the school assortment and ink production. In 2012, the production improved operations in the form of savings of USD289,000. The production team focused on developing chemical formulations for new products such as PVC free erases, modelling clay, and liquid silicone in order to optimise costs through new raw materials and better pricing. The production team also sourced for injection moulds and spare parts from more reliable suppliers to increase productivity in eraser making, and optimised water and energy consumption. The plant also had an average raw material cost reduction of 2.04%.

All of Pelikan's production plants and locations were recertified in the ISO 9001 and ISO 14001 management systems by the Swiss Certification Institute ("SGS" SOCIETE GENERALE DE SURVEILLANCE SA) as a multisite assessment in 2012. In relation to health, safety and environmental standards, Group Production set high objectives and goals for every plant. Yearly risk assessment and instructions for all work places are conducted. Among the initiatives for promoting health, safety and environmental-friendly awareness were skin protection campaign for workers at the plant, waste separation and recycling of paper, plastic, cardboard, wood, etc, reducing power and water consumption, using renewable energy for plant heating, using energy efficient company cars, and Pelikan Sports Club benefits offered in Switzerland. In the Wetzikon plant, about 18% of water consumption has been reduced for toner powder production compared to the previous year.

Product Development and R&D

In 2012, Pelikan Group made a RM12.78 million (2011: RM20.16 million) investment in R&D of new products. In the Vöhrum, Germany, the manufacturing facility invested EUR1.80 million in R&D and purchased a new tablet press and handling system and a 3-axis handling system, where else in Kyjov, Czech Republic a new drum mounting machine which enabled the plant to efficiently reuse and reassemble used OPC parts for toner modules was installed. In Puebla, Mexico, a total of USD344,000 was invested in R&D of new products and purchase of new machineries. These included a machinery and rolls for flexible packaging, 6 injection moulds and tools for sharpeners and 4 moulds for water colours, a production system for water based silicone and the development, design, production and installation of an extruder system for PVC free erasers.

As a result of the restructuring programme, the R&D and technology centre in Wetzikon, Switzerland was scaled down to toner powder and inkjet R&D. In Mexico, the strategy for the R&D and product development department was to focus on the development of formulations in order to optimise costs through new raw materials and prices. The R&D team worked on the development of formulations for few products such as modelling clay, plastic erasers, PVC free erasers, and liquid silicone. The R&D staff also worked on redesigning the Watercolour Master, Watercolour Junior and Aquafluid cap products, as well as flexible packaging and development of tips for water-based markers. They have also begun to develop new products for 2013.

Though the Group released many new products in 2012, the main R&D focus projects were completely new "true" products with new concepts that needed to be developed thoroughly. Together with the Product Development team and the product managers, the R&D team worked on these products that were realised from ideas based on consumer insights and market trends with a focus on the inspired target users. By focusing on less but quality projects, the Group was able to achieve higher impact on sales and profitablity. The Group also improved on the New Product Stage Gate process by driving the projects based on clear financial and stategical key performance index in order to become more effective. The result was a strong product pipeline 2012 which will continue into 2013 and beyond. With no major project cancellations or delays, the overall performance of delivering products to the market on time was significantly improved compared to previous years. Nearly all launches were on time and some were ahead of schedule, allowing more products to be launched in the coming year.

School products contributed RM378.13 million or 23.62% of the Group's revenue last year. Across Europe , the new th.INK fountain pens and ball point pens for the youth of 14 – 18 years of age were launched successfully. The outstanding design with ergonomical features fits the target group's tastes and opened new opportunities for Pelikan. Using Facebook, youngsters were invited to an online challenge of tracing and collecting points by reaching the finish line on a New York City street map quickly and precisely. The winner was awarded a trip to New York and several Pelikan products. Another important product for Pelikan school range was the paint box K12 for school kids, as well as the Pelikano fountain pens and roller ball pens, griffix®, ink cartridges, ink eradicators and opaque watercolours. For Herlitz, the successful products were the my.pen style roller ball, Smiley World series and new school bags designs for 2012 due to their special design and product features.

KEY PRODUCTS

PELIKAN

th.INK youth writing instruments

The th.INK lifestyle writing instruments offer a soft, ergonomic grasping area for long and relaxed writing. th.INK fountain pens and ballpoint pens are made for right- and left-handed writing. The impressive design in trendy colour combinations with violet and black together with soft grip zone and triangular shaft targets the design oriented 14 – 18 year olds.

Pelikano Black and Pelikano Transparent

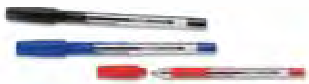
With an attractive design, soft grip zone, shiny black surface and excellent writing performance, the Pelikano Black fountain pen and roller ball pen are modern youth writing instruments. Also launched is the Pelikano Transparent fountain pen with all components made of top clear view material, with transparent optic fitting perfectly in trend.

No.mistake and Agent Blue ink eradicators

These stylish ink eradicators are complements to the new youth writing instruments: No.mistake for Pelikano Black and Agent Blue for th.INK!

Stick Pro

Pelikan Stick Pro is an upgraded version of Pelikan's very successful Stick Pen sold worldwide. Stick Pro is equipped with a rubberised grip zone. Its sporty and dynamic design makes it a unique product in the range of low priced writing instruments. Pelikan Stick Pro was awarded the "Red Dot Design Award" for 2012.

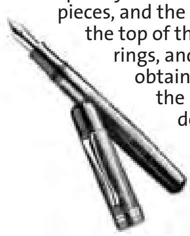


Finger paints in flexible bottles

These finger paints in new squeezy polybag style is a great way to stimulate the creative minds of young kids. Washable paint in attractive colours, kids can now paint with their fingers, hands and feet onto paper cardboard, wood, fabric, ceramics and others.

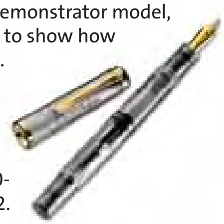
Special Edition M101N 'Lizard'

The M101N Lizard is based on a historical model that dates back to 1937. While it keeps the traditional fountain pen shape, it has been adapted to today's modern standard of fountain pen manufacturing. The patterned barrel and the cap of this fountain pen are made of cellulose acetate with a completely smooth surface. High quality resin was used for the black pieces, and the Pelikan logo is engraved in the traditional manner at the top of the cap. The precious metal palladium covers the clip and rings, and the 14 carat gold nib was completely rhodinized to obtain a corresponding silver effect. For this Special Edition, the packaging was adapted so that it fits to the lizard design on the fountain pen. This much-awaited fountain pen will be available in a limited quantity starting December 2012, just in time for Pelikan's 175th anniversary in 2013.



Special Edition M200 Demonstrator

When Pelikan registered the patent for the differential piston mechanism in 1929, nobody knew that the same technique would survive for decades. To this day, only a few small changes have perfected the piston mechanism, and the Demonstrator model, first introduced in a different size to show how it works, became a global success. Technically minded people are fascinated to see the mechanism in action "every time they refill their fountain pen" . . . and so Pelikan decided to launch the 200-model as a Special Edition in 2012.



Maki-e 'Mount Fuji & Cranes', 'Gingko & Maple Leaves'

The new Maki-e 'Mount Fuji and Cranes' features intensively colored motifs, which are elaborately applied to the shaft. Three flying cranes, which symbolise luck and longevity, glide elegantly in front of the impressive Mount Fuji, which is shrouded in cloud. Enchanting cherry blossoms complete this magnificent work. On the other hand, the fountain pen 'Ginko & Maple Leaves' depicts the traditional autumn motifs of Japan – glittering leaves that look as if they have just twirled from the tree in the first autumn wind, with golden splashes of colour that represent this magnificent season and its warm sunlight at its best. As an exclusive mark, the Maki-e Master not only hand-paints each Pelikan logo on the pen's crown but also the pen's limited edition number as well as his signature on the barrel.

HERLITZ

Easy orga to go

Working on the go made easy! Featuring ring binders, document folders and boxes as well as wallet folders, the new PP organisational assortment easy orga to go guarantees you'll make a professional impression wherever you go. Organise large and small documents in the blink of an eye. The products' light, high quality material ensures optimal document protection. The stylistic office ensemble is available in eight colours – the perfect match for all business looks.

Ladylike

The new, playful designer series for trendy woman offers everything a woman's heart desires, from patchwork look to vintage styles. Thanks to hot, floral designs, chic LADYLIKE articles provide ladies with the perfect accessories to charmingly and elegantly complement their stylish offices and also fit in with their favourite items in the attractively decorated homes. The range features 11 elegantly designed products. The products' floral writing pads provide plenty of room to take down important notes. Stylish folders, magazine files and ring binders make organising easy. The fashionable series consists of elegantly designed pencil cases; protective, easy to open wallet folders made from dirt and water repellent PP materials and strong XL storage boxes made from stable, high quality cardboard. The ladies will be overwhelmed by all these choices!

Montana

The successful Montana office series keeps things looking stylish. High quality and an elegant design make these products into strong business partners. Silky black, dark blue and modern brown quickly provide desks and shelves with class and a sense of professionalism and will enthuse businessmen and women as well as trendy students!

School Bags 2012

Herlitz's high-quality 2012 school bag collection is the perfect school companion for young and old explorers. Herlitz has the perfect bag for each age group, from the premium 'Flexi' model and the 'Midi' younger brother to the kindergarten 'Mini Softbag' model. Top design, quality, carrying comfort and safety equally convince kids, parents and teachers of this first-class school bag collection. The new school bag models are presented true to style by adventurous kids at the point of sales and on Herlitz's website. Under the motto "Platz für Deine Abenteuer!" (Space for your adventures!), girls and boys communicate their dreams of new and exciting adventures at school!

Smiley World

SmileyWorld – the crazy smileys are everywhere. The latest SmileyWorld licence in collaboration with Herlitz is putting a large grin on people's faces in more than 100 countries worldwide. The sun shines every day of the year with Herlitz's laughing smiley designs. Herlitz has placed the cheeky yellow faces on products such as folders, exercise books and writing pads as well as backpacks, pencil pouches and sharpeners for all smiley fans. These products put a smile on anyone's face.

Office stationery represents the highest sales driver for the Group with RM638.34 million or 39.87% of total revenue. Among the successful products was the liquid glue assortment under the sub-brand Peligom sold exclusively in Turkey, which had a 8% turnover increase compared to 2011. The Stick Pro ballpoint pen launched in Europe (known as Tango in Latin America) was also very successful with supporting marketing visuals and promotional materials bearing the slogan "Writes quicker than you think!". Herlitz' easy orga to go organisational assortment were best sellers as the new products' light and high quality materials comes in a eight bright colours that matches stylish office space.

Sales for FWI was RM65.92 million or 4.12% of the Group's total revenue, a slight dip due to the decline in global luxury market demand. A total of 15 new products were launched last year of which a few masterpieces garnered international awards and honours. The stellar products launched were the Special Edition M101N 'Lizard', Special Edition M200 Demonstrator, which was very successful in the Japanese and USA markets, and the Porsche Design Laserflex P'3115.

Printer consumables declined in sales last year with only RM281.63 million or 17.59% of the Group's turnover as the product group was faced with multiple challenges such as a shift of consumer buying patterns from retail shops to online stores, and the decline in purchases by mega stores that were facing financial difficulties. Altogether there were 97 new product launches across the printer consumables range. Of the new products launched, the HP 364 XL inkjet cartridges used in a huge number of HP inkjet printers did well as the markets were anticipating for the launch, as well as new colour toner cartridges used in most laser printers.

GROUP PROCUREMENT

Based in Malaysia and Germany, the strategies for International Procurement Centre ("IPC") are to support regional product development projects for new markets, maintain competitiveness in terms of quality, price and service levels to support sales and marketing effort, and to maintain and/or minimise costings. In 2012, the IPC team of 9 staff emphasised on enhancing product knowledge and shorten overall turnaround time for sourcing activities, consolidating global demands and requests to mitigate cost impacts, and expediting customers' orders pro-actively. IPC handled 88 projects across multiple product categories and different sales regions, an increase of 29 compared to previous year. Overall, IPC managed to increase USD2 million annual sales to USD20 million last year despite the challenging global economic conditions and slowdown in European sales. There were huge costs and price volatilities faced in procuring raw materials and semi-finished goods. The costs of raw materials increased overall in 2012 but IPC managed to achieve cost down through consolidation of global order quantities. There were 16 cost saving projects across the product categories and regions undertaken in 2012.

Last year, there were 63 active suppliers, a decrease of 17.1% (2011: 76) due to streamlining of product purchases and discontinuation of certain products such as the Geha presentation equipments. These suppliers are audited annually through the Group's Supplier Assessment programme as well as factory audits conducted by the team. To the best of the Group's knowledge, IPC enforces strict policies for its audited suppliers through its "Code of Ethics" as the Group does not tolerate forced or child labour involved or any other violation towards human rights. Each supplier is required to conform to the European protection laws and they need to ensure that materials purchased and used do not contravene such laws. Moving forward in 2013, IPC will continue strengthening its position as a global procurement base for the Group and build its reputation amongst its suppliers worldwide. IPC will also continue its strategies and focus to source for better quality products at the right price while achieving better costings for current and new products. IPC will be exploring into other low cost manufacturing countries such as India and other ASEAN countries to outsource its product needs.

GROUP COMMUNICATIONS

The product management team works together with the sales and marketing teams in regional and country levels to work on a common themed and synchronised marketing campaign in order to communicate a universal message to all consumers worldwide. As school segment remains our most important product group for all markets, the Group embarks on a major "Back to School" campaign annually that is carried out from second quarter onwards till the season is over in both Europe and Latin America regions. In 2012, the Group launched a European wide campaign for its "Back to School" season entitled "Live your dream" that was rolled out simultaneously in 11 countries. The campaign was so well marketed and received that Latin America also adopted the campaign and introduced it throughout its region during their "Back to School" season. For every new product that the Group launches, such as the th.INK fountain pen and ball point pen, the Group also launches accompanied promotional materials to be used for marketing campaigns in all markets. However, the impact of the marketing and promotions for new products are not as significant as during the "Back to School" season, hence the Group

has concentrated more effort to publicise and increase awareness of new products through its "Back to School" campaign which reaches out to a larger consumer base. Read about Pelikan's "Back to School" campaign on page 32.

Upholding the brand image with FWI is important for Pelikan as the brand has established itself as one of the most prestigious and high quality writing instruments manufacturer in the world. The Group ensures that our FWI are made in Germany where the heritage and craftsmanship of every pen lies. Marketing and promotional activities on FWI are conducted on a global basis with all markets adopting the same advertising and promotional materials. With the launch of every new product, FWI publishes promotional materials in German and English for use in all markets in order to minimise costs, time and effort. Unlike the seasonal school business, FWI targets the gift market as well as seasonal and festival holidays such as Christmas, Valentine's Day, Graduation Day and many more. The latest marketing effort to promote Maki-e pens was the online auction that was orchestrated to allow pen lovers from all over the world to bid for the 15 pieces of Unique Collection through the Pelikan's FWI website. The online auction was successful in capturing the attention of pen lovers and the participation of dealers worldwide because of the effective marketing strategies carried out by local sales and marketing representatives. On a global level, the Group utilised social media and internet advertising to increase awareness of the campaign. More about the Maki-e Unique Collection online auction can be found on pages 34 to 35. The Group hopes to continue improving the marketing and advertising campaigns for FWI to enhance the brand image and awareness across the globe.

Herlitz had a "Back to School" campaign called "Rock your school" which had a similar style but yet different feel of marketing campaign with Pelikan featuring its key school stationery assortment. More about its "Rock your school" campaign can be read on page 33. Herlitz also introduced a promotional campaign called the "NR.1-DEAL" which allowed every customer to win something. Herlitz products such as maX.file, easy

orga to go and x.book contained a winning code that could be redeemed for great prizes at a specially created microsite www.number1deal.eu. These NR.1-DEAL products have been on the shelves in Germany and 13 other European countries from November to end December 2012.

In the third quarter of 2012, the Group introduced a new social media setup to offer our consumers worldwide a credible and more interactive brand communication. All the social media efforts will portray a personal and warm communication style that fits the Pelikan brand positioning. With a broad variety of brand and product related content, the Group wants to encourage Pelikan fans to interact with us and to share our messages. As the Group intended the messages to spread virally from the beginning, the Group ensures to always reach new users with our content. The results have been very encouraging as within a short period of time, Pelikan on Facebook has generated more than 100,000 likes and its pages have garnered views of nearly 500,000 people. Conversely, social media serves as an ideal platform for product launch campaigns such as the th.INK fountain pens and ball point pens. Within these campaigns, Pelikan was able to leverage its social contacts and reach to our fans worldwide within a small budget. In this respect, the Facebook page of Pelikan International has continuously attracted fans from around the world mostly from the USA, Asia and Middle East regions. The fans of Pelikan International show great interaction and response and therefore helped to make the community grow over time. Additionally, there was a growing number of fans from emerging countries such as Brazil and India. The Group hopes to expand and develop better content for use in the global and local country level of social media to spread brand and product awareness to all our fans.

LIVE YOUR DREAM

"Live your dream" campaign was the theme for Pelikan's "Back to School" season promotion in 2012 that was rolled out in 11 countries throughout Europe for six months. The concept was simple – children were asked to present their dream job in the most creative way possible, either by going to the website or through writing and drawings. The idea of this campaign came about from the children's eagerness to realise their dream job. Pelikan felt that it was something that should be encouraged and so "Live your dream" campaign was introduced. The campaign was also introduced and adapted locally in Latin America and Middle East.

PRESENTING THE DREAM

Dream job creation

Children can create a picture description of their dream jobs by using the 'Job creation machine' on the Pelikan Kids website (www.pelikan.com/kids). The picture will then be included in the photo gallery on the website, alongside all the other submissions through the 'Job creation machine'. They can also draw the pictures themselves and mail the picture to Pelikan to be included in the gallery.

Q&A

Children can also opt to present their dream jobs by answering questions either through the Pelikan Kids website or flyers distributed at Pelikan's participating point of sales.

To encourage children to take part in the "Dream job creation" and the Q&A, their submissions automatically counted as an entry for "Live your dream" raffle where they stand a chance to win great prizes.

TEACHERS' HELP

Teachers' Help is a segment in the "Live your dream" campaign where Pelikan prepared contents for school lesson. The contents required students to do a research on their dream jobs and learn about other aspects of working life. Teachers' Help is accessible through Pelikan's Teacher's Info Portal.

"LIVE YOUR DREAM" IN NUMBERS

140,000 visited the Pelikan Kids website.

17,000 children presented their dream jobs.

3,500 created picture descriptions of their dream jobs and submitted to the gallery.

2,000 teachers used Teachers' Help for school-lessons.

Worldwide adaptation – 11 countries in Europe adopted the campaign. Key visuals and messages were used in Latin America and Middle East.

Rock your school!

"Rock your school" was the theme for Herlitz's "Back to School" campaign in 2012. The campaign was promoted in Europe and combined online promotion and a strong visual presence at the point of sales. The campaign's objective was to deliver a fresh "Back to School" campaign that promotes Herlitz new products and at the same time increase Herlitz's social media activities among the young target group.

For the online promotion, "Rock your school" game was introduced through Herlitz website and Herlitz Facebook. The game was available until the end of September 2012. At the point of sales, the "Rock your school" campaign was supported by many attractive promotional materials such as attractive product displays, posters, the exclusive "Rock your school" time-table and many others.

THE "ROCK YOUR SCHOOL" GAME

The goal of the game is to maneuver 'Tom', the main character, through a school day. The game has five levels and the difficulty increases with each level. Other than overcoming obstacle and enemies, players must collect as many Herlitz products as possible to increase their points tally.

Winners are selected weekly. The prizes include Herlitz products sets (my.pen family and Smiley World range) and EVENTIM voucher (Europe's renowned ticketing provider).

PRODUCTS PROMOTED

The products below were some of the products promoted through the "Rock your school" campaign:

- **x.book**
- **easy orga**
- **Smiley World**
- **my.pen**
- **schoolbags**
- **pouches**

Maki-e UNIQUE COLLECTION ONLINE AUCTION

In October 2012, for the first time ever, Pelikan organised a worldwide online auction for its Maki-e Unique Collection fountain pens. The auction was done through a special webpage that was created specifically for this auction, www.pelikan.com/auction. The online auction allowed collectors from all over the world to bid for a truly Unique Collection: the collector can choose from one of the eleven Maki-e fountain pens and a set of four pens, the Chinkin Four Seasons, which can only be bought as a unit. Overall, 110 pen collectors registered through Pelikan's global authorised Maki-e dealers to bid for the Unique Collection that was auctioned off, one after another on consecutive days, starting in October 2012 and lasting for a month.

The online auction attracted a lot of attention and created excitement among fine writing instruments enthusiasts and the online community. Specialised fine writing instruments forums on the internet were abuzz with news and information about the auction and the Unique Collection. The extensive promotion posted on Pelikan's Facebook page was a huge success. The postings featuring the Unique Collection received a high amount of 'likes'.

In December 2012, the online auction for Maki-e Unique Collection received the coveted World Luxury Award Finalist Certificate in the Design and Accessories category, placing it in the company of many other top luxury brands in the world.

THE UNIQUE COLLECTION

The Maki-e Unique Collection fountain pens are unique pieces – there is only one pen for each Unique Collection design. Pelikan guarantees that the motifs for these fountain pens have never been used on other pens and never will be turned into a Pelikan series. Four renowned Maki-e artists created the 15 unique pieces, and every fountain pen of the Unique Collection was signed by the artist himself. As a sign that these pens belong to the Unique Collection, the artists have drawn the special "Kao" sign in red below the signature of the artists on the barrel of the fountain pen.

Maki-e is the art of Japanese lacquer painting and is renowned for its beauty and artistry. In the process, the artist decorates the fountain pen with a multitude of lacquer layers as well as silver and gold dust. Each step is followed by meticulous polishing till the piece of art is completed. It takes decades of intensive training before an artist can accomplish a perfect Maki-e painting and that's why there are only a handful of masters of this art.

EUROPE

Germany
RM927.66million –
57.94% of Group's revenue

Pelikan Germany faced a challenging year as the market shrank due to lower economic activities, consumer spending and student population. Pelikan Germany recorded lower sales due to various factors including change in the buying behaviour of consumers from brick channels to the online stores for printer consumables resulting in loss of sales, dealers reverting to private label brands for their school and office assortment, as well as declining school market by 2.5% resulting in lower demand for school stationery. However, as school and education remained the main strategy for growth, majority of efforts in sales and marketing targeted new school product launches and the "Back to School" campaign. The th.INK youth writing instrument was launched using social media as platform to advertise and promote the product amongst the 14 – 18 years old. The sell-in of th.INK along with other new products such as the ink eradicator No Mistake and Pelikano black fountain pen and rollerball pen were successful due to strong distribution networks and brand awareness within Europe. Pelikan Germany also defended its market share of opaque paint box K12 and ink eradicators against competitors and cheaper imports. The successful "Live your dream" "Back to School" campaign in Germany strengthened its brand awareness and promoted its core product assortment to all students and teachers. In the FWI segment, the declining consumer demand for high end writing instruments affected our sales and lower revenue was achieved.

Switzerland
RM103.76 million –
6.48% of Group's revenue

Pelikan Switzerland focused on developing a larger network for its distribution such as online stores and commercial channels for printer consumables by partnering with online dealers, developing sales incentives and targets for the sales team of new distributors, and improved cooperation and activities with distributors such as distribution of 10,000 Pelikan printer consumable flyers to each shipped customer parcel. For Pelikan branded products, Pelikan Switzerland concentrated on the development of the Herlitz and Porsche Design brand while successfully launching the European wide "Back to School" campaign "Live your dream" along with the new products of th.INK youth writing instruments, school bags, rucksacks and license series SmileyWorld for Herlitz, and the new writing tools P'3110 black, P'3140 black and Laserflex of Porsche Design.

Italy
RM40.10 million –
2.5% of Group's revenue

Faced with lower consumer spending, rising unemployment and fierce market competition, Pelikan Italy's revenue declined last year by 16.8% (2011: RM48.18 million). In 2012, the focus was on expanding distribution and engaging with new business partners to ensure that new Pelikan

and Herlitz products were introduced, regardless of the shrinking and challenging market situation. Pelikan Italy focused on strengthening the brand in mass market channels which represents the most effective distribution for a wider consumer audience. Pelikan Italy also focused on supporting traditional trade distributors with new proposals and initiatives, for example a wider selection of FWI including Porsche Design's new writing tools as gifts for the Christmas season. Overall, the results were still lower than previous year because of negative traditional trade performance and slow down of printer consumables sales in mass market channels in which the local brands were price aggressive. Marketing wise, Pelikan Italy adopted and carried out the "Live your dream" campaign with supporting visuals and displays at key point of sales which were well received by children and parents. For FWI, the new limited edition Maki-es and Special Edition M101N 'Lizard' were successfully launched in the market.

Rest of Europe
RM266.31 million –
16.63% of Group's revenue

France

Pelikan France's revenue declined due to loss of some tender businesses. Primarily a strong market for printer consumables, Pelikan France focused on developing commercial channels for printer consumable products while expanding the listings for Pelikan school and office assortment. Despite the challenging market, Pelikan France worked with online distributor such as Amazon to build its e-commerce business for printer consumables and developed its customer service to assist the trade and end users who are not familiar with compatible products. The listing with Amazon.fr comprised of 70 over products in the school and inkjet cartridges range. In order to improve sales of printer consumables, Pelikan France teamed up with a specialist of printer maintenance by offering companies a cheaper, flexible and simple solution to optimise their printing and minimise expenses. The smart cost per page solution is available for all branded printers and gave companies a clear budget as they pay what they have printed. In order to communicate this new offer, Pelikan France advertised on print and online throughout the year as well as participated in the more important IT distribution trade fare "IT Partners". Pelikan France also promoted toner cartridges by rewarding dealers a Porsche Design Shake pen for every 10 Pelikan toner cartridges bought in order to motivate dealers to promote Pelikan products. For the school market, Pelikan France participated in the "Live your dream" campaign and delivered "Back to School" promotional brochures to over 1,500 distributors resulting in high volume of orders for the season. The team participated in many fairs of the main wholesalers to promote and advocate Pelikan's new school and office products. Pelikan France was proud that two of Pelikan's FWI masterpieces received the *Trophée du Stylographe* prestigious award: Special Edition Classic 200 Demonstrator for "Writing Instrument for Daily Use" and Porsche Design P'3115 Laserflex for "Best Design Writing Intsrument".

Belux

The European economic crisis affected negatively the consumer spending levels in Belgium, Luxemburg, and The Netherlands. According to GFK figures, the Belgian stationery market declined by 1.7% and commercial channels sales were down by 8.2%. However, Pelikan in Belgium managed to outperform the market with a stable turnover. The decrease in turnover in the traditional trade was offset by successful displays with blistered packaging leading to turnover increases at all major distribution accounts including new customers. In 2012, Pelikan Belux integrated the operational activities of Herlitz Benelux B.V. after absorbing the customer base of Herlitz in March. The launch of the Herlitz brand took place at the bi-yearly exhibition 'PaperShow', which was held in the first week of March in Leuven. The successful display of the brands Herlitz and Susy Card as well as the "NR.1-DEAL" promotion during the exhibition was the basis for the trade listings in 2012 and 2013. With the successful integration of all customers, Pelikan Belux set out to outline new sales and marketing plans for the integration of the Pelikan, Herliz and Susy Card brands in the Benelux markets. Looking forward, the continuous efforts of Pelikan Belux with focus on improved customer service, clear sales and marketing plans for the customers and intensified integration of the complete brand school and office portfolios, will assist in paving the way to a successful future.

Greece

In 2012, Pelikan Greece experienced another challenging year as the financial crisis worsen resulting in major cutbacks in expenses from public and private sectors, reduced purchasing power and consumption demand, and price competition among others. As such, Pelikan Greece performed less than budget mainly because the Greek stationery market shrank by 30% and retail demand fell by 30-40%. The major loss in turnover was also attributed to bankruptcies by big customers and stopped deliveries to 187 blacklisted customers to reduce bad debts. Nonetheless, Pelikan Greece continued to develop the brand and marketing strategy for Pelikan particularly school products with many new products launched. In May 2012, Pelikan Greece introduced

Herlitz products and Susy Card assortment in the market with success and promising prospects. The team also used the economic crisis as an opportunity to expand listings for printer consumables which had steady growth in sales despite cost saving programmes implemented throughout the public and private sectors. FWI and Porsche Design writing instruments performed poorly due to the financial crisis as expected and Pelikan Greece did not launch all the new products in the market. As with other European countries, Pelikan Greece participated in the "Live your dream" "Back to School" campaign and advertised in special guide leaflets distributed to all private and public schools along with other promotional activities such as product promotions and point-of-sales displays throughout its mass market channels. Pelikan Greece also participated in school fests, sponsorship for social responsibility projects, cooperated with a children books publication house that visited schools, and implemented the Teachers' Portal for the Greek market. In addition, Pelikan Greece teamed up with ELIN gas stations for a promotion on Stick Pro ballpoint pens. For Herlitz, new listings in new channels were achieved with the Herlitz and Susy Card assortment. Overall, there were positive responses from the consumers and trade with regards to the marketing and promotional activities.

Sweden/Nordic

Pelikan Nordic's turnover was down from previous year due to lower printer consumables sales by 22% as a result of the price competitiveness of compatibles in the market. Nonetheless, turnover for school and office products increased by 58%, hence the strategy for the team was to maintain printer consumables market shares while boosting the sales and marketing efforts for stationery assortment. Pelikan Nordic managed to enlist a new distributor "b.n.t. Scandinavia" in the region for all Pelikan products sans FWI, and hopes to increase the distribution channels for all products in the coming year.

Spain & Portugal

Pelikan Spain had a less than stellar year due to its shrinking economy and declining consumer consumption. The loss in revenue was due to the lower purchases from its biggest distributor for Pelikan Spain. Pelikan in Portugal performed better despite the harsh economic climate because of strong sales from a new distributor. Pelikan Spain focused on stationery, printer consumables and FWI business while introducing and growing the Herlitz brand and products. New launches such as the liquid glue was a huge success in the market while the new FWI novelties including the Porsche Design writing tools were well received by the dealers. As for Herlitz, the design and license series products particularly the pencil pouches and files complimented the Pelikan range of school assortment and were widely accepted by the trade in Spain. The team is optimistic that they are able to introduce a wider range of designs by Herlitz in the coming year. Pelikan Spain continued to advertise and publicise the brand and new products in magazines as well as participated in the annual educational fair Interdidac held in Barcelona last March. Pelikan Spain also organised the "Live your dream" "Back to School" campaign by displaying point of sales materials such as the new compact system Maxiflex, distributing brochures to schools and dealers, and holding special promotions in conjunction with the "Back to School" sales with the support of trade partners.

Turkey

Through the distributor, Pelikan Turkey focused on strengthening distribution while expanding the product range to accommodate the requirements of the market. For Pelikan's school and office supplies as well as FWI, Pelikan Turkey focused on retailers while for printer consumables, the team targeted corporate customers to boost sales. The biggest challenge last year was the increase in collection period which has increased to 12 – 18 months. The team also faced competition in the market with other stationery brands that were price aggressive and had bigger promotional and marketing budgets targeted at end consumers. Similarly with Pelikan printer

consumables, the team made efforts to establish Pelikan in a price and brand position between the OEMs and other compatibles as the corporate customers had high expectations on the Pelikan brand. One of Pelikan Turkey's biggest customers performed poorly last year, resulting in low sales from the distributor and hence, the team embarked on e-commerce alternatives to generate more revenue. In 2012, the Group had many new and innovative products launched in the market such as the successful Peligom solvent free glue and the nonstop pencils. The new HP toner cartridges were also successful as the market had been anticipating the launch. Marketing and promotional activities wise, the team had to build overall brand awareness among the new generation of children who are not familiar with the brands. Pelikan Turkey participated in many stationery fairs for wholesalers, organised several marketing activities with business partners as well as visited schools to carry out product demonstrations with students to generate brand and product awareness.

AMERICAS

RM196.69 million –
12.3% of Group's revenue

Pelikan Americas, which comprises of subsidiaries in Mexico, Colombia and Argentina, fared better in 2012 with an increase in revenue of 7.7% (2011: RM182.65 million). The sales growth results were positive in Argentina, Haiti, Bolivia, Venezuela, Peru, Uruguay and Central America while growth was slower in Chile and Ecuador. Nonetheless, the successful

implementation of its sales and marketing strategies paved way to higher growth in the region, which represents 12.3% of the Group's total revenue. As with 2011, Pelikan Americas implemented its "360°" communication strategy to build brand awareness amongst its end users. The challenge was to create a push and pull effort with the market by continuously rotating the inventories in the distribution channel and generate demand for Pelikan products and brand. Pelikan Americas also adopted the international "Live your dream" campaign during its "Back to School" season with supporting television campaign on the Disney Channel, Disney Junior, Disney XD and Discovery Kids carried out in the region. Other related marketing activities were social media advertising on Facebook and Pelikan microsites. Pelikan Americas continued to promote new products to teachers and pupils via visitations to thousands of schools as well as subsequent Pelikan displays at point of sales as part of its trade marketing plan to support sales. By implementing the visitation to many private and public schools in the region which has included the Pelikan brand of products on its school to-buy lists, parents and teachers have frequently asked for our products in retail shops. The results have been very promising and the

team will continue to put its efforts into building brand and product awareness through education channels. Distribution wise, Pelikan Americas have changed distributors in Uruguay, Paraguay and Peru while have begun sales of FWI and printer supplies through new distribution channels in Central America. With double digit sales growth in mind, Pelikan Americas aims to increase demand and value of the brand while focusing on building a distribution network to reach more end users.

ASIA, MIDDLE EAST & AFRICA

RM66.69 million –
4.1% of Group's revenue

Japan

Pelikan Japan focuses solely on distributing and marketing fine writing instruments, which is a niche but high value market. The strategy in Japan is not to compete with local stationers and manufacturers in the school and office assortment as the market is too fragmented and dominated by domestic Japanese brands. Pelikan's market share in Japan is estimated to be number 2 following Mont Blanc's. Turnover for Pelikan Japan in 2012 was slightly less than budgeted due to the closure of Porsche Design store in Yokohama Sogo Department Store last May resulting in lower sales development of the Porsche Design writing tools. Nonetheless, new products launched particularly the Special Edition M200 Demonstrator was a big success as this re-launch was anticipated by the dealers and the retail price was affordable for many consumers who loved the clear view of the function and movement of the famous Pelikan piston mechanism. Pelikan Japan also launched all the new FWI products successfully especially the Maki-e 'Mount Fuji & Cranes', Maki-e 'Gingko & Maple Leaves' and Raden M1000 'Moonlight' being the products of Japanese culture. With its 320 point of sales across Japan, the team continued to advertise in magazines and promote products through catalogues, stationery fairs and participation in the Japan Imported Pen Association's promotional activities. Pelikan Japan also managed to short the payment terms of its dealers and reduce the cash and trade discounts last year.

Malaysia

Pelikan Malaysia focused on strengthening its distribution channels by gaining more listings with dealers for school and office products. By concentrating on developing its key accounts in mass market channels such as Giant, Aeon Big and Mydin hypermarkets, Pelikan Malaysia was able to distribute its wide range of products through their multiple outlets and reach more consumers. Last year, Pelikan Malaysia launched the new Pelikano Black and Transparent fountain pens, Pelikano mechanical pencils, ink eradicators Agent Blue and No mistake as well as office products such as Inky, Stick Pro, Mark + Write and new Pelifix designs. Pelikan Malaysia also introduced Herlitz products in the market to good response and distributed selective products throughout its channels. For FWI, the team partnered few niche dealers and departmental stores such as Isetan and bookstores such as Times Bookstore and Kinokuniya to promote all the new product launches. In March 2012, Pelikan Malaysia dabbled into retail business as it opened its first 'Pop-Up' kiosk at The Gardens Mall to introduce the Herlitz range of products alongside Pelikan's. During the "Back to School" season, Pelikan Malaysia teamed up with its dealers and business partners to carry out product promotions and build brand awareness, for example colouring contests for children with Times Bookstores at their outlets and Christmas promotion for FWI with Isetan.

MIDDLE EAST & AFRICA

Pelikan Middle East & Africa ("PMEA") had a challenging year as the region faced political unrests, financial limitations, and fake products in major markets. While markets such as Iraq, Qatar, Pakistan, Egypt and South Africa performed well, countries such as Iran, Jordan, Lebanon, Syria, Kenya and Afghanistan recorded poor sales due to geopolitical issues and economic sanctions arising from the regional fighting. These reasons along with everyday business challenges attributed to the less than budgeted revenue of USD8.48 million in the region. Nonetheless, PMEA focused on developing products that has high growth potential through current business partners in the region while launching new products in new markets to boost sales.

For school and office products, PMEA targets the traditional and modern trade while distributes printer consumables and FWI through selective retailers such as specialty and departmental stores. PMEA continued to participate in events and exhibitions, advertising and

promotions through above-the-line communication materials, trade and consumer promotions, as well as sponsorship to education related activities throughout the year. The new products that were launched with success were the mass writing instruments Beat ball pen, Club gel pen, Stick Pro as well as craft and paper glue. The markets also responded positively to the Pura Black and Vio design writing instruments and the Porsche Design P'3140 Shake pen Twist Black and P'3110 Tec Flex Black. For the third time in a row, Pelikan's Limited Edition 'Fire' was awarded the Middle East Premier Award for "Best Theme Pen" during the Watches, Jewellery & Pens Fair held in Bahrain in October 2012, highlighting the strength of Pelikan brand in the region for high valued writing instruments. For "Back to School" season, PMEA collaborated and supported the efforts of its business partners with displays of Pelikan products at all the major points of sales in order to present high brand visibility and build brand awareness.

DIARY OF EVENTS

January

2012 BACK TO SCHOOL – "LIVE YOUR DREAM" WITH PELIKAN (GERMANY)

Pelikan Germany kicked-off the highly successful "Back to School" season campaign, "Live your dream". The campaign which encourages children to pursue their dream job through Pelikan had many fun-filled activities organised and great give away prizes. The campaign has since then been adopted by other countries in Europe and other regions such as the Americas and Middle East with great success.

PELIKAN CORNER AT GERMAN INTERNATIONAL SCHOOL (SAUDI ARABIA)

Jamjoom General Agencies, in collaboration with Pelikan Middle East & Africa, once again sponsored the Pelikan Corner at the German International School, Jeddah, where Pelikan products were displayed for the target group. Similar to the previous year, creative activities were held for the children & parents using Pelikan school and art & hobby products.

PELIKAN AND TIMES BOOKSTORES' ROALD DAHL COLOURING CONTEST (MALAYSIA)

Pelikan Malaysia teamed up with Times Bookstores to organise a colouring contest on 28 January 2012. Held at Citta Mall, Ara Damansara, more than 50 children took part in the fun-filled Roald Dahl Colouring Contest. The contest required the children to display their creativity by colouring a "Charlie and the Chocolate Factory" artwork, one of Roald Dahl's most well known children stories. The children were divided into two categories. Eight winners from each category were picked and each winner received prizes sponsored by Pelikan.

PELIKAN GOES HOLLYWOOD (GERMANY)

At the 17th Annual Critics' Choice Award held in January 2012 in Hollywood, USA, famous film stars signed an impressive guest book using one of the Pelikan's most prestigious Writing Instruments – the 7005 Majesty Rollerball. Pelikan's distributor, Steven Roth, personally handed over the 7005 Majesty Rollerball to the stars which included Martin Scorsese, Diana Kruger, Evan Rachel Wood, Michelle Williams and George Clooney.

February

PELIKAN AT IT PARTNERS (FRANCE)

Pelikan France participated in one of the leading IT trade shows in France, the IT Partners, from 4 to 5 February, to promote their Hardcopy business. Held annually at the Disney Village, this highly popular trade show which attracted by 12,000 visitors, showcases the latest developments in the industry and offers excellent networking opportunities.

PELIKAN AT THE DIDACTA 2012 IN HANNOVER (GERMANY)

Didacta Trade Fair, the world's largest learning and education fair, was held from 14 to 18 February in Hannover. Themed "Lifelong Learning", the fair attracted 80,000 visitors from all over the world. Pelikan Germany, who was one of the 875 exhibitors, took advantage of the huge turnout of educators to promote its Teachers' Portal. A whopping 1,500 new users for the portal were registered at the fair. Pelikan also took the opportunity to display its entire school products with special focus on griffix® and the opaque paint boxes. The latest "Back to School" campaign "Live your dream" which was also promoted, received favourable feedback from visitors.

JOINT PROMOTION WITH LYSOFOM (ARGENTINA)

To penetrate a wider market, Pelikan Argentina held a joint promotion with SC Johnson & Son. The promotion, which ran from February until March, came with a twin pack offer of an aerosol can of Lysofom, a disinfectant spray, and a Pelikan product.

PAINTING & COLORING WORKSHOP AT GLOBAL INTEL SCHOOL (SAUDI ARABIA)

Pelikan Middle East & Africa (PMEA) sponsored "Live Art Contest" at Global Intel School, Saudi Arabia on 15 February. The objective of the contest was to enhance children's creativity. Pelikan color pencils were used in the competition. PMEA sponsored gifts to all the participants and gave exclusive prizes to the competition's winners.

PELIKAN ON THE BIG AND SMALL SCREEN (ARGENTINA)

Pelikan Argentina aired its commercials at the main cinemas and television channels in Argentina from 15 February until 10 March. The cinema advertising involved five daily airings of Pelikan commercials in 3D, reaching 170,000 viewers. Pelikan Argentina also took up 516 advertising spots over three tv channels, namely, Disney Channel, Disney Junior and Discovery Kids, with an average of 10 daily airings.

PELIKAN AND CONTI WORKSHOP FOR TEACHERS (MEXICO)

Pelikan Mexico teamed up with Conti Store to organise an art & craft workshop which was held at the San Marcelino School for 70 teachers from 14 schools in Morelia, Michoacán.

March

2012 PAPER WORLD (UAE)

Pelikan Middle East & Africa's business partner in UAE, Arabian Oasis, participated in the 2012 Paper World Exhibition held in Dubai from 6 to 8 March. The three-day exhibition turned out to be a fruitful event as Pelikan was exposed to a large client base, locally and internationally, as many expressed interest to become distributors of Pelikan products.

PELIKAN FWIs PRESENTED TO THE DELEGATES DURING 2012 PAPER WORLD (UAE)

Pelikan Middle East & Africa was the proud sponsor of exclusive gift at the inaugural ceremony of the Indian Pavilion at 2012 Paper World. A Pelikan Souveran was presented to Mr. Lokesh K., the Indian Ambassador to UAE, who expressed his appreciation and thanks on receiving the pen.

HUMBOLDT SPRING FESTIVAL (MEXICO)

On 10 March, Pelikan Mexico participated in the Spring Festival organised by Humboldt School in Puebla. Pelikan held an art & craft session where children were taught drawing and colouring techniques using finger paint, crayons and other colouring products.

EDUCATING FUTURE TEACHERS AT EDUCATION CONVENTION (MEXICO)

Pelikan Mexico participated in the Education Convention in Villahermosa organised by Computel on 10 March. Attended by trainee teachers, Pelikan held a fun-filled art & craft session where Pelikan promoters demonstrated to the participants the best way to use Pelikan products. The participants also received prizes and goodie bags. A special appearance by "Pelikid", the special Pelikan mascot, added to the excitement of what was already a memorable event.

18TH INTERNATIONAL ISTANBUL STATIONERY EXHIBITION (TURKEY)

Pelikan Turkey participated in the largest stationery exhibition in Turkey, the 18th International Istanbul Stationery Exhibition, via its FWI distributor Celik Kalem and PBS distributor Pensan. Held from 14 to 18 March, a total of 250 companies took part. The theme of the exhibition, "1 Goal in Education", aimed to prevent usage of imitation stationery products that can pose serious health threats.

PELIKAN BOOTH 'POP-UP' IN THE GARDENS MALL (MALAYSIA)

A Pelikan booth named 'Pop-Up' commenced its operation at The Gardens Mall, Mid Valley City in March. Located on Level 2 of the Mall, it opens daily from 10.00 am – 10.00 pm. The objective of Pelikan Pop-Up is to make Pelikan products more accessible to customers in a fun and simple way. Pelikan Pop-Up carries a variety of products for every purpose, be it for school, hobby or office, as well as a wide range of Herlitz products.

WORLD BOOK DAY COLOURING CONTEST (MALAYSIA)

Pelikan Malaysia teamed up with Times Boookstores to hold a series of colouring contests in conjunction with World Book Day in March. A total of five contests were held at major shopping malls in the Klang Valley. Themed "Dr. Seuss – The Lorax", the contests managed to attract many children, aged 3-12. The children were required to display their creativity in drawing and colouring on a "The Lorax" artwork. Pelikan Malaysia sponsored the prizes for all five contests.

THE HCMC BOOK FAIR 2012 (VIETNAM)

Pelikan Vietnam participated in the biggest book fair in Vietnam, the HCMC Book Fair 2012 in Ho Chi Minh City. Held from 19 to 25 March, the theme of the fair was "Knowledge of Books – Intergration and Development". The fair which is considered as a 'cultural festival' for the city drew large crowds, thus giving good exposure to Pelikan products.

PELIKAN DIARIES (IRAQ & KENYA)

Pelikan Middle East and Africa produced diaries as part of their branding efforts in Iraq and Kenya. This latest branding was done in collaboration with their partners, Luay Al Saffar & Partners Co. and Text Book Centre in Iraq and Kenya, respectively. The diaries were distributed to customers in both the traditional and modern markets to ensure maximum brand exposure.

INTERNATIONAL DISTRIBUTORS MEETING (TURKEY)

Herlitz's sales partners from 22 countries attended a conference that was held in Istanbul in March. The aim of the conference was to introduce new Herlitz products to its partners and create an effective network to facilitate an exchange of ideas, and foster more communication.

DIARY OF EVENTS

April

PELIKAN IN TOP BUSINESS (MOROCCO)

Pelikan products can be found in Top Business outlets in Morocco effective April where Pelikan has a dedicated display alongside other brands carried by the outlets.

ÖMER ÖZKAN SCHOOL PAINTING COMPETITION (TURKEY)

Pelikan Turkey was the main sponsor of a painting competition held at Ömer Özkan School, a public school in Izmir. Five winners received Pelikan products as prizes. Pelikan Turkey also held a product try out for participants and visitors in order to help them acquaint with Pelikan products.

LA RURAL BOOK FAIR (ARGENTINA)

Pelikan Argentina took part in the "La Rural" Book Fair in Buenos Aires held from 19 April to 7 May. Other than having a product display, Pelikan Argentina also teamed up with Clarin, one of the major newspapers in Argentina, to set up a play area for the children to draw and paint using Pelikan's products. Pelikid, the Mascot, was also present to attract more visitors to the Pelikan booth.

EASTER EGG PAINTING WORKSHOP (MALAYSIA)

Pelikan Malaysia in collaboration with Times Bookstores held an Easter Egg Painting and Decoration Workshop at Citta Mall, Ara Damansara, on 21 April. Children aged 12 and below were taught how to decorate real eggs using Pelikan Plaka. More than 30 children took part in the workshop. The children and their parents were clearly excited as not only did they get to have fun decorating the eggs, but they also learnt the right techniques of painting under the guidance of the Pelikan Malaysia's Product and Marketing team. Apart from egg decorating, the children were also given an artwork for them to colour using oil pastels.

May

DOYA BOYA FESTIVAL (TURKEY)

Pelikan Turkey teamed up with its PBS distributor to organise a special painting festival for children in Umraniye and Bagcilar, Istanbul on April 27. The children had the opportunity to use Pelikan finger paints, crayons, water colours and other products.

DOING THE TANGO IN BUENOS AIRES (ARGENTINA)

Pelikan Argentina, as part of the new Tango ball pen (stick pro) promotions, distributed free samples to university students in April. A total of 12,000 samples were given away in selected universities in Buenos Aires. Pelikan Argentina promoters were on hand to distribute the pens and also flyers, highlighting the distinctive characteristic of Tango ball pen to the students who were clearly delighted.

PRODUCT WORKSHOP FOR KINDERGARTEN TEACHERS (TURKEY)

Pelikan Turkey via its PBS distributor Pensan invited kindergarten teachers in Tekirdag to a product workshop that was organised jointly with Zeki Kűrtasiye, one of the biggest stationery stores in the region. More than 250 teachers who attended the workshop were shown the proper way to use Pelikan products and given product samples.

PELIKAN ART COMPETITION (KENYA)

Pelikan Middle East and Africa (PMEA) in collaboration with Text Book Centre Kenya sponsored a Pelikan art contest themed “Live your dream”. Held on 12 May, the objectives of the contest were to enhance children’s creative skills and to create brand awareness. Pelikan coloring products were used for the art competition. PMEA sponsored surprise gifts for all the participants and presented exclusive gifts and certificates to the winners.

DIARY OF EVENTS

ART COMPETITION (INDIA)

Pelikan India sponsored a Pelikan art competition on 26 May at the Landmark group's shopping mall, one of the leading malls in Pune, India. The winners of the art competition were presented with certificates and Pelikan products as prizes.

2012 GITEX (SAUDI ARABIA)

Pelikan Middle East and Africa participated in the 2012 Gitex (Gulf Information & Technology) exhibition held in Jeddah, Saudi Arabia. At the three-day exhibition, the Geha paper product range was showcased & introduced to a large number of visitors from both local and international companies.

PELIKAN FWI DISPLAY AT ISETAN KLCC (MALAYSIA)

Pelikan Malaysia launched its Fine Writing Instruments (FWI) display at Isetan KLCC Malaysia on 30 May. Located at Level 2, the display showcases a wide range of Pelikan FWI. Among the FWI pens on display were 'Souverän', 'Classic', 'Epoch' and 'Ductus' ranges. Pelikan leather cases and ink collections, including the complete range of 'Edelstein Ink', completed the Pelikan FWI products at the display. Porsche Design writing instruments including the 'Slim Line' series were also among the pens on display.

June

THE GIFT FINDER (GERMANY)

Pelikan Germany launched “Pelikan gift-finder” with the objective of helping Pelikan customers to choose the right gift for any occasion. Depending on the occasion, the gift finder will suggest the best instrument available from among Pelikan’s fine writing range. It is a fun and hassle free way of looking for a gift. To find out more, visit Pelikan gift finder at www.pelikan.com/gift-finder.

BACK TO SCHOOL BUILDING WRAP (LEBANON)

Dar El Chimal, Pelikan Middle East and Africa’s business partner in Lebanon, kicked-start their “Back to School” campaign by “wrapping” their office building with Pelikan “Back to School” banner. The eye-catching wrapper featured Angry Birds & Smurfs promotion for Pelikan school products.

COLOURING COMPETITIONS IN MUMBAI AND DELHI (INDIA)

Pelikan Middle East and Africa (PMEA) collaborated with Staimex International in India to organise drawing & coloring competitions in Mumbai and Delhi, respectively. Pelikan coloring products were used in the competition. PMEA presented surprise gifts to all the participants and exclusive prizes to the winners of the competition.

KIDZ EXPO 4 2012 (JORDAN)

Pelikan Middle East and Africa’s business partner in Jordan, Modern Arab Distribution, participated in the Kidz Expo 4 2012 from 22 to 24 June. Activities held at the expo included face painting, colouring, drawing and on stage performances. PMEA also took the opportunity to promote Pelikan products via banners, pop-up tables and product displays.

DIARY OF EVENTS

July

PELIKAN IN AMAZON (FRANCE)

From July, Pelikan products were listed on Amazon France. The products listed vary from school range to inkjet supplies and Geha laminators. Pelikan France hopes to realise its potential via e-commerce following being listed on Amazon.

SCHOOL WINTER BREAK WITH PELIKAN (ARGENTINA)

Pelikan Argentina celebrated the school winter break in July by organising a series of art workshops at the Nuevocentro Shopping Mall in Cordoba Capital. At the workshop, children were given simple drawing and colouring lessons and shown the correct technique of using Pelikan products. Tango pens were presented as gifts to the participating children's parents.

CHILDREN'S AND YOUTH'S BOOK FAIR (ARGENTINA)

Pelikan Argentina took part in the XXII Children and Youth's Book fair in Centro Municipal de Exposiciones, Buenos Aires City from 14 to 28 July. Pelikan Argentina had two booths at the book fair. The first booth was set-up in collaboration with Nazhira Publishing House, with a special area for drawing and children materials display. The other booth was a collaboration with Grupo Clarín, where apart from having a product display, product samples were distributed to visitors. Pelikan Argentina also held several sweepstakes offering Pelikan products as the prizes.

August

PEN WORLD EXPO (INDIA)

Pelikan Middle East and Africa teamed up with Staimex International (India) Ltd to participate in the Pen World Expo in Mumbai, from 31 August to 3 September. It was a four-day exhibition where retailers, distributors and corporate representatives met to exchange ideas. It was a wonderful opportunity for Staimex to showcase the complete range of Pelikan products and educate others about the Pelikan brand. At the expo, Staimex not only managed to promote Pelikan products but were also successful in getting direct orders from consumers.

September

PELIKAN AT THE CONGRESS OF SECRETARIES (ARGENTINA)

Pelikan Argentina took part in the Congress of Secretaries held at El Circulo Militar, Buenos Aires. They had a booth displaying Tango pens and brochures of Pelikan products including fine writing instruments. Pelikan Argentina also sponsored Tango pens as gifts to the participants, and two fine writing instrument pens as raffle prizes.

PELIKAN MINI FAIR (JAPAN)

Pelikan Japan set up display booths for its fine writing instruments at Smith outlets, a well-known 'select shop' in Tokyo, from 1 September until 31 October. The newly launched M200 Demonstrator was the main product promoted.

MID-AUTUMN FESTIVAL (VIETNAM)

Pelikan Vietnam participated in the Mid-Autumn Festival organised by the Hanoi's Children Palace for nearly 1,000 underprivileged children who were treated to fun-filled activities and performances. Pelikan Vietnam set-up a booth to display and also sell Pelikan products.

GHANAIAN-GERMANY ECONOMIC ASSOCIATION TRADE FAIR (GHANA)

Pelikan Middle East and Africa (PMEA) participated in the 2012 Ghanaian German Economic Association Trade Fair held in Accra International Conference Center from 25 to 27 September. The three-day exhibition saw the premier launch of Geha in Ghana. Geha products were showcased and introduced to a large number of visitors, both local and international companies.

October

MAKI-E UNIQUE COLLECTION (GERMANY)

For the first time ever, Pelikan Germany offered pen collectors all over the world the opportunity to bid for one-of-a-kind Maki-e fountain pens. 15 pieces of the Maki-e Unique Collection, designed by well-known Japanese artists were put up for the online auction. The Maki-e Unique Collection fountain pens are unique pieces and every fountain pen was signed with a special "Kao" character in red below the signature of the artists on the barrel of the pen.

PELIKAN SPONSORS TEACHER ACADEMY FOUNDATION (TURKEY)

Pelikan Turkey became the official stationery sponsor for Garanti Bank's Teacher Academy Foundation. The sponsorship includes products such as whiteboard markers and oil pastels that will be used in the activities organised by the Foundation. The online portals of both Pelikan and the Foundation will also be linked as part of the sponsorship deal. Garanti Bank, Turkey's second largest bank, started the Teacher Academy Foundation in 2009 with the objective of responding to the needs of teachers who want to groom a new generation of young people. The Foundation will also facilitate research activities and plans to organise programmes that will encourage teachers to undertake them.

November

HEART LINE PROJECT (JAPAN)

Pelikan Japan, as in previous years, took part in the Heart Line Project organised by Japan Imported Pen Association, where Japan's top personalities receive recognition for their contributions. At the ninth Heart Line Project held on 8 November last year, Pelikan Japan presented M710 Toledo to Mr. Sasaki, the Manager of Japan's women football team which won the FIFA Women's World Cup 2011 and were silver medalists at the 2012 Olympics.

December

SPICERS WORLD 2012 (GERMANY)

Herlitz participated in the Spicers World 2012 at Nuerburgring that was held from 22 to 23 November. The annual fair offers companies the opportunity to introduce new products directly to the market. More than 100 exhibitioners took part in the fair.

"BACK TO SCHOOL" IN MALAYSIA (MALAYSIA)

Pelikan Malaysia advertised the "Back to School" promotion campaign in The Malay Mail. For the 2012/13 season, Pelikan Malaysia had a nationwide promotion at all the main hypermarkets and chain stores such as Giant, Carrefour and Mydin.

HERLITZ PRODUCT PREVIEW FOR THE MEDIA (GERMANY)

As part of Herlitz's strategy to introduce its new products to the market, journalists and editors from selected media were invited to a product preview. Held in Berlin in December, the journalists and editors were impressed by the eye-catching and informative presentation.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of Pelikan International Corporation Berhad ("Pelikan" or "the Company") is pleased to report to shareholders on the manner in which the Pelikan group of companies ("the Group") applies the principles as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") and the extent to which the Group has complied with the best practices of the Code and also complies with relevant chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") throughout the financial year ended 31 December 2012.

THE BOARD OF DIRECTORS

1. Composition

The Group is led by an experienced Board under the leadership of Non-Independent Non-Executive Chairman, Tan Sri Abi Musa Asa'ari bin Mohamed Nor and President/Chief Executive Officer, Loo Hooi Keat, supported by four (4) Independent Non-Executive Directors and two (2) Non- Independent Non-Executive Directors. This is in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities ("the Listing Requirements") which requires at least one-third (1/3) of the Board to comprise of Independent Directors.

The roles of the Chairman and Chief Executive Officer are separate and each has a clear accepted division of responsibilities to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Chief Executive Officer has the overall responsibilities over the Company's operating units, organisational effectiveness and implementation of Board policies and decisions. The role of the Senior Independent Non-Executive Director is held by Mr Yap Kim Swee to whom concerns may be conveyed.

The Board is satisfied that its current composition fairly reflects the investment in the Company, and that its current size and composition are effective for the proper functioning of the Board.

2. Independence

The Independent Non-Executive Directors are independent from the management and are free from any business or other relationships that could materially interfere with the exercise of independent judgement. The Independent Directors provide a broader view and an independent and balanced assessment. They do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group to ensure that they are capable of exercising judgment objectively and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders.

During the financial year under review, the Board has adopted a Policy of Independence of Directors in order to ensure that a structured manner of how the Board assesses the independence of Directors. In determining the independence of individual Directors, the Board will consider all relevant information, facts and circumstances available and such assessment are performed upon appointment and annually. In addition, the Board will assess the independence of the independent Directors annually and when any new interests or relationships are disclosed by a Director.

Under the recommendations of the Code, the Board should comprise of a majority of independent directors where the Chairman of the Board is not an independent director. As the Company's Chairman is now represented by a Non-Independent Non-Executive Director, the Company had taken the initiative to comply with the Code by appointing additional independent directors. Accordingly, the Board now comprised of 50% Independent Directors and the Board shall continue to seek the appointment of an additional independent director in order to fully comply with the Code.

There are currently no Independent Directors serving the Board for a cumulative term of nine years.

3. Board Charter and Responsibilities

The Company has in place a Board Charter that sets out, among others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with its management and shareholders. The Board Charter is reviewed and updated where necessary and is published on the Company's website.

To enhance accountability, the Board Charter also sets out specific functions reserved for the Board and those delegated to Management. The principal functions of the Board are as follows:-

(a) ensuring that the Company's goals are clearly established, and that strategies are in place for achieving them;

(b) establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build the Business through innovation, initiative, technology, new products and the development of its business capital;

(c) input into and final approval of major corporate strategy and annual budget;

(d) monitoring corporate performance and implementation of strategy and policy;

(e) approving and monitoring the progress of major capital expenditure, capital management and acquisitions/ divestments;

(f) monitoring the performance of senior Management and implementation of strategy and policies, including assessing whether appropriate resources are available; and

(g) reviewing and ratifying systems of risk management and internal compliance controls, code of conducts, continuous disclosure, legal compliance and other significant policies.

4. Board meetings

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

During the financial year ended 31 December 2012, the Board met six (6) times, where it deliberated and considered a variety of matters affecting the Company's operations including the Group's financial results, business plan and the direction of the Group.

The Directors' attendance for the Board meetings held in 2012 was as follows:

Name Of Directors	No. Of Meetings Attended	Total Attendance (%)
Tan Sri Musa bin Mohamad (Resigned on 17 July 2012)	4 out of 4	100
Tan Sri Abi Musa Asa'ari bin Mohamed Nor (Appointed on 27 July 2012)	2 out of 2	100
Loo Hooi Keat	6 out of 6	100
Dato' Afifuddin bin Abdul Kadir (Appointed on 1 August 2012)	2 out of 2	100
Syed Hussin bin Shaikh Al Junid (Resigned on 3 January 2013)	6 out of 6	100
Yap Kim Swee	6 out of 6	100
Hajah Rozaida binti Omar	6 out of 6	100
Normimy binti Mohamed Noor	5 out of 6	83

Dato' Mohamad Norza bin Zakaria and Dato' Lua Choon Hann was appointed to the Board on 1 April 2013.

5. Supply of information

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

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

The Company Secretaries, who are qualified, experienced and competent, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and their impact and implication to the Company and Directors in carrying out their fiduciary duties and responsibilities.

6. Appointments to the Board

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

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

As and when a new Director is appointed to the Board, the new Board member provides assurances to the Board that sufficient time can be devoted to carry out his/her responsibilities as a Board member. In addition, should any new Board member accepts new directorships appointments, they are required to notify the Chairman and inform the time spent on such new directorships.

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

7. **Re-election of Directors**

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

At the forthcoming AGM, Loo Hooi Keat is due to retire pursuant to Article 127 of the Articles, whilst Tan Sri Abi Musa Asa'ari bin Mohamed Nor, Dato' Afifuddin bin Abdul Kadir, Dato' Lua Choon Hann and Dato' Mohamad Norza bin Zakaria are due to retire pursuant to Article 132 of the Articles. Loo Hooi Keat, Tan Sri Abi Musa Asa'ari bin Mohamed Nor, Dato' Afifuddin bin Abdul Kadir, Dato' Lua Choon Hann and Dato' Mohamad Norza bin Zakaria have offered themselves for re-election at the forthcoming AGM.

8. **Directors' training**

All the existing Directors have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Securities except for the Directors appointed in 2013. During the financial year ended 31 December 2012, all Directors and some senior management officers had attended training on "Malaysian Code of Corporate Governance 2012" to enable them to understand the principles and recommendations of the Code and develop good corporate governance within the Company.

The Directors are kept abreast with general economic, industry, regulatory and technical developments by the senior management or Company Secretary from time to time.

The Board will continue to evaluate and determine the training needs of its Board members to ensure continuing education to assist them in discharging of their duties as Directors.

9. **Board Committees**

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

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

(A) Audit Committee

The terms of reference of the Audit Committee are in compliance with the Listing Requirements and the best practices as set out in the Code. The report of the Audit Committee for the financial year ended 31 December 2012 are presented on pages 69 to 72 of this Annual Report.

(B) Nomination Committee

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

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

Name of Nomination Committee members	
Yap Kim Swee (Redesignated on 28 August 2012)	Chairman, Independent Non-Executive Director
Tan Sri Musa bin Mohamad (Resigned on 17 July 2012)	Chairman, Independent Non-Executive Director
Dato' Afifuddin bin Abdul Kadir (Appointed 28 August 2012)	Member, Independent Non-Executive Director
Syed Hussin bin Shaikh Al Junid (Resigned on 3 January 2013)	Member, Independent Non-Executive Director
Dato' Lua Choon Hann (Appointed on 24 April 2013)	Member, Independent Non-Executive Director

The Nomination Committee met twice during the financial year ended 31 December 2012 and the meeting was attended by all the members of the Nomination Committee.

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

a) to review the structure, size, and composition of the Board;

b) to develop, maintain and review criteria for the appointment new directors;

c) to do an annual assessment on all Directors;

d) to review formal succession plan in identifying and mentoring potential Executive and Non-Executive Directors and senior management personnel;

e) to propose and recommend new appointments of potential candidate to the Board; and

f) to propose and recommend to the Board, the retirement and re-appointment of existing Executive and Non-Executive Directors, in accordance with the Articles.

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

(C) Remuneration Committee

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

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

Name of Remuneration Committee members	
Tan Sri Abi Musa Asa'ari bin Mohamed Nor (Appointed 28 August 2012)	Chairman, Non-Independent Non-Executive Director
Yap Kim Swee	Member, Independent Non-Executive Director
Tan Sri Musa bin Mohamad (Resigned on 17 July 2012)	Chairman, Independent Non-Executive Director
Syed Hussin bin Shaikh Al Junid (Resigned on 3 January 2013)	Member, Independent Non-Executive Director
Dato' Mohamad Norza bin Zakaria (Appointed on 24 April 2013)	Member, Independent Non-Executive Director

The Remuneration Committee met once during the financial year ended 31 December 2012 and the meeting was attended by all the members of the Remuneration Committee.

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

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

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

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

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

(D) ESOS Committee

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

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

Name of ESOS Committee members	
Tan Sri Abi Musa Asa'ari bin Mohamed Nor (Appointed 28 August 2012)	Chairman, Independent Non-Executive Director
Loo Hooi Keat	Member, President/Chief Executive Officer
Yap Kim Swee	Member, Independent Non-Executive Director
Tan Sri Musa bin Mohamad (Resigned on 17 July 2012)	Chairman, Independent Non-Executive Director

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

a) to determine the eligibility of the person for participation in the ESOS;
b) to decide on the number of shares to be offered to eligible persons, the subscription price for the shares and such other terms in relation to the offer;
c) to enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the ESOS subject to the provisions of the ESOS By-Laws; and
d) to take all other actions within the purview of the ESOS Committee pursuant to the ESOS By-Laws, for the necessary and effective implementation and administration of the ESOS.

DIRECTORS' REMUNERATION

The Directors' remuneration is linked to experience, scope of responsibility, seniority, performance and industry information. Directors' fees are paid to Non-Executive Directors and these are approved by shareholders at the AGM. The details of the Directors' remuneration for the financial year ended 31 December 2012 are as follows:

Name of Directors	Fees (RM)	Salaries (RM)	Defined Contribution Plan (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Director					
Loo Hooi Keat	–	1,320,000	158,400	35,200	1,513,600
Non-Executive Directors					
Tan Sri Musa bin Mohamad (Resigned on 17 July 2012)	65,000	–	–	10,000	75,000
Tan Sri Abi Musa Asa'ari bin Mohamed Nor (Appointed on 27 July 2012)	50,000	–	–	–	50,000
Dato' Afifuddin bin Abdul Kadir (Appointed on 1 August 2012)	25,000	–	–	–	25,000
Syed Hussin bin Shaikh Al Junid (Resigned on 3 January 2013)	60,000	–	–	–	60,000
Yap Kim Swee	70,000	–	–	–	70,000
Hajah Rozaida binti Omar	60,000	–	–	–	60,000
Normimy binti Mohamed Noor	60,000	–	–	–	60,000
Total	390,000	1,320,000	158,400	45,200	1,913,600

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises that a key element of good corporate governance is the effective communication and dissemination of information to the Company's stakeholder. The Board adopts various method of communication to the respective stakeholders and has adopted a corporate disclosure policy to ensure that any communications made are transparent, timely, coherent, consistent and accurate.

1. The Annual General Meeting and Communication With Stakeholders

The AGM is the principal forum for dialogue with shareholders. At the Company's AGM, shareholders have direct access to the Board and are encouraged to participate in the deliberations of the resolutions. The Chief Executive Officer of the Company in the AGM often presents to the shareholders, the Company's operations in the financial year and outlines the future prospects of the Group. Questions raised by the shareholders are answered by the Board.

Further, the Group's Company Secretaries could provide shareholders and investors with a channel of communication on which they can provide feedback to the Group. Queries regarding the Group may be conveyed to the Company Secretaries at the Company's registered address.

The Company has appointed Mr. Yap Kim Swee as the Senior Independent Non-Executive Director where stakeholders can contact him to seek any clarifications or raise any concerns on the Group.

The contact details of the Company Secretary and the Senior Independent Non-Executive Director are as follows:

Company Secretary	Senior Independent Non-Executive Director
Pelikan International Corporation Berhad c/o Mr Ho Ming Hon 9, Jalan Pemaju U1/15, Seksyen U1 Hicom Glenmarie Industrial Park 40150 Shah Alam, Selangor Darul Ehsan Tel : +603 5569 5511 ext 205 Fax : +603 5569 2299	Pelikan International Corporation Berhad c/o Mr Yap Kim Swee 9, Jalan Pemaju U1/15, Seksyen U1 Hicom Glenmarie Industrial Park 40150 Shah Alam, Selangor Darul Ehsan Tel : +603 5569 5511 ext 140 Fax : +603 5569 2299

The Annual Report also plays an important part in disseminating information related to the Group's financial performance and operations and activities throughout the financial year. It also describes how the Board and the Management instil corporate governance and corporate social responsibilities principles in running the operations of the Group.

Other than the above, all public announcements are made via Bursa Securities website and the Company also maintains its website (www.pelikan.com) to disseminate additional information on the Group's operations.

2. Dialogue between the Company and Investors

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

ACCOUNTABILITY AND AUDIT

1. Financial reporting

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

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

The Audit Committee reviewed the quarterly and year-to-date unaudited financial results of the Group and the reports and the audited financial statements of the Company and the Group together with external auditors prior to tabling to the Board for approval. The review was, inter alia, to ensure compliance with:

i) Provision of the Companies Act, 1965;
ii) Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
iii) Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia; and
iv) Other legal and regulatory requirements.

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

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

In preparing the financial statements, the Directors have:

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

The Directors have the duty to ensure that the Company keeps accounting records which disclose with reasonable and accuracy of the financial position of the Group and Company and which enable them to ensure that the financial statements are in compliance with the Companies Act, 1965.

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

3. Internal Audit Function

In line with paragraph 15.27 of the Listing Requirements, the Group has its own internal audit function following the adoption of its Internal Audit Charter by the Audit Committee. The internal audit review of the Group's operations encompassed an independent assessment of the Group's compliance with its risk management policies and internal controls and makes recommendations for improvements.

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

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

4. External Audit Function

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

The external auditors, Messrs. BDO have continued to report to members of the Company on their findings which are included as part of the Group's and Company's financial reports with respect to each year's audit on the statutory financial statements.

In doing so, the Group and the Company have established a transparent arrangement with the external auditors to meet their professional requirements. As an independent measure, the external auditors meet with the Audit Committee at least twice a year to discuss the audit plan findings and audited accounts without executive board members present.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD RESPONSIBILITY

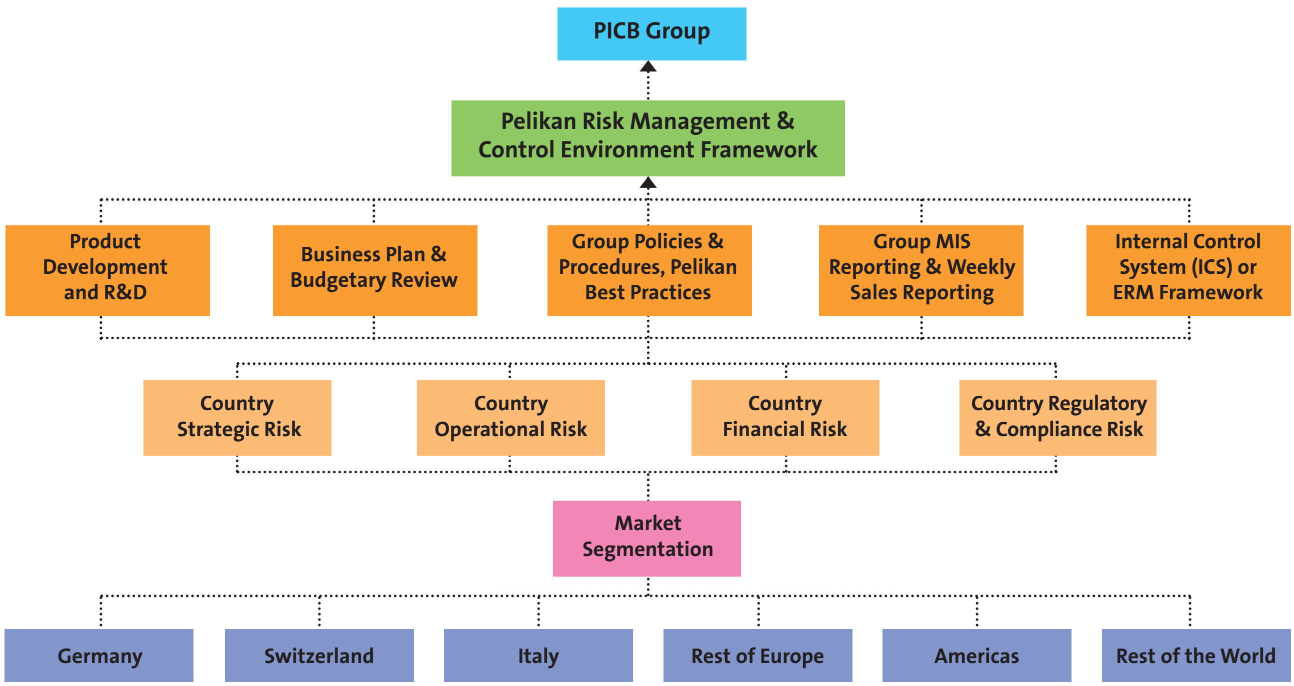
The Board of Directors ("Board") of Pelikan International Corporation Berhad ("Pelikan" or "the Company") is responsible for maintaining a sound and effective system of risk management and internal controls of Pelikan group of companies ("the Group") and for reviewing its effectiveness. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has delegated to executive management the implementation of processes for identifying, evaluating, monitoring and reporting of risks and internal controls, while the Board through its Audit Committee oversees and reviews the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. Qualified personnel throughout the Group maintain and monitor these systems of controls on an on-going basis.

For purpose of disclosure, this Statement is guided by the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers" pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

RISK MANAGEMENT FRAMEWORK

The Group has in place a formal risk management process to identify, evaluate, mitigate, monitor and review risks impacting the Group. The Board has extended the responsibilities of the Audit Committee to include the work of monitoring the Group's risks and internal controls on its behalf, including identifying risk areas and communicating these risk areas to the Board. Risk management is firmly embedded in the Group's key processes through Pelikan's Risk Management & Control Environment Framework, in line with the Malaysian Code on Corporate Governance (the "Code").



The process is supported by a Group Enterprise Risk Management (ERM) policy which sets out details of the procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group. For ease of communication and to achieve a coherent structure of risk management throughout the Group, the risks are structured under four main categories:

a) Strategic Risks;
b) Operational Risks;
c) Financial Risks; and
d) Regulatory and Compliance Risks.

The Group Internal Audit and Risk Management department reviews the adequacy and effectiveness of risk management and internal controls and their corresponding risks mitigation steps. Findings are reported to the Audit Committee and thereafter to the Board on an annual basis. Periodic updates on the risk assessment are done when necessary, including identifying changes to risk or emerging risks, action points taken and reported to the Board via the Audit Committee.

Key Elements of Internal Control System

The key elements of the Group's systems of internal controls are described below:

a) Clear organisation structure of the Company and its subsidiaries has defined level of accountability and authority for all aspects of the business;

b) Training and development programmes to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives;

c) Code of ethics are established and adopted for all employees to ensure high standards of conduct and ethical values in all business practices;

d) Regular and comprehensive information provided to management, covering operating and financial performance and key business indicators such as resource utilisation, cash flow performance and sales achievement;

e) Detailed budgeting process where operating units prepare budgets for the coming year, which are approved at both the operating unit level and the Board;

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

g) Clearly documented standard operating procedure manuals set out the policies and procedures for day to day operations to be carried out. Regular reviews are performed to ensure that documentation remains current and relevant;

h) Regular visits to operating units by members of the Board and senior management; and

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

Adequacy of Risk Management and Internal Control System

The Board is of the view that the Company's overall risk management and internal control system is operating adequately and effectively, in all material aspects for the year under review and up to the date of approval of this statement, and have received the same assurance from both the CEO and CFO of the Company.

This Statement is made in accordance with a resolution of the Board dated 24 April 2013.

Review of the Statement by External Auditors

As required by the Bursa Securities' Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants (MIA). Their review has been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Board and appropriately reflects the process the Board has adopted in reviewing the adequacy and integrity of the risk management and internal controls within the Group.

RPG 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in reviewing the adequacy and integrity of the risk management and internal controls within the Group.

STATEMENT ON INTERNAL AUDIT FUNCTION

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

1. Purpose

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

2. Terms of Reference

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

3. Policy Guideline

3.1 Organisational Status

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

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

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

3.2 Objectivity

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

3.3 Scope

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

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

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

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

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

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

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

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

4. Additional Information Relating to the Internal Audit Function

4.1 Internal Audit Administration

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

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

4.2 Internal Audit Function Costs

The total costs incurred by the Group internal audit function in respect of the financial year 2012 amounted to RM614,778.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Pelikan International Corporation Berhad ("the Company") is pleased to present the following report of the Audit Committee for the financial year ended 31 December 2012.

MEMBERSHIP AND MEETINGS OF AUDIT COMMITTEE

The Audit Committee comprises two (2) members who are Independent Non-Executive Directors and one (1) member who is Non-Independent Non-Executive Director. The Chairman of the Audit Committee is an Independent Non-Executive Director, who is also a member of the Malaysian Institute of Accountants. Tan Sri Musa bin Mohamad resigned on 17 July 2012 as the Chairman of the Board and also as member of the Audit Committee. His vacancy in the Audit Committee was subsequently filled by a newly appointed Director, Dato' Afifuddin bin Abdul Kadir on 28 August 2012. The Head of Internal Audit and Risk Management was invited to all the Audit Committee meetings to present the Internal Audit and Risk Management reports. The representatives from the external auditors of the Company were also invited to attend the Audit Committee meetings in two (2) meetings out of four (4) held.

The Audit Committee members' attendance record is as follows:

Name of Audit Committee members	No. of Meetings Attended	Total Attendance (%)
Yap Kim Swee (Chairman) Independent Non-Executive Director	4 out of 4	100
Tan Sri Musa bin Mohamad (Resigned on 17 July 2012) Independent Non-Executive Director	3 out of 3	100
Dato' Afifuddin bin Abdul Kadir (Appointed on 28 August 2012) Independent Non-Executive Director	1 out of 1	100
Hajah Rozaida binti Omar Non-Independent Non-Executive Director	4 out of 4	100

Authority

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

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

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

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

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

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

f) in instances where matters reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad ("Bursa Securities") requirements, the Audit Committee must promptly report such matter to the Bursa Securities.

Duties and Responsibilities

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

a) to assess the suitability and independence of the external auditors before considering their appointment, the audit fee, re-appointment and any question of resignation or dismissal;

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

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

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

   i) any change in accounting policies and practices;
   ii) significant adjustments arising from the audit;
   iii) the going concern assumption; and
   iv) compliance with accounting standards and other legal requirements;

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

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

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

   i) review the adequacy of the scopes, functions and resources of the internal audit function, and ensure that it has the necessary authority to carry out its works;
   ii) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
   iii) review any appraisal or assessment of the performance of the members of the internal audit function;
   iv) approve an appointment or termination of senior staff members of the internal audit function; and
   v) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

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

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

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

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

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

m) verification on allotment of shares under Executives' Share Option Scheme ("ESOS") is in compliance with the basis set out in the Bursa Malaysia Listing Requirements and ESOS by-laws.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year 2012, the Audit Committee carried out its duties as set out in the terms of reference. Other main activities carried out by the Audit Committee during the financial year included the following:

1. Financial Results

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

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

i) Provision of the Companies Act, 1965;
ii) Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
iii) Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia; and
iv) Other legal and regulatory requirements.

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

2. External Audit

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

b) Reviewed and discussed the external auditors' audit report and areas of concern highlighted in the management letter, including management's response to the concerns raised by the external auditors; and

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

3. **Internal Audit**

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

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

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

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

4. **Others**

The Audit Committee recommended the following policies to be in line with the recommendations of Malaysian Code of Corporate Governance 2012. They were subsequently approved and adopted by the Board of Directors:

i) Policy Statement on Board Charter;
ii) Policy on Independence of Directors;
iii) Corporate Disclosure Policy; and
iv) External Auditors Appointment and Independence Policy.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

The corporate social responsibility ("CSR") initiatives that we undertake annually are an integral component of our business practices. It stems from a deep sense of responsibility that we proudly shoulder, in wanting to make a positive and meaningful difference to communities we serve and in the marketplace, workplace and environment.

Pelikan places great importance on the need to support children's education and in this respect, has worked closely with educators and school teachers to create products that cater to the needs of children at different stages of their development. Thus, it is no surprise that children are the main focus of our CSR initiatives. We are proud to play a key role in children's development stages as it is our main objective to inspire them to fulfill their true potential.

SUPPORT FOR THE DESERVING

ImpART, a three-module 'Train the Trainer' art course project Pelikan Malaysia successfully undertook in support of Myanmar refugee children, achieved its objective which was to empower the children through art. The graduates of ImpART can now conduct art classes on their own. The most telling example of ImpART success is the story of Hui, a Myanmar refugee seeking shelter in Kuala Lumpur. After she graduated from ImpART, she was relocated to Denmark to live with her adopted family. She is now an art instructor there, conducting art classes, thanks to ImpART. ImpART has provided the children the opportunity to learn art and also impart what they have learnt onto others.

Pelikan Malaysia also extended its support to children of the Myanmar refugee community in other ways. For example, 100 children from the United Learning Centre and Matu Learning Centre were invited to watch the highly popular "The Little Big Club" musical show in December which featured many popular TV characters such as Barney, Pingu and Bob the Builder. Hosted at the Kuala Lumpur Convention Centre, the children were treated to a sumptuous breakfast and given a Pelikan goodie bag each.

Pelikan Turkey provided support to the members of the community through stationery contributions to the poorest schools in Turkey, which were their main focus. Their biggest contribution however was to students affected by a massive earthquake that hit the district of Van in Turkey at the end of 2011. As the rebuilding process started in January 2012, Pelikan contributed products to the students there to help them return to a life of normalcy.

Pelikan Turkey is also the official stationery sponsor for TOCEV in Turkey, an organisation that supports the education of under privileged children. The sponsorship will benefit 500 children from poor families.

In Vietnam, Pelikan sponsored 100 students with outstanding academic achievement and those from poor families, in conjunction with the Mid-Autumn Festival. The festival is organised by Hanoi Children's Palace, an education and training centre for children. Each child received a Pelikan goodie bag filled with Pelikan products and school supplies.

In Argentina, Pelikan generally contributes to children's education. The contribution is mostly channeled through schools or organisations that promote the importance of education. One such example is Pelikan Argentina's involvement in the Children's Day celebration in Buenos Aires. Pelikan Argentina entertained a group of children in an event organised together with the "DeporVida" Foundation. 90 children between the ages of 4 and 14 received Pelikan products such as colour pencils and markers.

Meanwhile, Herlitz contributed money and school supplies to orphans in Kenya. In addition, ten percent of earnings made from the SmileyWorld product line went to support projects which promote education, social integration and the fight against hunger.

SPREADING AWARENESS FOR GOOD CAUSES

Pelikan has always been supportive of good causes. Pelikan Malaysia contributed to an event called 'Paint Your Inspiration' organised by Women:girls, a movement set up in support of International Women's Day 2012. The aim of the movement is to inspire and encourage a network of exchanges between young girls and women. Women:girls set up two 4' x 20' boards and brought the youth from an underprivileged home, SOLS 24/7, to write and paint inspirational messages, encouraging women and young girls to believe in themselves. Held at Fahrenheit Mall Kuala Lumpur, the event garnered support from local celebrities and attracted passers-by to join in the fun by writing and painting inspirational messages. More than 100 people, including the public, were involved in painting the boards that were displayed for two days at the mall.

Pelikan Malaysia has also been supporting the University Malaya Medical Centre annual party for children undergoing cancer treatment for several years now. This event brings great cheer to the children and their family members through many fun activities and raises awareness of the plight of these children. The entire cost of this event is borne by donors and well wishers. Last year, we contributed products and prizes for a colouring contest. Held on 7 April, approximately 200 children and their family members attended the party.

Herlitz Germany participated in Oxfam Deutschland Trailwalker in September 2012. The Oxfam Trailwalker is one of the most exciting non-stop walking challenge worldwide and it is an annual event to raise funds and awareness on the fight against poverty. The

participating team worked together to cover 100 kilometres of natural terrain within a maximum of 30 hours. Participating teams were also required to raise funds that will be used by the Oxfam Germany to fight poverty in Africa and Asia by building schools and increasing the literacy rate.

Herlitz Germany is also supportive of BildungsCent, a non-profit organisation, in their campaign "Aktion Klima! Mobil". The campaign aims to spread awareness on climate change amongst school students by encouraging students to do projects related to the issue.

RESPECT FOR THE SURROUNDING

Rules and regulations are in place to govern the operation of a business, to ensure that a business is mindful of maintaining the surrounding in which it operates. Pelikan sees this as an opportunity to help run a responsible operation rather than view it as a constraint to the business.

Pelikan and Herlitz manufacturing plants are environmental friendly and ISO 14001 certified. This ISO certification ensures all plants adhere to international standard of environmental management practices. "Limpia Certification", the highest standard awarded by the

Mexican government for environmental management, was also awarded to the Pelikan's plant in Mexico. Through the Limpia Certification, power cost and water consumption have been successfully reduced. Pelikan Hardcopy's plant in Switzerland, through its own initiative, managed to reduce water consumption in its toner production by 18% while the Pelikan's plant in Vöhrum, Germany, made use of renewable energy for plant heating and electronic order processing to reduce the use of paper. The Herlitz plant in Poland is certified with the Green Office Certification by the Polish Environmental Partnership Foundation. The certification ensures that measures are taken to reduce energy & water consumption and an effective waste management system is in place.

The plants are also ISO 9001 certified, ensuring the quality management system is on par with the international standards. Everything is organised and set up to improve efficiency as a whole. The certification is testament of Pelikan's and Herlitz's commitment to producing quality products for its customers. In addition, the product safety standard follows the requirements of DIN EN 71 and ISO 11540 certification, two of the highest international safety standards.

Starting from last year, some of Pelikan toner cartridges are marked with the Blue Angel label, which is a certification for products and services that have environmentally friendly aspects. It certifies that Pelikan modules reduce waste and conserve resources. In additions, it signals that the emission levels from devices are monitored and adhere to strict limits even when using refilled cartridges. It sets the standard in health and safety as the products have been tested in respect of health safety and proper user information. For Herlitz, their 'Easy Orga to go green' product line is also certified with the Blue Angel label for making use of recycled material.

Producing high quality and safe products are made possible by the highly committed workforce of Pelikan. Their value to the Company is recognised and their welfare is well taken care of. Safety in workplace is of utmost priority as machineries and equipment in the plants are well maintained through periodical inspections and risk assessments. Employees are also given preventive medical checkup pertaining to ears, eyes and skin. Safety measures and a healthy lifestyle are highly encouraged and promoted. For example, the Pelikan plant in Vöhrum, Germany has introduced cardiovascular check-ups.

Personal development for Pelikan employees is an important and ongoing process. We firmly believe that a company must grow together with its workforce in order to thrive. Relevant training programmes are provided for Pelikan employees such as inkjet training for the Malaysian R&D employees that was held in the first quarter of 2012. Proper "Standard Operation Procedures" ("SOPs") are drawn up as guides to operate the machineries. These SOPs ensure safety and serve as a training module for the employees.

EXPLORING NEWGROUNDS

Going back to basics, supporting children's education involves interacting with teachers and parents. Pelikan Teachers' Info was created in 2001 specifically for this purpose. The portal acts as a source of quality reference for teachers and also parents to help them in their children's education. Accessible through Pelikan's website, Teachers' Info also encourages an exchange of ideas and suggestions by the educators.

Exploring new grounds, the concept of Teachers' Info is being implemented even in our marketing programmes. The highly successful "Back to School" season campaign, "Live your dream" includes interaction with teachers by creating contents for school lessons as part of its activities. The positive response received, thus far, has been encouraging for Pelikan to stay with this idea for years to come. This will ensure our CSR footprint will continue to permeate throughout the Company, with every step we take.

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

2012	22 Feb	Board Audit	Reviewed and approved the financial results for the 4th quarter ended 31-12-2011
		Remuneration	Reviewed the remuneration package of Executive Director for year 2012
		Nomination	Reviewed the composition of the Board of Directors
	25 Apr	Board Audit	Approved the Audited Financial Statements for the financial year ended 31-12-2011 Reviewed the statements and reports to be included in the Annual Report 2011
	10 May	Board Audit	Reviewed and approved the financial results for the 1st quarter ended 31-03-2012
	26 Jun	30th AGM	Received the Audited Financial Statements for the financial year ended 31-12-2011 Approved the final dividend, Directors' fees and re-appointment of External Auditors
	17 Jul	Board Nomination	Reviewed profile of new Directors and appointed them
	28 Aug	Board Audit	Reviewed and approved the financial results for the 2nd quarter ended 30-06-2012
	29 Nov	Board Audit	Reviewed and approved the financial results for the 3rd quarter ended 30-09-2012 Presentation of Audit Plan for year 2013 Discussion of Proposed Meetings Calendar for year 2013
2013	27 Feb	Board Audit	Reviewed and approved the financial results for the 4th quarter ended 31-12-2012
		Remuneration	Reviewed the remuneration package of Executive Director for year 2013
		Nomination	Reviewed the composition of the Board of Directors
	24 Apr	Board Audit	Approved the Audited Financial Statements for the financial year ended 31-12-2012 Reviewed the statements and reports to be included in the Annual Report 2012
	28 May	Board Audit	Reviewed and approved the financial results for the 1st quarter ended 31-03-2013
	25 Jun	31st AGM	Receive the Audited Financial Statements for the financial year ended 31-12-2012 Approve the Directors' fees and re-appointment of External Auditors
	28 Aug	Board Audit	Review and approve the financial results for the 2nd quarter ended 30-06-2013
	21 Nov	Board Audit	Review and approve the financial results for the 3rd quarter ended 30-09-2013 Presentation of Audit Plan for year 2014 Discussion of Proposed Meetings Calendar for year 2014

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

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. 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
(Loss)/Profit for the financial year	(66,084)	3,712
Attributable to:		
Owners of the parent	(59,080)	3,712
Non-controlling interests	(7,004)	–
	(66,084)	3,712

DIVIDENDS

Since the end of the previous financial year, the Company has paid a final single tier dividend of one (1.0) sen per ordinary share of RM1.00 each on 24 September 2012 amounting to RM5,008,359 in respect of the financial year ended 31 December 2011.

In addition to that, in respect of the financial year ended 31 December 2011, the Company also made a share dividend distribution of 10,016,389 treasury shares on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM1.00 each held in the Company on 27 August 2012 ("Share Dividend"). The distributions of the cash and share dividends were completed on 24 September 2012.

The Directors do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS' REPORT

DIRECTORS

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

Loo Hooi Keat	
Yap Kim Swee	
Hajah Rozaida binti Omar	
Normimy binti Mohamed Noor	
Tan Sri Abi Musa Asa'ari bin Mohamed Nor	(appointed on 27 July 2012)
Dato' Afifuddin bin Abdul Kadir	(appointed on 1 August 2012)
Dato' Mohamad Norza bin Zakaria	(appointed on 1 April 2013)
Dato' Lua Choon Hann	(appointed on 1 April 2013)
Tan Sri Musa bin Mohamad	(resigned on 17 July 2012)
Syed Hussin bin Shaikh Al Junid	(resigned on 3 January 2013)

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS

Issue of shares and debentures

There were no new issues of shares or debentures during the financial year.

Treasury shares

During the financial year, the Company repurchased 5,536,600 of its issued ordinary shares from the open market at an average price of RM0.82 per share. The total consideration paid for the repurchase including transaction costs was RM4,547,054. 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.

A total of 10,016,389 treasury shares were distributed as share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM1.00 each held in the Company on 27 August 2012. The distribution of share dividend was completed on 24 September 2012.

Of the total 512,796,061 issued and fully paid ordinary shares, 2,555,811 ordinary shares are held as treasury shares by the Company. Such treasury shares are held at carrying amount of RM3,854,168. The number of outstanding ordinary shares in issue after deducting the treasury shares is 510,240,250. 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 (CONTINUED)

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 Company's new 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 Company's new 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's 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 to any dividends, rights, allotments or other distribution, where the entitlement date precedes the date of allotment of the new 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's shares.

No options were granted during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, 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, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate emoluments received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) 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 any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1 each			
Shares in the Company	**Balance as at 1.1.2012**	**Additions**	**Disposals**	**Balance as at 31.12.2012**
Loo Hooi Keat				
– Direct	27,398,355	16,887,163	(267,097)	44,018,421
– Indirect	109,825,534	–	(69,177,947)	40,647,587

By virtue of Loo Hooi Keat's direct and indirect interests in the shares of the Company, he is deemed to be interested in the shares of all 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 of the Company and of its related corporations during or at the beginning and end of the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

(ii) to ensure that any current assets other than debts, which were unlikely to realise, in the ordinary course of business, their values as shown in the accounting records of the Group and 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:

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

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

(iii) 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

(iv) 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 (CONTINUED)

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

(i) 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

(ii) any contingent liability in respect 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.

In the opinion of the Directors:

(i) 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

(ii) 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 which is likely to affect substantially the results of operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the Group disposed off three (3) indirect subsidiaries for an aggregate sales consideration of EUR22,229,000 (RM90,774,344). Details of the said disposal are disclosed in Note 17 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 April 2013.

TAN SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
Director

LOO HOOI KEAT
Director

Selangor Darul Ehsan

STATEMENT BY DIRECTORS
pursuant to Section 169(15) of the Companies Act, 1965

We, TAN SRI ABI MUSA ASA'ARI BIN MOHAMED NOR 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 87 to 162 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2012 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 24 April 2013.

TAN SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
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 87 to 162 are, to the best of my knowledge and belief, 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 on 24 April 2013 at Petaling Jaya, Selangor Darul Ehsan.

Before me

PN KOH TWEE YONG @ KOH TWEE SIEW (B 357)
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 statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 87 to 161.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
to the members of Pelikan International Corporation Berhad

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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 financial statements 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 financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations 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 39 to the financial statements 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

As stated in Note 3 to the financial statements, Pelikan International Corporation Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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

BDO
AF: 0206
Chartered Accountants

Ooi Thiam Poh
2495/01/14 (J)
Chartered Accountant

Kuala Lumpur
24 April 2013

STATEMENTS OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	6	1,601,203	1,923,368	64,570	55,490
Other operating income		47,574	25,600	31,248	25,241
Materials used		(818,690)	(959,254)	(61,473)	(53,159)
Staff costs	7	(475,469)	(558,408)	(4,643)	(5,058)
Depreciation of property, plant and equipment		(42,237)	(55,634)	(487)	(392)
Amortisation of intangible assets		(10,536)	(12,110)	–	–
Other operating expenses		(325,741)	(410,684)	(11,101)	(17,915)
(Loss)/Profit from operations	10	(23,896)	(47,122)	18,114	4,207
Share of profits of associates		–	8,974	–	–
Finance costs	11	(25,811)	(25,144)	(14,402)	(9,097)
(Loss)/Profit before taxation		(49,707)	(63,292)	3,712	(4,890)
Taxation	12	(16,377)	(38,010)	–	–
(Loss)/Profit for the financial year		(66,084)	(101,302)	3,712	(4,890)
Other comprehensive loss, net of tax					
– foreign currency translations		(10,168)	(2,926)	–	–
Total comprehensive (loss)/income		(76,252)	(104,228)	3,712	(4,890)
(Loss)/Profit attributable to:					
Owners of the parent		(59,080)	(88,423)	3,712	(4,890)
Non-controlling interests		(7,004)	(12,879)	–	–
		(66,084)	(101,302)	3,712	(4,890)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(68,472)	(90,275)	3,712	(4,890)
Non-controlling interests		(7,780)	(13,953)	–	–
		(76,252)	(104,228)	3,712	(4,890)
Basic and diluted loss per share attributable to equity holders of the Company (sen)	13	(11.67)	(17.44)	–	–

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

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	15	480,912	559,637	603,809	1,636	1,036	854
Intangible assets	16	128,803	137,753	145,633	–	–	–
Investments in subsidiaries	17	–	–	–	499,692	489,445	429,230
Investments in associates	18	–	–	36,854	–	–	300
Available-for-sale financial assets	19	3,040	2,985	3,006	–	–	–
Pension Trust Fund	20	145,165	152,048	160,307	145,165	152,048	160,307
Deferred tax assets	21	26,916	35,333	39,329	–	–	–
		784,836	887,756	988,938	646,493	642,529	590,691
Current assets							
Inventories	22	291,783	370,272	388,200	32	33	74
Receivables, deposits and prepayments	23	332,635	406,430	395,019	256,978	242,426	234,017
Tax recoverable		4,580	1,824	5,234	338	338	1,672
Pension Trust Fund	20	17,345	19,448	21,335	17,345	19,448	21,335
Cash and cash equivalents	24	160,253	100,808	109,263	19,306	27,493	50,377
		806,596	898,782	919,051	293,999	289,738	307,475
TOTAL ASSETS		1,591,432	1,786,538	1,907,989	940,492	932,267	898,166
EQUITY AND LIABILITIES							
Equity attributable to owners of the parent							
Share capital	25	512,796	512,796	512,796	512,796	512,796	512,796
Share premium		57,521	74,964	74,964	57,521	74,964	74,964
Foreign currency translation reserves		(82,456)	(73,064)	(71,212)	–	–	–
Retained profits	26	140,100	204,188	302,751	23,781	25,077	40,107
Treasury shares, at cost	25(b)	(3,855)	(16,751)	(15,569)	(3,855)	(16,751)	(15,569)
		624,106	702,133	803,730	590,243	596,086	612,298
Non-controlling interests		14,333	22,378	36,580	–	–	–
Total equity		638,439	724,511	840,310	590,243	596,086	612,298

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Non-current liabilities							
Post employment benefits obligations	27	171,699	185,095	206,755	–	–	–
Borrowings	30	117,205	107,827	193,134	111,481	92,525	126,957
Deferred tax liabilities	21	28,137	38,006	20,859	–	–	–
		317,041	330,928	420,748	111,481	92,525	126,957
Current liabilities							
Payables	31	298,146	339,603	389,545	35,576	25,692	26,052
Post employment benefits obligations	27	20,263	20,795	10,802	–	–	–
Derivative liabilities	29	4,773	3,280	–	–	–	–
Provision	28	90	189	346	–	–	–
Borrowings	30	300,771	350,920	231,539	203,192	217,964	132,859
Current tax liabilities		11,909	16,312	14,699	–	–	–
		635,952	731,099	646,931	238,768	243,656	158,911
Total liabilities		952,993	1,062,027	1,067,679	350,249	336,181	285,868
TOTAL EQUITY AND LIABILITIES		1,591,432	1,786,538	1,907,989	940,492	932,267	898,166

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

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2012

Group	Note	Share capital RM'000	Treasury shares RM'000	<--Non-distributable--> Share premium RM'000	Foreign currency translation reserves RM'000	<-Distributable-> Retained profits RM'000	Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2011		512,796	(15,569)	74,964	(63,423)	302,751	811,519	36,580	848,099
Effect of the adoption of MFRS 1	38	–	–	–	(7,789)	–	(7,789)	–	(7,789)
Restated balance as at 1 January 2011		512,796	(15,569)	74,964	(71,212)	302,751	803,730	36,580	840,310
Total comprehensive income/(loss)		–	–	–	2,360	(88,423)	(86,063)	(13,953)	(100,016)
Effect of the adoption of MFRS 1		–	–	–	(4,212)	–	(4,212)	–	(4,212)
As restated		–	–	–	(1,852)	(88,423)	(90,275)	(13,953)	(104,228)
Transactions with owners:									
Treasury shares, at cost	25(b)	–	(1,182)	–	–	–	(1,182)	–	(1,182)
Dividends	14	–	–	–	–	(10,140)	(10,140)	(249)	(10,389)
Total transactions with owners		–	(1,182)	–	–	(10,140)	(11,322)	(249)	(11,571)
At 31 December 2011		512,796	(16,751)	74,964	(73,064)	204,188	702,133	22,378	724,511
At 1 January 2012		512,796	(16,751)	74,964	(61,063)	204,188	714,134	22,378	736,512
Effect of the adoption of MFRS 1	38	–	–	–	(12,001)	–	(12,001)	–	(12,001)
Restated balance as at 1 January 2012		512,796	(16,751)	74,964	(73,064)	204,188	702,133	22,378	724,511
Total comprehensive loss		–	–	–	(9,392)	(59,080)	(68,472)	(7,780)	(76,252)
Transactions with owners:									
Treasury shares, at cost	25(b)	–	(4,547)	–	–	–	(4,547)	–	(4,547)
Dividends	25(b) & 14	–	17,443	(17,443)	–	(5,008)	(5,008)	(265)	(5,273)
Total transactions with owners		–	12,896	(17,443)	–	(5,008)	(9,555)	(265)	(9,820)
At 31 December 2012		512,796	(3,855)	57,521	(82,456)	140,100	624,106	14,333	638,439

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

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2012

Company	Note	Share capital RM'000	Treasury shares RM'000	<- Non-distributable -> Share premium RM'000	<- Distributable -> Retained profits RM'000	Total equity RM'000
At 1 January 2011		512,796	(15,569)	74,964	40,107	612,298
Total comprehensive loss		–	–	–	(4,890)	(4,890)
Transactions with owners:						
Treasury shares, at cost	25(b)	–	(1,182)	–	–	(1,182)
Dividends	14	–	–	–	(10,140)	(10,140)
Total transactions with owners		–	(1,182)	–	(10,140)	(11,322)
At 31 December 2011		512,796	(16,751)	74,964	25,077	596,086
At 1 January 2012		512,796	(16,751)	74,964	25,077	596,086
Total comprehensive gain		–	–	–	3,712	3,712
Transactions with owners:						
Treasury shares, at cost	25(b)	–	(4,547)	–	–	(4,547)
Dividends	25(b) & 14	–	17,443	(17,443)	(5,008)	(5,008)
Total transactions with owners		–	12,896	(17,443)	(5,008)	(9,555)
At 31 December 2012		512,796	(3,855)	57,521	23,781	590,243

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

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,721,075	1,982,306
Cash paid to suppliers and employees		(1,626,192)	(1,954,169)
		94,883	28,137
Interest received		1,118	1,500
Interest paid		(9,733)	(16,820)
Taxation paid		(25,520)	(10,831)
Net cash from operating activities		60,748	1,986
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		–	5,093
Interest paid		(14,794)	(10,733)
Purchase of property, plant and equipment	15(b)	(20,664)	(25,802)
Proceeds from disposal of property, plant and equipment		16,979	15,217
Purchase of intangible assets	16	(421)	(725)
Proceeds from disposal of intangible assets		4	–
Development expenses paid	16	(2,481)	(7,290)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off	17(c)(iv)	75,334	–
Proceeds from voluntary liquidation of a subsidiary		487	–
Proceeds from disposal of investment in an associate		–	9,549
Proceeds from disposal of investment		10	–
Net cash from/(used in) investing activities		54,454	(14,691)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	14	(5,008)	(10,140)
Deposits (pledged)/uplifted, net		(12,588)	23,774
Repurchase of shares	25(b)	(4,547)	(1,182)
Drawdown of bank borrowings		388,824	364,695
Repayment of bank borrowings		(427,814)	(334,064)
Repayment of hire purchase and lease creditors		(534)	(919)
Net cash (used in)/from financing activities		(61,667)	42,164
Net increase in cash and cash equivalents during the financial year		53,535	29,459
Foreign currency translation		(5,767)	(6,471)
Cash and cash equivalents at beginning of the financial year		85,899	62,911
Cash and cash equivalents at end of the financial year	24	133,667	85,899

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

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2012

	Note	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		68,614	52,848
Cash paid to suppliers and employees		(73,864)	(56,519)
		(5,250)	(3,671)
Interest received		408	687
Interest paid		(13,432)	(6,747)
Taxation refunded		–	1,379
Net cash used in operating activities		(18,274)	(8,352)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		7,004	5,080
Purchase of property, plant and equipment	15(b)	(827)	(920)
Proceeds from disposal of property, plant and equipment		–	175
Proceeds from voluntary liquidation of a subsidiary		487	–
Repayment from/(to) subsidiaries		10,712	(43,258)
Net cash from/(used in) investing activities		17,376	(38,923)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	14	(5,008)	(10,140)
Deposits (pledged)/uplifted, net		(2,305)	23,774
Repurchase of shares	25(b)	(4,547)	(1,182)
Drawdown of bank borrowings		245,147	158,860
Repayment of bank borrowings		(242,831)	(123,097)
Repayment of hire purchase and lease creditors		(50)	(50)
Net cash (used in)/from financing activities		(9,594)	48,165
Net (decrease)/increase in cash and cash equivalents during the financial year		(10,492)	890
Cash and cash equivalents at beginning of the financial year		18,402	17,512
Cash and cash equivalents at end of the financial year	24	7,910	18,402

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2012

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

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. 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:

No. 9, Jalan Pemaju U1/15, Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 24 April 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (‘MFRSs’), International Financial Reporting Standards (‘IFRSs’) and the provisions of the Companies Act, 1965 in Malaysia. This MFRSs framework was introduced by the Malaysian Accounting Standards Board (“MASB”) in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) Framework with the IFRS Framework established by the International Accounting Standards Board (“IASB”). Accordingly, any reference made on MFRSs are also equivalent to corresponding IFRSs.

These are the Group and the Company’s first financial statements prepared in accordance with MFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards (‘FRSs’) in Malaysia.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statements of financial position as at 1 January 2011 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for the financial year ended 31 December 2011 in these financial statements have been restated to give effect to these changes, and Note 38 to the financial statements discloses the impact of the transition to MFRS on the Group and Company’s reported financial position, financial performance and cash flows for the financial year then ended.

However, Note 39 to the financial statements has been prepared 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.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 4 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into consideration.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Intercompany balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a negative goodwill. The accounting policy for goodwill is set out in Note 2.5(a) to the financial statements. Discount on acquisition which represents negative goodwill is recognised immediately as income in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation (continued)

Acquisition costs incurred are expensed and included in administrative expenses.

In business combinations achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the statement of comprehensive income.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at either fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in shareholders' equity.

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration or distribution received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in the statement of comprehensive income.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill represents the amount recognised under the previous FRS framework in respect of acquisition prior to 1 January 2011.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment charges. Dividends received from subsidiaries are recorded as a component of other operating income in the Company's separate income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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 subsequent costs 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 year in which they are incurred.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

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 represents machinery under installation and renovation-in-progress and is stated at cost. 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 their estimated useful life, as follows:

Buildings	50 years
Machinery, technical equipment and mould	1 – 30 years
Office equipment, furniture and fittings	1 – 15 years
Motor vehicles	1 – 10 years

At the end of each reporting period, the Group and Company 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. Impairment assessment on property, plant and equipment is carried out based on the Group and the Company's policies as disclosed in Note 2.11 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 the statement of comprehensive income.

2.5 Intangible assets

(a) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

(a) Goodwill (continued)

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.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criterias are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over their estimated economic useful lives and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at each period end to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in the statement of comprehensive income when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

(b) Other intangible assets (continued)

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 on a yearly basis and whenever there is an indication of impairment. The amortisation period and method are also reviewed at least once at the end of each reporting period.

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.

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).

2.6 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 has no control or joint control over those policies.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Associates (continued)

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 to the extent that there is no impairment. 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.

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 of accounting. 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.

2.7 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 values 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.

2.8 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Inventories

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

Cost is determined using the 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.

2.10 Employee benefits

(a) Short term employee benefits

The Group recognises a liability and an expense for bonuses where it is 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.

(b) 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.

(c) 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.

(d) Termination benefits

The Group recognises termination benefits, according to the relevant laws applicable in the respective countries, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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.

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 the 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 the statement of comprehensive income.

2.12 Income tax

Income tax in the statement of comprehensive income for the year comprises current 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 foreign subsidiaries and associates 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 4.3(c) to the financial statements on deferred tax assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax relates 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 in 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.

2.13 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 and Company's cash management. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.14 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 the 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 costs are recognised in the statement of comprehensive income in the period in which they are incurred.

2.15 Revenue recognition

(a) 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 the 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.

(b) Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Revenue recognition (continued)

(c) Interest income

Interest income is on accrual basis unless collectibility is in doubt.

(d) Royalties

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

2.16 Share Capital

(a) 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.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method. Where the treasury stock is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. 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 the 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.

(b) Share issue cost

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

(c) Dividends to shareholders of the Company

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

2.17 Provision

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision would be reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provision (continued)

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

2.18 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.

2.19 Foreign currencies

(a) 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.

(b) 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 the 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.

(c) Foreign operations

The results and financial position of all the Group's 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;

– 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Foreign currencies (continued)

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 the 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 the statement of comprehensive income upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

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

	2012 RM	2011 RM
Foreign currency		
GBP (British Pound)	5.0311	4.9117
EUR (EU Euro)	4.1130	4.1154
CHF (Swiss Franc)	3.4070	3.3822
AUD (Australian Dollar)	3.2280	3.2340
USD (US Dollar)	3.1117	3.1779
SGD (Singapore Dollar)	2.5432	2.4471
BGN (Bulgarian Lev)	2.1046	2.1042
TRY (Turkish Lira)	1.7397	1.6710
PLN (Polish Zloty)	1.0115	0.9286
RON (Romanian New Lei)	0.9274	0.9540
AED (Arab Emirates Dirham)	0.8472	0.8653
ARS (Argentine Peso)	0.6346	0.7388
NOK (Norwegian Kroner)	0.5574	0.5302
CNY (Chinese Yuan Renminbi)	0.4938	0.5003
SEK (Swedish Krona)	0.4786	0.4612
HKD (Hong Kong Dollar)	0.4015	0.4091
MXN (Mexican Peso)	0.2392	0.2274
CZK (Czech Koruna)	0.1641	0.1603
TWD (New Taiwan Dollar)	0.1072	0.1055
THB (Thai Baht)	0.1025	0.1007
INR (Indian Rupee)	0.0569	0.0585
JPY (Japanese Yen)	0.0362	0.0411
HUF (Hungarian Forint)	0.0142	0.0132
COP (Colombian Peso in thousand)	1.7630	1.6470
IDR (Indonesian Rupiah in thousand)	0.3237	0.3543

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Financial instruments

A financial instrument is any contract that gives rise to 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, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

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

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in the statement of comprehensive income. Net gains or losses on financial assets classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in the statement of comprehensive income as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Financial instruments (continued)

(a) Financial assets (continued)

Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in the statement of comprehensive income when the financial assets are derecognised or impaired, and through the amortisation process.

Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in the statement of comprehensive income when the financial assets are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in the statement of comprehensive income. However, interest calculated using the effective interest method is recognised in the statement of comprehensive income whilst dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in the statement of comprehensive income.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Financial instruments (continued)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in the statement of comprehensive income. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in the statement of comprehensive income as components of other income or other operating losses.

Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in the statement of comprehensive income when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Held-to-maturity investments and loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the debtors or investee, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on held-to-maturity investments and loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

The carrying amount of held-to-maturity investments is directly reduced by the impairment loss whilst the carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in the statement of comprehensive income.

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income.

Impairment losses on available-for-sale equity investments are not reversed in the statement of comprehensive income in subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to the statement of comprehensive income if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

2.23 Segment reporting

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.

2.24 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

As mentioned in Note 2.1, the financial statements of the Group and of the Company have been prepared in accordance with MFRSs. In the previous years, the financial statements were prepared in accordance with FRSs in Malaysia.

There are no adjustments arising from the transition to MFRSs, except for those discussed in Note 38. Accordingly, notes relating to the statements of financial position as at the date of transition to MFRSs are only presented for Note 16.

New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standard Board ('MASB') that are relevant but have not been adopted by the Group and the Company.

MFRSs, Amendments to MFRSs and IC Interpretations		**Effective for financial periods beginning on or after**
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3	Business Combinations	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurements	1 January 2013
MFRS 119	Employee Benefits (revised)	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRSs	Annual Improvements 2009-2011Cycle	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures		1 January 2015
MFRS 9	Financial Instruments	1 January 2015

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

(a) MFRS 9 Financial Instruments

MFRS 9, as issued, reflects the first phase of the International Accounting Standards Board ("IASB")'s work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") applies to classification and measurement of financial instruments as defined in MFRS 139 and replaces the guidance in MFRS 139. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

The Group and the Company will assess the effect of the adoption of the first phase of MFRS 9 in conjunction with other phases, when issued, to determine the financial implications upon adoption of this standard.

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (CONTINUED)

(b) MFRS 119 Employee Benefits (revised)

The amendments to MFRS 119 Employee Benefits (revised) change the accounting for defined benefit plans and termination benefits. The significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor method" permitted under the existing version of MFRS 119 Employee Benefits and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statements of financial position to reflect the full value of the plan deficit or surplus.

At 31 December 2012, the unrecognised losses amount to approximately RM89 million as disclosed in Note 27 to the financial statements. The Group expect to recognise the actuarial losses upon adoption of this amendment and a retrospective application is required. These amounts would be adjusted in the opening financial statements in the next financial year.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no changes in estimates during and at the end of the reporting period.

4.2 Critical judgements made in applying accounting policies

Contingent liabilities

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.

The determination and treatment of other contingent liabilities are based on the Directors' and management's view of the expected outcome of the contingencies, after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of the business.

4.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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 (CONTINUED)

4.3 Key sources of estimation uncertainty (continued)

(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 unused 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 unused 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 debts, 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) Impairment of assets

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying amount. This evaluation is subject to factors such as market performance, economic and political situation of the country.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value in use. The value in use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgement has been used to determine the discount rate for the cash flows and the future growth of the business.

(f) 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.3 Key sources of estimation uncertainty (continued)

(g) Impairment of development expenditure

Certain judgements in terms of assessing future uncertain parameters such as future economic growth, future inflationary figures, appropriate discount rates and etc., are required to be made in order to project the future cash flows of the development products. These judgements are based on the historical track record and expectations of future events that are believed to be reasonable under the current circumstances. Where expectations differ from the original estimate, the differences will impact the carrying amount of development expenditure.

(h) Income taxes

The Group is subject to income taxes in a few jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(i) Fair value of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on similar size and business risk.

(j) Defined benefit plan

The Group determines the present value of the defined benefit obligation and the fair value of any plan asset based on calculations provided by independent actuaries using the relevant assumptions as disclosed in Note 27 to the financial statements. Where expectations differ from the original estimate, the differences will impact the carrying amount of the post employment benefits obligations.

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

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

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

5. SEGMENT INFORMATION (CONTINUED)

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

2012	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
Revenue:								
External customers	927,658	103,763	40,099	266,306	196,690	66,687	–	1,601,203
Inter-segment	775,903	64,444	260	51,076	10,579	110,703	(1,012,965)	–
Total revenue	1,703,561	168,207	40,359	317,382	207,269	177,390	(1,012,965)	1,601,203
Results:								
Segment result	(14,869)	(14,519)	(2,416)	(8,513)	31,839	11,892	(27,310)	(23,896)
Finance costs	(19,266)	(3,317)	(355)	(7,742)	(1,324)	(16,829)	23,022	(25,811)
Taxation	4,682	(7,738)	(248)	(1,910)	(9,084)	(2,079)	–	(16,377)
(Loss)/profit for the financial year	(29,453)	(25,574)	(3,019)	(18,165)	21,431	(7,016)	(4,288)	(66,084)
Other segment information:								
Interest income	6,752	7,695	16	347	681	2,250	(16,623)	1,118
Depreciation and amortisation	24,245	12,049	136	5,303	4,822	6,218	–	52,773
Other material non-cash items:								
Gain on disposal of investment in subsidiaries	21,151	–	–	–	–	–	–	21,151
Impairment of property, plant and equipment	5,715	–	–	–	–	556	–	6,271
Impairment of intangible assets	228	799	–	320	–	–	–	1,347
Impairment losses on receivables	362	90	136	288	24	96	–	996
Inventories written down	3,551	3,118	–	(773)	721	1,157	–	7,774
Capital expenditure	12,346	4,491	144	894	4,336	1,615	–	23,826
Assets:								
Segment assets	827,539	73,098	30,667	153,585	177,572	166,461	–	1,428,922
Pension trust fund	–	–	–	–	–	162,510	–	162,510
								1,591,432
Liabilities:								
Segment liabilities	391,261	46,890	20,248	60,530	64,311	369,753	–	952,993

5. SEGMENT INFORMATION (CONTINUED)

2011	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
Revenue:								
External customers	1,185,090	115,137	48,177	319,493	182,652	72,819	–	1,923,368
Inter-segment	927,955	156,725	317	81,387	11,946	105,075	(1,283,405)	–
Total revenue	2,113,045	271,862	48,494	400,880	194,598	177,894	(1,283,405)	1,923,368
Results:								
Segment result	(50,824)	13,790	(552)	(18,178)	28,327	13,514	(33,199)	(47,122)
Share of profit of associates	–	8,864	–	–	–	110	–	8,974
Finance costs	(22,595)	(6,260)	(325)	(10,997)	(2,064)	(10,912)	28,009	(25,144)
Taxation	(11,210)	(13,320)	(620)	(2,001)	(8,287)	(2,572)	–	(38,010)
(Loss)/profit for the financial year	(84,629)	3,074	(1,497)	(31,176)	17,976	140	(5,190)	(101,302)
Other segment information:								
Interest income	6,432	10,896	17	461	736	10,967	(28,009)	1,500
Depreciation and amortisation	39,462	11,795	205	7,225	4,907	4,150	–	67,744
Other material non-cash items:								
Gain on disposal of investment in an associate	–	–	–	–	–	6,397	–	6,397
Impairment of property, plant and equipment	3,466	–	–	–	–	–	–	3,466
Impairment of intangible assets	1,485	–	–	–	–	–	–	1,485
Impairment losses on receivables	792	(28)	428	1,025	(459)	–	–	1,758
Inventories written down	6,495	2,280	158	554	536	1,617	–	11,640
Capital expenditure	14,184	10,503	51	988	4,550	4,359	–	34,635
Assets:								
Segment assets	952,543	139,073	32,063	165,648	164,952	160,763	–	1,615,042
Pension trust fund	–	–	–	–	–	171,496	–	171,496
								1,786,538
Liabilities:								
Segment liabilities	472,178	54,329	19,602	69,867	68,210	377,841	–	1,062,027

5. SEGMENT INFORMATION (CONTINUED)

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

Business segment information

	Group 2012 RM'000	Group 2011 RM'000
Sale of goods and royalty fees	1,549,099	1,878,900
Logistics and related services	35,622	30,327
Information technology and related services	16,482	14,141
	1,601,203	1,923,368

6. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sales of goods	1,548,931	1,878,678	64,570	55,490
Royalty fees	168	222	–	–
Services rendered	52,104	44,468	–	–
	1,601,203	1,923,368	64,570	55,490

7. STAFF COSTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages, salaries and bonuses	386,428	458,310	3,793	3,983
Defined contribution plan	74,296	82,510	17	481
Defined benefit retirement plan	5,825	9,530	461	–
Other employee related benefits	8,920	8,058	372	594
	475,469	558,408	4,643	5,058

Staff costs as shown above include the remuneration of the key management personnel (including the Executive Director) as disclosed in Note 8 and Note 9 to the financial statements.

8. COMPENSATION OF KEY MANAGEMENT PERSONNELS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages, salaries and bonuses	12,095	13,535	1,320	1,320
Defined contribution plan	230	247	158	158
Defined benefit retirement plan	298	385	–	–
Other employee related benefits	733	2,778	35	35
	13,356	16,945	1,513	1,513

9. DIRECTORS' REMUNERATION

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-executive Directors				
Fees	390	357	390	357
Estimated monetary value of benefits in kind	10	20	10	20
Executive Director				
Salaries	1,320	1,320	1,320	1,320
Defined contribution plan	158	158	158	158
Estimated monetary value of benefits in kind	35	35	35	35
	1,913	1,890	1,913	1,890

10. (LOSS)/PROFIT FROM OPERATIONS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(Loss)/profit from operations is arrived at after charging/(crediting):				
Amortisation of intangible assets	10,536	12,110	–	–
Auditors' remuneration:				
– statutory audit	3,656	3,843	163	126
– underprovision in prior year	102	56	36	–
Bad debts written off	891	–	–	–
Depreciation of property, plant and equipment	42,237	55,634	487	392
Dividend income	–	(5,093)	(7,004)	(5,080)
External logistics, outward freight and packaging	74,508	93,549	–	–
Fair value adjustments on derivative liabilities	1,493	3,280	–	–
Gain on disposal of investment in an associate	–	(6,397)	–	–
Gain on disposal of investment in subsidiaries	(21,151)	–	–	–
Gain on voluntary liquidation of a subsidiary	(159)	–	(203)	–
Impairment loss on:				
– investment in subsidiaries	–	–	–	2,653
– investment in an associate	–	–	–	300
Impairment loss on receivables	996	1,758	–	–
Impairment of intangible assets	1,347	1,485	–	–
Impairment of property, plant and equipment	6,271	3,466	–	–
Interest income	(1,118)	(1,500)	(8,820)	(10,638)
Inventories written down	7,774	11,640	104	–
Loss/(gain) on disposal of property, plant and equipment	2,330	(1,027)	–	(51)
Loss on disposal of intangible assets	12	–	–	–
Loss on disposal of investment	91	–	–	–
Net (gain)/loss on foreign exchange:				
– realised	(9,514)	(794)	(7,016)	(2,289)
– unrealised	(1,425)	11,420	154	12,369
Property, plant and equipment written off	2,037	690	–	222
Receipts from Pension Trust Fund	–	–	(8,361)	(9,302)
Rental:				
– land and buildings	29,580	38,496	229	173
– other equipment	3,459	4,739	52	102
– plant and machinery	2,647	3,061	–	–
Research and development expenses	11,607	20,159	432	2,080
Sales promotion	63,151	73,676	19	–
Waiver of amount due from subsidiaries	–	–	4,547	–

The cost of inventories recognised as expense during the financial year of the Group amounted to RM858,715,000 (2011: RM1,159,507,000).

11. FINANCE COSTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense on bank borrowings	23,491	23,110	14,299	9,088
Factoring charges	2,320	2,034	–	–
Interest – others	–	–	103	9
	25,811	25,144	14,402	9,097

12. TAXATION

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current year tax expense based on profit for the financial year:				
– Malaysian tax	33	–	–	–
– Foreign tax	17,405	17,512	–	–
	17,438	17,512	–	–
Under/(Over)-provision in prior years	381	(1,875)	–	–
	17,819	15,637	–	–
Deferred tax (Note 21)	(1,442)	22,373	–	–
Tax expense	16,377	38,010	–	–

The numerical reconciliation between the average effective tax and the tax based on applicable tax rate are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	(12,427)	(15,823)	928	(484)
Tax effects of:				
– `different tax regime	2,407	(1,443)	–	–
– expenses not deductible for tax purposes	8,105	40,479	4,579	5,858
– income not subject to tax	(9,569)	(11,097)	(7,370)	(6,669)
– deferred tax assets not recognised in respect of current year's tax losses	27,480	34,815	1,863	1,295
– utilisation of previously unrecognised deferred tax asset	–	(7,046)	–	–
– under/(over)-provision in prior years	381	(1,875)	–	–
Tax expense	16,377	38,010	–	–

13. EARNINGS PER SHARE

Basic earnings per share 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:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Loss attributable to owners of the parent	(59,080)	(88,423)
Weighted average number of ordinary shares in issue	512,796	512,796
Weighted average number of shares repurchased	(6,350)	(5,749)
	506,446	507,047
	Sen	**Sen**
Basic loss per ordinary share	(11.67)	(17.44)

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

14. DIVIDENDS

	Group and Company			
	2012		**2011**	
	Dividend per share sen	**Dividend amount RM'000**	**Dividend per share sen**	**Dividend amount RM'000**
Dividend paid	1.0	5,008	2.0	10,140

Since the end of the previous financial year, the Company has paid a final single tier dividend of one (1.0) sen per ordinary share of RM1.00 each on 24 September 2012 amounting to RM5,008,359 in respect of the financial year ended 31 December 2011.

In addition to that, in respect of the financial year ended 31 December 2011, the Company also made a share dividend distribution of 10,016,389 treasury shares on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM1.00 each held in the Company on 27 August 2012 ("Share Dividend"). The distributions of the cash and share dividends were completed on 24 September 2012.

15. PROPERTY, PLANT AND EQUIPMENT

Group	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
Carrying amounts							
At 1 January 2011	35,933	338,784	185,726	37,081	1,372	4,913	603,809
Additions	–	270	9,953	9,299	1,447	5,651	26,620
Disposals	(7,293)	(1,984)	(974)	(2,551)	(207)	(1,181)	(14,190)
Transfers	–	163	2,914	192	–	(3,269)	–
Depreciation	–	(12,306)	(29,509)	(13,200)	(619)	–	(55,634)
Impairment	–	(3,466)	–	–	–	–	(3,466)
Write off	–	–	(190)	(307)	–	(193)	(690)
Foreign currencies translation	(504)	786	800	2,244	(59)	(79)	3,188
At 31 December 2011	28,136	322,247	168,720	32,758	1,934	5,842	559,637
At 1 January 2012	28,136	322,247	168,720	32,758	1,934	5,842	559,637
Additions	–	180	8,166	5,236	1,702	5,640	20,924
Disposals	–	(12,421)	(3,108)	(2,267)	(239)	(1,274)	(19,309)
Transfers	–	596	1,858	126	–	(2,580)	–
Depreciation	–	(9,861)	(22,614)	(8,912)	(850)	–	(42,237)
Impairment	–	(5,128)	(505)	(638)	–	–	(6,271)
Write off	–	–	(1,841)	(4)	–	(192)	(2,037)
Disposal of subsidiaries	–	(12,573)	(18,254)	(1,789)	–	(176)	(32,792)
Foreign currencies translation	817	900	1,008	108	30	134	2,997
At 31 December 2012	28,953	283,940	133,430	24,618	2,577	7,394	480,912
At 31 December 2012							
Cost	28,953	396,338	435,899	158,009	4,983	7,394	1,031,576
Accumulated depreciation and impairment	–	(112,398)	(302,469)	(133,391)	(2,406)	–	(550,664)
Carrying amounts	28,953	283,940	133,430	24,618	2,577	7,394	480,912
At 31 December 2011							
Cost	28,136	472,431	505,780	187,058	4,088	5,842	1,203,335
Accumulated depreciation and impairment	–	(150,184)	(337,060)	(154,300)	(2,154)	–	(643,698)
Carrying amounts	28,136	322,247	168,720	32,758	1,934	5,842	559,637

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Machinery, technical equipment and mould RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Carrying amounts				
At 1 January 2011	154	339	361	854
Additions	109	122	689	920
Disposals	–	(7)	(104)	(111)
Transfers	–	(13)	–	(13)
Depreciation	(125)	(62)	(205)	(392)
Write off	–	(222)	–	(222)
At 31 December 2011	138	157	741	1,036
Additions	12	6	1,069	1,087
Depreciation	(119)	(41)	(327)	(487)
At 31 December 2012	31	122	1,483	1,636
At 31 December 2012				
Cost	428	294	1,998	2,720
Accumulated depreciation and impairment	(397)	(172)	(515)	(1,084)
Carrying amounts	31	122	1,483	1,636
At 31 December 2011				
Cost	416	288	929	1,633
Accumulated depreciation and impairment	(278)	(131)	(188)	(597)
Carrying amounts	138	157	741	1,036

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The carrying amounts of property, plant and equipment pledged as security for borrowings as disclosed in Note 30 to the financial statements are as follows:

	Group	
	2012 RM'000	2011 RM'000
Freehold land	4,907	6,262
Buildings	201,225	231,107
Machinery and technical equipment	15,634	20,503
	221,766	257,872

(b) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Purchase of property, plant and equipment	20,924	26,620	1,087	920
Financed by hire purchase and finance lease arrangements	(260)	(818)	(260)	–
Cash payments on purchase of property, plant and equipment	20,664	25,802	827	920

(c) The carrying amount of the Group's and the Company's property, plant and equipment under hire purchase and finance lease agreements is RM1,574,000 (2011: RM1,693,000) and RM290,000 (2011: RM144,000) respectively.

16. INTANGIBLE ASSETS

Group	Goodwill RM'000	Trademarks RM'000	Development costs RM'000	Computer software license RM'000	Total RM'000
Carrying amounts					
At 1 January 2011:					
As previously stated	109,511	14,932	25,532	3,447	153,422
Effects of adopting MFRS 1	(7,789)	–	–	–	(7,789)
As restated	101,722	14,932	25,532	3,447	145,633
Additions	–	–	7,290	725	8,015
Amortisation	–	–	(10,166)	(1,944)	(12,110)
Impairment	(1,468)	(17)	–	–	(1,485)
Foreign currencies translation	(3,216)	102	774	40	(2,300)
At 31 December 2011	97,038	15,017	23,430	2,268	137,753
At 1 January 2012:					
As previously stated	109,039	15,017	23,430	2,268	149,754
Effects of adopting MFRS 1	(12,001)	–	–	–	(12,001)
As restated	97,038	15,017	23,430	2,268	137,753
Additions	–	–	2,481	421	2,902
Disposals	–	–	–	(16)	(16)
Amortisation	–	(4)	(9,287)	(1,245)	(10,536)
Impairment	(320)	–	(845)	(182)	(1,347)
Foreign currencies translation	169	(9)	(105)	(8)	47
At 31 December 2012	96,887	15,004	15,674	1,238	128,803
At 31 December 2012					
Cost	101,372	15,977	43,611	74,803	235,763
Accumulated amortisation and impairment	(4,485)	(973)	(27,937)	(73,565)	(106,960)
Carrying amounts	96,887	15,004	15,674	1,238	128,803
At 31 December 2011					
Cost	101,001	15,986	49,879	74,301	241,167
Accumulated amortisation and impairment	(3,963)	(969)	(26,449)	(72,033)	(103,414)
Carrying amounts	97,038	15,017	23,430	2,268	137,753

16. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill RM'000	Trademarks RM'000	Development costs RM'000	Computer software license RM'000	Total RM'000
At 1 January 2011					
Cost	104,504	15,882	41,829	78,153	240,368
Accumulated amortisation and impairment	(2,782)	(950)	(16,297)	(74,706)	(94,735)
Carrying amounts	101,722	14,932	25,532	3,447	145,633

Impairment test for goodwill and trademarks

Allocation of goodwill and trademarks:

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Goodwill			
Germany	71,100	72,236	76,575
Switzerland	3,000	2,978	2,889
Argentina	10,279	10,466	10,135
Japan	11,664	10,528	11,284
Taiwan	844	830	839
	96,887	97,038	101,722
Trademarks			
Germany	15,004	15,017	14,932

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 2012 %	2011 %	Growth rate 2012 %	2011 %	Discount rate 2012 %	2011 %
Germany	5.0	2.9	1.0	1.5	5.7	6.3
Switzerland	0.2	1.3	3.5	2.0	5.3	5.5
Argentina	15.7	11.2	1.0	10.0	18.9	18.0
Japan	18.5	16.0	2.0	2.0	5.4	5.5
Taiwan	7.1	14.7	2.0	2.0	5.0	4.9

16. INTANGIBLE ASSETS (CONTINUED)

EBIT	– budgeted earnings before interest and tax
Growth rate	– weighted average growth rate used to extrapolate cash flows beyond the budget period
Discount rate	– pre-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.

The management believes that there are no reasonable possible changes in any of the key assumptions used that would cause the carrying amount of the CGUs to materially exceed the recoverable amounts.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RM'000	2011 RM'000
Quoted shares, at cost	167,319	167,319
Unquoted shares, at cost	75,668	75,952
Less: Impairment loss	(2,653)	(2,653)
	240,334	240,618
Amount due from subsidiaries (Non-trade)	259,358	248,827
	499,692	489,445
Market values of quoted shares	162,973	250,635

Amount due from subsidiaries amounting to RM259,358,000 (2011: RM248,827,000) is considered to be part of the Company's net investments in subsidiaries, which are stated at cost less accumulated impairment losses.

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

Details of the subsidiaries are as follows:

Name of company	Country of Incorporation	Effective Percentage of Ownership 2012 %	2011 %	Principal Activities
Direct subsidiaries				
Pelikan Holding AG (listed on Swiss SIX Exchange)	Switzerland	96.45	96.45	Investment holding
Pelikan Japan K.K.*	Japan	99.11	99.11	Distribution of stationery and office products
Pelikan México S.A. de C.V.	Mexico	98.23	98.23	Production and distribution of stationery and office products

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2012 %	2011 %	Principal Activities
Direct subsidiaries (continued)				
Pelikan Produktions AG*^	Switzerland	–	100.00	Liquidated
Pelikan Polska Sp.z.o.o	Poland	100.00	100.00	Dormant
Pelikan Middle East FZE*	United Arab Emirates	100.00	100.00	Distribution of stationery and office products
Pelikan Singapore Pte Ltd*	Singapore	100.00	100.00	Distribution of stationery and office products
Pelikan Taiwan Co Ltd*	Taiwan	100.00	100.00	Distribution of stationery and office products
Pelikan Trading (Shanghai) Co Ltd*	China	100.00	100.00	Distribution of stationery and office products
PT Pelikan Indonesia*	Indonesia	99.00	99.00	Distribution of stationery and office products
Pelikan Production (Malaysia) Sdn Bhd	Malaysia	100.00	100.00	Production of stationery and office products
Pelikan Hardcopy Holding AG	Switzerland	100.00	100.00	Investment holding
Pelikan Trading India Private Limited*	India	100.00	100.00	Dormant
Herlitz Aktiengesellschaft (listed on Berlin Stock Exchange and Frankfurt Stock Exchange)	Germany	70.92	70.92	Production and distribution of stationery and office products
Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG	Germany	98.52	98.52	Property holding
Ganymed Falkensee Grundstücksverwaltungs GmbH*	Germany	100.00	100.00	Dormant
Indirect subsidiaries				
Pelikan (Schweiz) AG	Switzerland	96.45	96.45	Distribution of stationery and office products
Günther Wagner SA*	Switzerland	96.45	96.45	Dormant
Pelikan GmbH	Germany	96.45	96.45	Investment holding
Pelikan Vertriebsgesellschaft mbH & Co. KG	Germany	96.45	96.45	Distribution of stationery and office products
Pelikan PBS-Produktionsgesellschaft mbH & Co. KG	Germany	96.45	96.45	Production and distribution of stationery and office products
Kreuzer Produktion Vertrieb GmbH*	Germany	96.45	96.45	Dormant
Pelikan PBS-Produktion Verwaltungs-GmbH*	Germany	96.45	96.45	Dormant
Pelikan Vertrieb Verwaltungs-GmbH*	Germany	96.45	96.45	Dormant
ReMerch GmbH*	Germany	96.45	96.45	Services
Pelikan Italia S.p.a.	Italy	96.45	96.45	Distribution of stationery and office products

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2012 %	2011 %	Principal Activities
Indirect subsidiaries (continued)				
Pelikan S.A.	Spain	96.45	96.45	Distribution of stationery and office products
Pelikan Belux N.V./S.A.	Belgium	96.45	96.45	Distribution of stationery and office products
Pelikan Hellas E.P.E.	Greece	96.45	96.45	Distribution of stationery and office products
Pelikan Austria Ges.m.b.H.*	Austria	96.45	96.45	Dormant
Pelikan Nederland B.V.*	Netherlands	96.45	96.45	Dormant
Pelikan, Inc.*	USA	96.45	96.45	Dormant
Pelikan Asia Sdn. Bhd.	Malaysia	96.45	96.45	Distribution of stationery and office products
Pelikan Nordic AB	Sweden	96.45	96.45	Distribution of stationery and office products
Pelikan France S.A.S.	France	96.45	96.45	Distribution of stationery and office products
Pelikan Colombia S.A.S.	Colombia	98.06	98.06	Production and distribution of stationery and office products
Pelikan Hardcopy Europe Ltd	United Kingdom	100.00	100.00	Investment holding
Pelikan Hardcopy Production AG	Switzerland	100.00	100.00	Production and distribution of office products
Pelikan Hardcopy Scotland Ltd	United Kingdom	100.00	100.00	Production and distribution of office and industrial products
Initio GmbH	Germany	100.00	100.00	Dormant
Greif Werke GmbH	Germany	100.00	100.00	Dormant
Pelikan Hardcopy European Logistics and Services GmbH	Germany	–	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	96.45	Distribution of office products
German Hardcopy doo*^	Bosnia	–	96.45	Liquidated
Pelikan Argentina S.A.	Argentina	98.17	98.17	Distribution of stationery and office products
Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd Sirketi*	Turkey	97.87	97.87	Distribution of stationery and office products
European Collection Partner GmbH	Germany	–	100.00	Services
Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren	Germany	70.92	70.92	Production and distribution of stationery and office products
Susy Card GmbH	Germany	70.92	70.92	Development, production and distribution of papeterie products
Falken Office Products GmbH	Germany	–	70.92	Production and distribution of stationery and office products

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2012 %	2011 %	Principal Activities
Indirect subsidiaries (continued)				
Herlitz Papierverarbeitungs GmbH	Germany	70.92	70.92	Dormant
Convex Schreibwaren-Handels GmbH	Germany	70.92	70.92	Distribution of stationery and office products
Mercoline GmbH	Germany	70.92	70.92	Production and distribution of software and provision of IT services
eCom Logistik GmbH & Co. KG	Germany	70.92	70.92	Logistics services
eCom Logistik Verwaltungs GmbH	Germany	70.92	70.92	Dormant
Herlitz Spolka z.o.o.	Poland	70.92	70.92	Production and distribution of stationery and office products
Herlitz Spol s.r.o.	Czech Republic	70.92	70.92	Distribution of stationery and office products
Herlitz Slovakia s.r.o.	Slovakia	70.92	70.92	Distribution of stationery and office products
Herlitz Hungária Kft.	Hungary	70.92	70.92	Distribution of stationery and office products
Herlitz România srl	Romania	36.17	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	70.92	Distribution of stationery and office products
Herlitz Benelux B.V.	Netherlands	70.92	70.92	Distribution of stationery and office products
POS Services GmbH	Germany	70.92	70.92	Point of sale services

* Not audited by BDO or BDO member firms

^ Liquidated during the financial year

(a) Investment in subsidiaries amounting to RM97,939,651 (2011: RM97,939,651) were pledged as security for borrowings of the Company as disclosed in Note 30 to the financial statements.

(b) On 1 January 2012, the business (including assets and liabilities) of Pelikan Hardcopy European Logistics and Services GmbH and European Collection Partner GmbH have been merged into Initio GmbH. There is no material financial effect to the Group arising from this merger of subsidiaries.

(c) In March 2012, the Group disposed off the following indirect subsidiaries to certain third parties for a total consideration of EUR22,229,000 (RM90,774,344):
- 650,000 ordinary shares of EUR1.00 each in Falken Office Products GmbH ("FOP") representing 100% of the equity interest in FOP;
- 1,681,835 ordinary shares of GBP1.00 each in Herlitz UK Limited ("Herlitz UK") representing 100% of the equity interest in Herlitz UK; and
- 1,000 ordinary shares of RON10.00 each in DELMET PROD srl ("Delmet") representing 100% of the equity interest in Delmet.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The effects on the disposal are as follows:

i. Consideration received

	Group 2012 RM'000
Consideration received in cash and cash equivalents	90,774

ii. Analysis of assets and liabilities over which control was lost

	Group 2012 RM'000
Current assets	
Cash and cash equivalents	15,440
Receivables	24,123
Inventories	28,114
Non-current assets	
Property, plant and equipment	32,792
Current liabilities	
Payables	(29,128)
Borrowings	(1,718)
Net assets disposed off	69,623

iii. Gain on disposal of subsidiaries

	Group 2012 RM'000
Consideration received	90,774
Net assets disposed of	(69,623)
Gain on disposal	21,151

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The effects on the disposal are as follows: (continued)

iv. Net cash inflow on disposal of subsidiaries

	Group 2012 RM'000
Consideration received in cash and cash equivalents	90,774
Less: cash and cash equivalent balances disposed off	(15,440)
	75,334

18. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares, at cost	300	300	300	300
Share of post acquisition reserves	(298)	(298)	–	–
Foreign currencies translation	(2)	(2)	–	–
Less: Impairment loss	–	–	(300)	(300)
	–	–	–	–
Group's share of net assets	–	–	–	–

The summarised financial information of the associates are as follows:

	Group	
	2012 RM'000	2011 RM'000
Current assets	3,836	5,117
Non-current assets	386	379
Current liabilities	(5,891)	(6,416)
	(1,669)	(920)
Revenue	2,206	4,200
(Loss)/Profit for the financial year	(716)	224

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name of company	Country of Incorporation	Effective Percentage of Ownership 2012 %	2011 %	Principal Activities
Direct associate				
Pelikan (Thailand) Co Ltd*	Thailand	49.00	49.00	Distribution of stationery and office supplies
Indirect associate				
Artof C.A.*	Venezuela	21.91	21.91	Dormant

* Not audited by BDO

In the previous financial year, the Group disposed off its entire equity interest in its associated company, Columbia Pelikan PTY Limited for a total consideration of AUD15 million (or approximately RM47.75 million). The gain on disposal of investment in the associate is as disclosed in Note 10 to the financial statements.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2012 RM'000	2011 RM'000
Quoted shares	3,027	3,029
Less: Impairment loss	(57)	(210)
	2,970	2,819
Unquoted shares	70	166
	3,040	2,985
Market value of quoted shares	2,970	2,819

Information on the fair value hierarchy is disclosed in Note 36(c) to the financial statements.

20. PENSION TRUST FUND

	Group and Company 2012 RM'000	2011 RM'000
Current	17,345	19,448
Non-current	145,165	152,048
	162,510	171,496

20. PENSION TRUST FUND (CONTINUED)

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 of RM65,087,000. If the assets in the Pension Trust Fund are capable of paying the entire Removable Pension Liabilities, the Removable Pension Liabilities assumed by the Company will be relinquished.

	Group	
	2012 RM'000	2011 RM'000
Liabilities funded by Pension Trust Fund	85,671	96,043
Liabilities assumed by the Company	65,087	65,087
	150,758	161,130
Other post employment benefit obligations of the Group	41,204	44,760
Total post employment benefit obligations (Note 27)	191,962	205,890

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	26,916	35,333	–	–
Deferred tax liabilities:				
– subject to income tax	(22,497)	(32,152)	–	–
– subject to capital gains tax	(5,640)	(5,854)	–	–
	(28,137)	(38,006)	–	–
	(1,221)	(2,673)	–	–

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
At 1 January	(2,673)	18,470	–	–
Credited/(charged) to statement of comprehensive income: (Note 12)				
– tax losses	4,250	(13,463)	–	–
– property, plant and equipment and intangibles	8,814	(20,173)	–	–
– inventories	351	(225)	–	–
– others	(11,973)	11,488	–	–
	1,442	(22,373)	–	–
Foreign currencies translation and others	10	1,230	–	–
At 31 December	(1,221)	(2,673)	–	–
Subject to income tax:				
Deferred tax assets				
Tax losses	13,371	9,153	–	–
Others	13,545	26,180	–	–
	26,916	35,333	–	–
Deferred tax liabilities				
Property, plant and equipment and intangibles	(22,497)	(32,152)	–	–
Subject to capital gains tax:				
Deferred tax liabilities				
Property, plant and equipment	(5,640)	(5,854)	–	–

The tax effects of unused tax losses for which no deferred tax asset are recognised in the statement of financial position are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Unused tax losses	318,242	290,762	4,219	2,356

22. INVENTORIES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At cost				
Raw materials	44,413	62,441	32	33
Work in progress	36,441	41,254	–	–
Finished goods	152,639	198,650	–	–
	233,493	302,345	32	33
At net realisable value				
Raw materials	11,090	11,628	–	–
Work in progress	9,159	6,704	–	–
Finished goods	38,041	49,595	–	–
	291,783	370,272	32	33

Inventories of the Group pledged as security for borrowings amounted to RM Nil (2011: RM617,000) as disclosed in Note 30 to the financial statements.

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables				
Third parties	227,619	296,302	2,098	802
Subsidiaries	–	–	11,292	16,045
Associates	4,930	5,579	–	–
Less: Impairment loss	(12,254)	(13,371)	–	–
	220,295	288,510	13,390	16,847
Other receivables				
Amounts due from:				
– Subsidiaries	–	–	183,365	188,888
– Third parties	101,349	111,710	53,319	36,038
Prepayments	3,660	4,606	350	350
Deposits	7,331	1,604	6,554	303
	332,635	406,430	256,978	242,426

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Trade receivables of the Group pledged as security for borrowings amounted to RM4,562,000 (2011: RM8,017,000) as disclosed in Note 30 to the financial statements.

The fair values of receivables approximate their carrying amounts.

Credit terms offered by the Group in respect of trade receivables range from 30 days to 120 days (2011: 30 days to 120 days) from date of invoices.

Amounts due 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 2.74% (2011: 3.13%) per annum and trade transactions which are subject to normal trade credit terms.

Included in other receivables of the Group are amounts due from related parties amounting to RM5,662,000 (2011: RM5,817,000), which arose from trade transactions are unsecured, interest free and repayable on demand.

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
– EUR	167,133	234,055	129,829	135,692
– RM	68,961	44,414	113,436	90,674
– COP	29,674	24,367	–	–
– MXN	18,427	16,722	–	–
– USD	17,208	13,341	12,135	12,534
– ARS	10,951	12,008	–	–
– JPY	9,335	10,868	181	1,036
– CHF	4,852	5,581	–	998
– GBP	2,073	2,868	–	128
– SGD	1,984	1,292	377	363
– CZK	1,007	1,240	–	–
– CNY	316	83	–	–
– TWD	301	123	963	947
– AED	264	346	–	–
– IDR	87	245	–	–
– PLN	55	–	–	–
– HKD	4	–	–	–
– SEK	3	–	–	–
– AUD	–	38,807	–	–
– TRY	–	70	–	–
– THB	–	–	57	54
	332,635	406,430	256,978	242,426

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Neither past due nor impaired	178,613	255,489	9,278	7,723
0 to 30 days past due	20,811	13,098	1,866	2,374
31 to 60 days past due	9,581	8,228	155	1,571
61 to 90 days past due	2,327	2,713	419	635
More than 90 days past due	21,217	22,353	1,672	4,544
	232,549	301,881	13,390	16,847
Allowance for impairment	(12,254)	(13,371)	–	–
	220,295	288,510	13,390	16,847

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 2012, the Group and Company have trade receivables amounting to RM27,085,000 (2011: RM22,067,000) and RM4,112,000 (2011: RM9,124,000) respectively 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 and the Company. Based on past experience and no adverse information to-date, the Directors of the Group and Company 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:

Group	Collectively Impaired RM'000	Individually Impaired RM'000	Total RM'000
2012			
Trade receivables, gross	16,128	10,723	26,851
Less: Impairment loss	(3,142)	(9,112)	(12,254)
	12,986	1,611	14,597

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Group	Collectively Impaired RM'000	Individually Impaired RM'000	Total RM'000
2011			
Trade receivables, gross	13,467	10,858	24,325
Less: Impairment loss	(2,983)	(10,388)	(13,371)
	10,484	470	10,954

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.

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

	Group	
	2012 RM'000	2011 RM'000
At 1 January	13,371	23,398
Charged for the financial year	996	1,758
Written off	(2,276)	(12,120)
Foreign currencies translation	163	335
At 31 December	12,254	13,371

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks	22,669	21,326	11,458	20,348
Cash and bank balances	137,584	79,482	7,848	7,145
Deposits, cash and bank balances	160,253	100,808	19,306	27,493
Bank overdrafts (Note 30)	(4,907)	(5,818)	–	–
	155,346	94,990	19,306	27,493
Less: Deposits pledged to licensed banks	(21,679)	(9,091)	(11,396)	(9,091)
	133,667	85,899	7,910	18,402

24. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	%	**%**	**%**	**%**
Deposits with licensed banks	1.00 – 3.50	1.00 – 3.50	1.00 – 3.05	2.70 – 3.05

The deposits of the Group and of the Company as at 31 December 2012 have maturity periods ranging between overnight and one month (2011: between overnight and one month). Certain deposits have been pledged to financial institutions for credit facilities.

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
– EUR	118,228	30,830	2,143	743
– RM	13,246	26,267	12,436	12,694
– MXN	9,016	7,464	–	–
– USD	4,785	22,156	2,932	13,556
– ARS	2,983	2,901	–	–
– CHF	2,841	1,899	510	14
– JPY	2,794	1,279	1,282	486
– AED	1,316	1,401	–	–
– CNY	969	1,255	–	–
– SEK	794	253	–	–
– COP	648	1,624	–	–
– GBP	574	375	2	–
– HKD	567	1,122	–	–
– TWD	516	818	–	–
– AUD	274	–	1	–
– TRY	247	37	–	–
– PLN	203	815	–	–
– CZK	109	57	–	–
– IDR	72	29	–	–
– SGD	43	201	–	–
– INR	28	25	–	–
	160,253	100,808	19,306	27,493

25. SHARE CAPITAL

	Group and Company			
	2012		2011	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Ordinary shares of RM1.00 each:				
Authorised:				
As at 1 January/31 December	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
As at 1 January/31 December	512,796	512,796	512,796	512,796

(a) Issues of shares

There was no issue of shares during the financial year.

(b) Treasury shares

	Group and Company			
	2012		2011	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
At cost:				
As at 1 January	7,035	16,751	5,581	15,569
Additions	5,537	4,547	1,454	1,182
Share dividend distributed during the financial year (Note 14)	(10,016)	(17,443)	–	–
As at 31 December	2,556	3,855	7,035	16,751

25. SHARE CAPITAL (CONTINUED)

(b) Treasury shares (continued)

The shareholders of the Company granted a mandate to the Company to repurchase its own shares at the Annual General Meeting held on 26 June 2012.

During the financial year, the Company repurchased a total of 5,536,600 (2011: 1,453,800) of its shares from the open market for, a total consideration of RM4,547,054 (2011: RM1,181,433). The repurchase transaction was financed through internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

A total of 10,016,389 treasury shares were distributed as share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM1.00 each held in the Company on 27 August 2012 ("Share Dividends"). The distribution of Share Dividend was completed on 24 September 2012. As at 31 December 2012, the Company held 2,555,811 treasury shares. Such treasury shares are held at carrying amount of RM3,854,168, after deducting the above Share Dividend distribution.

Except for the Share Dividend, none of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends or participation in other distribution.

26. RETAINED PROFITS

Effective from 1 January 2008, the Company was 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 is no additional tax liability to be incurred upon payment of dividends out of its entire retained earnings as at the end of the reporting period.

27. POST EMPLOYMENT BENEFITS OBLIGATIONS

The Group operates both funded and unfunded defined benefits retirement plans for its employees. The latest actuarial valuations of the plans were carried out in 2012.

	Removable Pension Liabilities			
	Funded by Pension Trust Fund RM'000	Assumed by the Company RM'000	Others RM'000	Group Total RM'000
At 31 December 2012				
Current	9,587	–	10,676	20,263
Non-current	76,084	65,087	30,528	171,699
	85,671	65,087	41,204	191,962
At 31 December 2011				
Current	9,582	–	11,213	20,795
Non-current	86,461	65,087	33,547	185,095
	96,043	65,087	44,760	205,890

27. POST EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

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 2011	103,188	65,087	49,282	217,557
Expenses charged to statement of comprehensive income	9,153	–	9,530	18,683
Utilised	(19,416)	–	(12,601)	(32,017)
Foreign currencies translation and others	3,118	–	(1,451)	1,667
At 31 December 2011	96,043	65,087	44,760	205,890
Expenses charged to statement of comprehensive income	8,279	–	5,825	14,104
Utilised	(17,793)	–	(10,446)	(28,239)
Foreign currencies translation and others	(858)	–	1,065	207
At 31 December 2012	85,671	65,087	41,204	191,962

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

	Group	
	2012 RM'000	2011 RM'000
Present value of funded obligations	283,146	270,956
Fair value of plan assets	(209,828)	(207,795)
Status of funded plan	73,318	63,161
Present value of unfunded obligations	208,043	187,302
Unrecognised actuarial loss	(89,399)	(44,573)
	191,962	205,890
Current service cost	4,220	6,228
Interest cost	20,503	21,582
Expected return on plan assets	(10,687)	(10,850)
Actuarial gain recognised	68	1,723
Total included in staff costs	14,104	18,683

The actual return on the plan assets of the Group for the year was a gain of RM19,844,000 (2011: RM2,162,000).

27. POST EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

Changes in fair value of plan asset are as follows:

	Group	
	2012 RM'000	2011 RM'000
Opening fair value of plan assets	207,795	197,541
Expected return on plan assets	8,650	10,359
Actuarial gain/(loss) on plan assets	10,736	(8,165)
Contributions from the employer	8,136	8,940
Contributions from plan participants	2,186	3,143
Benefits paid	(30,895)	(10,990)
Foreign currencies translation and others	3,220	6,967
	209,828	207,795

The major categories of plan assets are as follows:

	Group	
	2012 RM’000	2011 RM’000
Debt instruments	100,395	105,702
Equity instruments	44,301	36,191
Alternative investments	34,393	32,385
Property	18,147	19,714
Qualifying insurance polices	5,047	3,638
Convertibles	4,845	6,237
Cash and others	2,700	3,928
	209,828	207,795

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

	Group	
	2012 %	2011 %
Discount rate	1.75 – 10.00	2.30 – 7.75
Expected return on plan assets	3.50 – 6.75	3.00 – 7.00
Expected rate of salary increases	1.00 – 8.00	2.00 – 5.00

27. POST EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

The history of experience adjustments are as follows:

			Group		
	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
Present value of funded obligations	283,146	270,956	255,486	271,023	216,039
Fair value of plan assets	(209,828)	(207,795)	(197,560)	(197,105)	(176,564)
Deficit in the plan	73,318	63,161	57,926	73,918	39,475
Present value of unfunded obligations	208,043	187,302	202,387	226,001	221,988
Experience adjustments on plan liabilities	(2,556)	7,291	6,684	2,524	(3,916)
Experience adjustments on plan assets	10,974	(8,105)	4,586	4,673	(14,836)

28. PROVISION

	Group Warranty RM'000
At 1 January 2011	346
Charged to statement of comprehensive income	(99)
Utilised	(64)
Foreign currencies translation and others	6
At 31 December 2011	189
Charged to statement of comprehensive income	(96)
Foreign currencies translation and others	(3)
At 31 December 2012	90

29. DERIVATIVE LIABILITIES

	2012		2011	
	Contract/ Notional amount EUR'000	Liabilities RM'000	Contract/ Notional amount EUR'000	Liabilities RM'000
Group				
Interest rate swap	10,000	4,773	10,000	3,280

The Group has entered into interest rate swap contract with a total of EUR10 million resulting in an exchange of floating for fixed interest rates from fiscal year 2012 to hedge exposure to movements in interest rate on a financing transaction. For a period of 5 years, the variable interest rate is exchanged on the basis of the 3-month Euribor interest at 3.15%. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

30. BORROWINGS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Bank overdrafts	4,907	5,818	–	–
Bankers' acceptances/Trust receipts	13,243	17,882	1,083	1,352
Revolving credits	169,555	182,472	137,089	144,711
Discounted bills	34,107	37,326	27,458	32,891
Hire purchase and lease payables	614	617	52	41
Short term loans	36,002	35,026	–	–
Term loans	42,343	71,779	37,510	38,969
	300,771	350,920	203,192	217,964
Non-current				
Hire purchase and lease payables	735	1,006	199	–
Term loans	116,470	106,821	111,282	92,525
	117,205	107,827	111,481	92,525
Total				
Bank overdrafts (Note 24)	4,907	5,818	–	–
Bankers' acceptances/Trust receipts	13,243	17,882	1,083	1,352
Revolving credits	169,555	182,472	137,089	144,711
Discounted bills	34,107	37,326	27,458	32,891
Hire purchase and lease payables	1,349	1,623	251	41
Short term loans	36,002	35,026	–	–
Term loans	158,813	178,600	148,792	131,494
	417,976	458,747	314,673	310,489

30. BORROWINGS (CONTINUED)

Contractual terms of borrowings:

Group 2012	Effective interest rate %	Functional currency	Total carrying amount RM'000	< 1 year RM'000	2nd year RM'000	3rd year RM'000	4th year RM'000	5th year RM'000	> 5 years RM'000
				<---- Maturity profile					---->
Secured									
Bank overdrafts	8.00 – 9.40	EUR	3,599	3,599	–	–	–	–	–
Banker's acceptances/Trust receipts	3.06 – 3.25	RM	11,024	11,024	–	–	–	–	–
Revolving credits	4.06 – 4.80	USD	47,109	47,109	–	–	–	–	–
Revolving credits	5.08 – 5.29	RM	19,121	19,121	–	–	–	–	–
Discounted bill	3.00 – 3.79	USD	12,052	12,052	–	–	–	–	–
Discounted bill	3.92	EUR	1,135	1,135	–	–	–	–	–
Hire purchase and lease payables	3.75 – 5.90	EUR	522	308	148	53	13	–	–
Hire purchase and lease payables	12.50 – 13.50	CHF	365	106	112	116	31	–	–
Hire purchase and lease payables	2.33 – 3.55	RM	310	68	68	68	63	43	–
Hire purchase and lease payables	8.95	CZK	98	98	–	–	–	–	–
Hire purchase and lease payables	3.65	SGD	38	18	20	–	–	–	–
Hire purchase and lease payables	6.50	USD	16	16	–	–	–	–	–
Short term loans	4.10 – 6.37	EUR	32,697	32,697	–	–	–	–	–
Short term loans	20.00	ARS	2,219	2,219	–	–	–	–	–
Term loans	4.60 – 5.51	RM	140,954	34,013	33,720	33,720	33,720	5,781	–
Term loans	3.25 – 3.44	USD	7,838	3,497	3,485	856	–	–	—
Term loans	1.66 – 2.32	CHF	5,111	3,407	–	1,704	–	–	—
Term loans	4.19	EUR	1,571	177	243	243	243	243	422
			285,779	170,664	37,796	36,760	34,070	6,067	422
Unsecured									
Bank overdrafts	4.25	GBP	689	689	–	–	–	–	–
Bank overdrafts	10.75	EUR	543	543	–	–	–	–	–
Bank overdrafts	15.00	ARS	76	76	–	–	–	–	–
Bankers' acceptance	2.35 – 3.56	RM	2,219	2,219	–	–	–	–	–
Revolving credits	3.46 – 4.82	USD	74,889	74,889	–	–	–	–	–
Revolving credits	5.28 – 5.32	RM	16,174	16,174	–	–	–	–	–
Revolving credits	6.20	MXN	7,215	7,215	–	–	–	–	–
Revolving credits	8.10 – 9.90	COP	4,266	4,266	–	–	–	–	–
Revolving credits	9.50	EUR	781	781	–	–	–	–	–
Discounted bills	2.75 – 7.80	EUR	11,393	11,393	–	–	–	–	–
Discounted bills	2.29 – 4.50	USD	9,397	9,397	–	–	–	–	–
Discounted bills	2.77	GBP	130	130	–	–	–	–	–
Short term loans	1.48	JPY	1,086	1,086	–	–	–	–	–
Term loans	4.25	GBP	1,796	221	231	241	252	262	589
Term loans	6.15	MXN	1,543	1,028	515	–	–	–	–
			132,197	130,107	746	241	252	262	589
			417,976	300,771	38,542	37,001	34,322	6,329	1,011

30. BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued):

Group 2011	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
Secured									
Bank overdrafts	7.96 – 9.40	EUR	5,272	5,272	–	–	–	–	–
Banker's acceptances/Trust receipts	3.25 – 8.10	RM	16,547	16,547	–	–	–	–	–
Revolving credits	3.42 – 3.87	USD	47,669	47,669	–	–	–	–	–
Revolving credits	4.80 – 5.29	RM	27,122	27,122	–	–	–	–	–
Discounted bill	2.31 – 3.38	USD	12,021	12,021	–	–	–	–	–
Discounted bill	3.30 – 3.46	EUR	549	549	–	–	–	–	–
Hire purchase and lease payables	3.75 – 5.89	EUR	753	313	440	–	–	–	–
Hire purchase and lease payables	12.50 – 13.50	CHF	465	102	106	112	115	30	–
Hire purchase and lease payables	8.95	CZK	182	87	95	–	–	–	
Hire purchase and lease payables	3.50 – 3.65	RM	114	58	16	16	16	8	–
Hire purchase and lease payables	3.65	SGD	53	17	17	17	2	–	–
Hire purchase and lease payables	6.50	USD	35	19	16	–	–	–	–
Hire purchase and lease payables	11.00 – 12.00	PLN	21	21	–	–	–	–	–
Short term loans	4.00 – 4.50	EUR	31,894	31,894	–	–	–	–	–
Short term loans	15.00 – 15.30	ARS	2,721	2,721	–	–	–	–	–
Term loans	2.35 – 3.25	USD	128,696	36,171	35,338	35,338	21,849	–	–
Term loans	3.05 – 7.25	EUR	34,658	30,760	1,536	716	638	206	802
Term loans	1.66 – 2.32	CHF	5,073	–	3,382	–	1,691	–	–
Term loans	4.25 – 4.60	RM	2,177	2,177	–	–	–	–	–
			316,022	213,520	40,946	36,199	24,311	244	802
Unsecured									
Bank overdrafts	9.85	EUR	543	543	–	–	–	–	–
Bank overdrafts	28.62	COP	3	3	–	–	–	–	–
Bankers' acceptance	2.25 – 3.54	RM	1,335	1,335	–	–	–	–	–
Revolving credits	2.95 – 3.87	USD	76,920	76,920	–	–	–	–	–
Revolving credits	5.30	RM	16,000	16,000	–	–	–	–	–
Revolving credits	5.80 – 5.85	MXN	10,671	10,671	–	–	–	–	–
Revolving credits	9.43	COP	3,329	3,329	–	–	–	–	–
Revolving credits	9.18	EUR	761	761	–	–	–	–	–
Discounted bills	2.24 – 4.50	USD	14,291	14,291	–	–	–	–	–
Discounted bills	3.25 – 4.45	EUR	10,164	10,164	–	–	–	–	–
Discounted bills	2.60 – 3.85	JPY	301	301	–	–	–	–	–
Short term loans	1.48	JPY	411	411	–	–	–	–	–
Term loans	5.90	MXN	6,035	2,435	2,400	1,200	–	–	–
Term loans	4.25	GBP	1,961	236	236	236	236	236	781
			142,725	137,400	2,636	1,436	236	236	781
			458,747	350,920	43,582	37,635	24,547	480	1,583

30. BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued):

Company 2012	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
Secured									
Banker's acceptances/Trust receipts	3.06 – 3.20	RM	1,083	1,083	–	–	–	–	–
Revolving credits	4.06 – 4.80	USD	47,109	47,109	–	–	–	–	–
Revolving credits	5.11 – 5.29	RM	15,091	15,091	–	–	–	–	–
Discounted bill	3.00 – 3.79	USD	12,052	12,052	–	–	–	–	–
Discounted bill	3.92	EUR	187	187	–	–	–	–	–
Hire purchase and lease payables	2.33	RM	251	52	52	52	52	43	–
Term loans	4.60 – 5.51	RM	140,954	34,013	33,720	33,720	33,720	5,781	–
Term loans	3.25 – 3.44	USD	7,838	3,497	3,485	856	–	–	–
			224,565	113,084	37,257	34,628	33,772	5,824	–
Unsecured									
Revolving credits	3.46 – 4.82	USD	74,889	74,889	–	–	–	–	–
Discounted bills	2.29 – 4.50	USD	9,397	9,397	–	–	–	–	–
Discounted bills	2.75 – 3.35	EUR	5,692	5,692	–	–	–	–	–
Discounted bills	2.77	GBP	130	130	–	–	–	–	–
			90,108	90,108	–	–	–	–	–
			314,673	203,192	37,257	34,628	33,772	5,824	–

2011	Effective interest rate %	Functional currency	Total carrying amount RM'000	< 1 year RM'000	2nd year RM'000	3rd year RM'000	4th year RM'000	5th year RM'000	> 5 years RM'000
Secured									
Banker's acceptances/Trust receipts	4.71 – 5.06	RM	1,352	1,352	–	–	–	–	–
Revolving credits	3.42 – 3.87	USD	47,669	47,669	–	–	–	–	–
Revolving credits	4.80 – 5.29	RM	20,122	20,122	–	–	–	–	–
Discounted bill	2.31 – 3.38	USD	12,021	12,021	–	–	–	–	–
Discounted bill	3.30 – 3.46	EUR	549	549	–	–	–	–	–
Hire purchase and lease payables	3.50	RM	41	41	–	–	–	–	–
Term loans	2.36 – 2.95	USD	128,696	36,171	35,338	35,338	21,849	–	–
Term loans	4.60	RM	2,177	2,177	–	–	–	–	–
Term loans	3.37	EUR	621	621	–	–	–	–	–
			213,248	120,723	35,338	35,338	21,849	–	–
Unsecured									
Revolving credits	2.95 – 3.87	USD	76,920	76,920	–	–	–	–	–
Discounted bills	2.31 – 4.50	USD	14,291	14,291	–	–	–	–	–
Discounted bills	3.30 – 3.46	EUR	5,729	5,729	–	–	–	–	–
Discounted bills	2.60 – 3.85	JPY	301	301	–	–	–	–	–
			97,241	97,241	–	–	–	–	–
			310,489	217,964	35,338	35,338	21,849	–	–

30. BORROWINGS (CONTINUED)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Minimum hire purchase and lease payment:				
– Not later than 1 year	621	643	58	47
– Later than 1 year and not later than 5 years	763	1,065	223	–
	1,384	1,708	281	47
Future finance charges	(35)	(85)	(30)	(6)
	1,349	1,623	251	41
Present value of hire purchase and lease payables:				
– Not later than 1 year	614	617	52	41
– Later than 1 year and not later than 5 years	735	1,006	199	–
	1,349	1,623	251	41

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 and trade receivables as disclosed in Note 23 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, inventories as disclosed in Note 22 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.

Term loans and hire purchase and lease payables which are subject to fixed interest rates amounted to RM6,682,000 (2011: RM39,730,000) and RM1,349,000 (2011: RM1,623,000) respectively, out of which RM3,833,000 (2011: RM9,976,000) are repayable later than one (1) year.

31. PAYABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade payables	142,990	159,169	7,134	6,717
Amounts due to subsidiaries	–	–	26,012	14,401
Accruals:				
– Staff costs	43,792	43,821	151	559
– Bonus to customers	49,533	65,231	–	–
– Others	30,374	34,671	395	322
Employee related benefits	2,873	2,024	–	–
Other payables	28,584	34,687	1,884	3,693
	298,146	339,603	35,576	25,692

The fair values of payable 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 (2011: 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 currencies exposure profiles of payables are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
– EUR	220,161	249,743	27,770	18,549
– CHF	15,877	17,966	–	–
– MXN	12,985	10,770	–	–
– USD	12,019	16,003	5,386	5,831
– COP	10,816	8,375	–	–
– ARS	6,950	6,763	–	–
– GBP	4,149	4,833	–	–
– CZK	3,945	6,298	–	–
– RM	3,349	9,510	2,357	1,187
– JPY	3,340	3,672	63	74
– SGD	1,132	1,201	–	30
– AED	986	903	–	–
– CNY	870	1,530	–	–
– SEK	581	802	–	–
– IDR	333	311	–	–
– HKD	239	347	–	–
– PLN	223	246	–	–
– TRY	90	177	–	–
– TWD	57	60	–	–
– NOK	44	93	–	–
– THB	–	–	–	21
	298,146	339,603	35,576	25,692

32. COMMITMENTS

	Group 2012 RM'000	Group 2011 RM'000
Authorised and contracted for:		
– Property, plant and equipment	1,328	342
Authorised but not contracted for:		
– Property, plant and equipment	319	312

33. OPERATING LEASE COMMITMENTS

	Group 2012 RM'000	Group 2011 RM'000
Minimum lease payments under operating lease commitments:		
Not later than 1 year	42,613	46,264
Later than 1 year and not later 5 years	33,135	25,170
Later than 5 years	1,643	3,573
	77,391	75,007

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 EUR17.2 million (RM70.6 million) (2011: EUR17.7 million or RM72.7 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group have been successful in defending most cases and management remains confident that the Group’s 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 Group will not have a material effect on the Group.

(b) Based on the latest actuaries assumption as at 31 December 2012, Pelikan Hardcopy Holding AG's (“PHH”) wholly owned subsidiary Pelikan Hardcopy Scotland Limited's (“PHSL”) retirement fund has GBP23.9 million (RM120.4 million) assets to meet pension liabilities of GBP32.6 million (RM163.8 million). The Company provided a corporate guarantee for the shortfall. An amount of GBP0.4 million (RM2.2 million) has been recognised as a pension liability for the financial year ended 31 December 2012 in accordance with MFRS 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 RM154,232,000 (2011: RM162,902,000).

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 are set out below. These transactions were carried out in the normal course of business and have been established under negotiated and mutually agreed terms.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of goods to subsidiaries	–	–	63,296	55,013
Sale of goods to associates:				
– Pelikan (Thailand) Co Ltd	845	2,479	–	–
Sale of goods to related parties:				
– Macvantage group	–	477	–	477

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. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings, net of cash and bank balances over shareholders' equity. At the reporting date, the Group's net gearing ratio is 0.41 times (2011: 0.50 times). The Group's policy is to keep its gearing within manageable levels.

(b) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Methods and assumptions used to estimate fair value (continued)

Obligations under finance lease, fixed rate bank loans

The fair value of these financial instruments are estimated by discounting expected future cash flows at current market interest rates available for similar financial instruments and of the same remaining maturities. The carrying values of these financial instruments approximate their fair values.

Quoted shares

The fair value of quoted investments is determined by reference to the exchange quoted market bid prices at the close of the business on the end of the reporting period.

Unquoted shares

The carrying values of investment in unquoted shares approximate fair values.

Derivatives

The fair value of the interest rate swap contracts is the amount that would be payable or receivable upon termination of the position at the end of the reporting period, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the spot rate as at the end of the reporting period.

(c) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (continued)

The Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

2012	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Available-for-sale financial assets				
– Quoted shares	2,970	2,970	–	–
– Unquoted shares	70	–	–	70
2011				
Available-for-sale financial assets				
– Quoted shares	2,819	2,819	–	–
– Unquoted shares	166	–	–	166

Liabilities measured at fair value

2012	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial liabilities at fair value through profit or loss				
– Interest rate swaps	4,773	–	4,773	–
2011				
Financial liabilities at fair value through profit or loss				
– Interest rate swaps	3,280	–	3,280	–

There were no transfers between Level 1 and Level 2 fair value measurement during the financial years.

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as financial assets at fair value through profit or loss classified as Level 3 within the fair value hierarchy.

	Financial assets held for trading RM'000
Balance as at 1 January 2012	166
Disposal	(101)
Foreign currencies translation	5
Balance as at 31 December 2012	70

37. 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 and cash flow risk, interest rate risk, foreign currency risk and market price 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:

(a) 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 the 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.

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.

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 negligible.

(b) Liquidity and cash flow risk

Liquidity and cash flow 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 and cash flow 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity and cash flow risk (continued)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

As at 31 December 2012	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities:				
Payables	298,146	–	–	298,146
Borrowings	305,755	126,396	982	433,133
Derivatives	4,773	–	–	4,773
Total undiscounted financial liabilities	608,674	126,396	982	736,052
Company				
Financial liabilities:				
Payables	35,576	–	–	35,576
Borrowings	209,915	120,461	–	330,376
Total undiscounted financial liabilities	245,491	120,461	–	365,952
As at 31 December 2011				
Group				
Financial liabilities:				
Payables	339,603	–	–	339,603
Borrowings	354,515	114,295	1,755	470,565
Derivatives	3,280	–	–	3,280
Total undiscounted financial liabilities	697,398	114,295	1,755	813,448
Company				
Financial liabilities:				
Payables	25,692	–	–	25,692
Borrowings	222,819	96,393	–	319,212
Total undiscounted financial liabilities	248,511	96,393	–	344,904

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) 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.

The Group has entered into interest rate swap contracts to manage exposures of its borrowings to interest rate risk. The contractual repricing allows the Group to receive interest at fixed rates and to pay interest at floating rates on notional principal amounts.

The following table illustrates the effect of changes in interest rates at 31 December 2012. If the interest rates at the end of the reporting period increased by twenty five (25) basis points with all other variables held constant, the Group's and the Company's profit before tax will improve/(decline) by:

	2012 RM'000	**2011 RM'000**
Group		
Increase by 25 basis points	(1,096)	(1,104)
Company		
Increase by 25 basis points	(781)	(713)

A similar decrease of basis points in the interest rates would have an equal but opposite effect.

(d) 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 following table illustrates the effect of changes in exchange rate on the translation of foreign currency monetary items against the functional currency at 31 December 2012. If the major currencies weakened by 3% at the end of the reporting period, the Group's and the Company's profit before tax will improve/(decline) by:

Major currency	**2012 RM'000**	**2011 RM'000**
Group		
United States Dollar	4,240	7,810
Company		
European Euro	(2,950)	(3,330)
United States Dollar	4,250	7,780

A similar percentage increase in the exchange rate would have an equal but opposite effect.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (continued)

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.

(e) Market price risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group does not actively trade in quoted equity investments apart from certain investments by subsidiaries in bonds/equity in relation to pension scheme investments. The value of such investments subjected to market price risk are small and as such the effects of the market price fluctuations to the Group is not material.

38. EXPLANATION OF TRANSITION TO MFRSs

The Group and the Company are non-transitioning entities as defined by the MASB, and have adopted the MFRS Framework during the financial year ended 31 December 2012. Accordingly, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 to the financial statements have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, as well as comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statements of financial position at 1 January 2011 (the date of transition of the Group to MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

The Group has adjusted amounts previously reported in financial statements that were prepared in accordance with the previous FRS Framework. In preparing the opening statements of financial position at 1 January 2011, an explanation on the impact arising from the transition from FRSs to MFRSs on the Group's financial position, financial performance and cash flows is set out as follows:

Foreign currencies translation differences

MFRS 121 requires goodwill and fair value adjustments to assets and liabilities that arise on the acquisition of a foreign operation to be treated as part of the assets and liabilities of the acquired entity and translated at the closing rate.

As allowed under the transitional provisions in FRS 121, goodwill and fair value adjustments to assets and liabilities that arise on the acquisition of a foreign operation to be treated as part of the assets and liabilities of the acquired entity and translated at the closing rate.

Upon transition to MFRS, the Group has elected to apply MFRS 121 retrospectively to all past business combinations and restated the translation of goodwill and fair value adjustments arising in past business combinations (including those occurred before 1 January 2006) to use the closing rate at the end of previous reporting periods.

38. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

	Group Previously reported under FRSs RM'000	Effect on adoption of MFRSs RM'000	Restated under MFRSs RM'000
Consolidated Statement of Comprehensive Income			
For the financial year ended 31 December 2011			
Other comprehensive loss, net of tax			
– Foreign currency translation	1,286	(4,212)	(2,926)
Total comprehensive loss	(100,016)	(4,212)	(104,228)
Consolidated Statement of Financial Position			
At 1 January 2011			
Intangible assets	153,422	(7,789)	145,633
Foreign currencies translation	63,423	7,789	71,212
At 31 December 2011			
Intangible assets	149,754	(12,001)	137,753
Foreign currencies translation	61,063	12,001	73,064

The above election did not have any impact on the cash flows of the Group.

39. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained profits of the Company and its subsidiaries:				
– Realised profit	149,872	214,381	30,262	35,162
– Unrealised loss	(11,452)	(9,304)	(6,481)	(10,085)
	138,420	205,077	23,781	25,077
Total share of accumulated losses from associates:				
– Realised loss	(349)	(349)	–	–
– Unrealised profit	49	49	–	–
	(300)	(300)	–	–
Less: Consolidation adjustments	1,980	(589)	–	–
Total retained profits as per statements of financial position	140,100	204,188	23,781	25,077

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.

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

There were no proceeds raised from corporate proposals during the financial year.

2. SHARE BUY-BACKS

The Company had at the previous Annual General Meeting of the Company held on 26 June 2012, 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 5,536,600 shares were repurchased as treasury shares with a total cost of RM4,547,054.00.

On 24 September 2012, total of 10,016,389 treasury shares were distributed as share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM1.00 each held in the Company on 27 August 2012 ("Share Dividend").

Apart from above Share Dividend, all the 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 2012 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)
January 2012	1,840,100	0.760	0.900	0.789	1,452,127
February 2012	1,560,400	0.790	0.935	0.888	1,385,877
March 2012	897,500	0.790	0.840	0.825	740,172
April 2012	192,000	0.790	0.825	0.813	156,175
May 2012	55,100	0.760	0.765	0.767	42,284
July 2012	379,500	0.785	0.795	0.794	301,177
September 2012	321,000	0.770	0.795	0.777	249,421
October 2012	261,000	0.725	0.770	0.758	197,794
November 2012	30,000	0.730	0.735	0.734	22,027
Total	**5,536,600**				**4,547,054**

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

ADDITIONAL COMPLIANCE INFORMATION

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 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. There were no options granted after the effective date of the ESOS.

During the financial year ended 31 December 2012, 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.

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 2012 amounted to RM571,000.00.

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 2012.

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.

ANALYSIS OF SHAREHOLDINGS
as at 30 April 2013

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	335	5.92	10,003	0.00
100 – 1,000	277	4.89	97,454	0.02
1,001 – 10,000	2,986	52.73	12,064,251	2.37
10,001 – 100,000	1,845	32.58	47,995,321	9.43
100,001 to less than 5% of the issued shares	215	3.79	146,972,753	28.86
5% and above of issued shares	5	0.09	302,081,368	59.32
Total	**5,663**	**100.00**	**509,221,150**	**100.00**

* *After netting off the 3,574,911 treasury shares of Pelikan International Corporation Berhad ("PICB") held as at 30 April 2013.*

DIRECTORS' SHAREHOLDINGS
(Based on the Register of Directors' Shareholdings)

Name of Directors	No. of Shares Held			
	Direct Interest	%*	Indirect Interest	%*
1. Loo Hooi Keat	60,640,323	11.91	20,029,585[(1)]	3.93
2. Tan Sri Abi Musa Asa'ari bin Mohamed Nor	–	–	–	–
3. Dato' Afifuddin bin Abdul Kadir	–	–	–	–
4. Dato' Lua Choon Hann	–	–	–	–
5. Dato' Mohamad Norza bin Zakaria	–	–	–	–
6. Yap Kim Swee	–	–	–	–
7. Hajah Rozaida binti Omar	–	–	–	–
8. Normimy binti Mohamed Noor	–	–	–	–

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 3,574,911 treasury shares of PICB held as at 30 April 2013.*

ANALYSIS OF SHAREHOLDINGS
as at 30 April 2013

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	60,640,323	11.91	19,890,661[1]	3.91
2. Pembinaan Redzai Sdn Berhad	30,600,001	6.01	–	–
3. Tan Sri Datuk Gnanalingam A/L Gunanathlingam	–	–	30,600,001[2]	6.01
4. Ahmayuddin bin Ahmad	–	–	30,600,001[2]	6.01
5. Lembaga Tabung Haji	157,185,498	30.87	–	–
6. China Stationery Limited	50,000,000	9.82	–	–
7. Angus Kwan Chun Jut	–	–	50,000,000[3]	9.82
8. Chan Fung @ Kwan Wing Yin	–	–	50,000,000[3]	9.82
9. Jiang Danping	–	–	50,000,000[3]	9.82
10. Lead Champion Group Limited	–	–	50,000,000[3]	9.82
11. ECM Libra Investments Limited	36,116,867	7.09	–	–
12. ECM Libra Investment Bank Limited	–	–	36,116,867[4]	7.09
13. ECM Libra Holdings Limited	–	–	36,116,867[4]	7.09
14. ECM Libra Financial Group Berhad	–	–	36,116,867[4]	7.09
15. Equity Vision Sdn Bhd	–	–	36,116,867[4]	7.09

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 his substantial shareholdings in Pembinaan Redzai Sdn Berhad.

(3) Deemed interested by virtue of its substantial shareholdings in China Stationery Limited.

(4) Deemed interested by virtue of his substantial shareholdings in ECM Libra Investments Limited.

** After netting off the 3,574,911 treasury shares of PICB held as at 30 April 2013.*

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

Name of Shareholders		No. of Shares	%*
1	Lembaga Tabung Haji	157,185,498	30.867
2	China Stationery Limited	50,000,000	9.818
3	ECML Nominees (Asing) Sdn. Bhd. For ECM Libra Investments Limited	36,116,867	7.092
4	Pembinaan Redzai Sdn Berhad	30,600,001	6.009
5	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loo Hooi Keat	28,179,002	5.533
6	ECML Nominees (Asing) Sdn. Bhd. Pledged Account-ECM Libra Investments Limited For PBS Office Supplies Holding Sdn Bhd	19,829,519	3.894
7	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loo Hooi Keat	16,325,398	3.205
8	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loo Hooi Keat (CEB)	13,188,540	2.589
9	CIMSEC Nominees (Tempatan) Sdn Bhd Cimb Bank For Gan Kong Hiok (M52019)	6,594,940	1.295

ANALYSIS OF SHAREHOLDINGS
as at 30 April 2013

LIST OF TOP THIRTY (30) SHAREHOLDERS
(Based on the Record of Depositors) (continued)

	Name of Shareholders	No. of Shares	%*
10	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Chia Kwoon Meng (MM0678)	5,567,310	1.093
11	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad For Libra Strategic Opportunit Y Fund	5,551,013	1.090
12	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank NA, Singapore (Julius Baer)	4,298,484	0.844
13	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gan Kong Hiok	4,080,000	0.801
14	Citigroup Nominees (Asing) Sdn Bhd Cbny For Dimensional Emerging Markets Value Fund	3,798,238	0.745
15	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gan Kong Hiok	3,236,360	0.635
16	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chia Kwoon Meng	2,390,440	0.469
17	HSBC Nominees (Asing) Sdn Bhd DZ Privatbk For Uniasiapacific	1,968,600	0.386
18	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For OCBC Securities Private Limited (Client A/C-R Es)	1,707,883	0.335
19	Chow Song Kuang	1,632,000	0.320
20	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gan Kong Hiok	1,570,800	0.308
21	Boh Bee Yen	1,563,950	0.307
22	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Loo Hooi Keat (M&A)	1,522,400	0.298
23	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For Allchurches Investment Management Services Ltd	1,514,292	0.297
24	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For M & A Securities Sdn. Bhd. (IPO)	1,500,000	0.294
25	ECML Nominees (Tempatan) Sdn Bhd Heah Sieu Lay (PCS)	1,462,409	0.287
26	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For E.I.O. Trustees Limited	1,147,500	0.225
27	Chow Chee Hin	1,127,100	0.221
28	Linda Chuo Siik Ing	995,980	0.195
29	Maybank Nominees (Tempatan) Sdn Bhd Jincan Sdn Bhd	918,000	0.180
30	Citigroup Nominees (Asing) Sdn Bhd CBNY For DFA Emerging Markets Small Cap Series	768,518	0.150

* *After netting off the 3,574,911 treasury shares of PICB held as at 30 April 2013.*

LIST OF GROUP PROPERTIES

	Registered Owner	Location	Land area	Existing use	Built-up area	Age of building/ date of acquisition	Tenure	RM'000
1	Pelikan GmbH	Factory Vöhrum Pelikanstrasse 11 D-31228 Peine Germany	68,873 sqm	Production	46,373 sqm	25 years 17/12/1973	Freehold	60,003
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	33 years 30/4/1981	Freehold	20,605
3	Pelikan Hardcopy Production AG	Mönchaltdorf Plant Mettlenbachstrasse 3, CH-8617 Mönchaltorf Switzerland	4,190 sqm	Production	2,420 sqm	21 years 12/4/1989	Freehold	7,372
4	Linea GmbH (fka Geha GmbH)	Alte Heeresstrasse 27 D-59929 Brilon Germany	3,703 sqm	Office building & warehouse	1,698 sqm	17 years 29/12/1999	Freehold	2,879
5	Pelikan Colombia S.A.S.	Carrera 65B No 18ª-17 Bogotá Colombia	4,478 sqm	Production	5,845 sqm	33 years 8/1/2007	Freehold	9,432
6	Pelikan Hardcopy Scotland Limited	Markethill Road GB-Turriff Aberdeenshire AB 53 4AW United Kingdom	30,200 sqm	Production	15,400 sqm	47 years 15/1/2010	Freehold	2,390
7	Herlitz Spolka z.o.o.	ul. Szamotulska 2 Baranowo k/Poznania 62081 Przezmierowo Poland	37,563 sqm	Office building, production & warehouse	12,000 sqm	13 years 1/1/1999	Freehold	9,953
8	Herlitz Spol. s.r.o.	Komerční zóna Průhonice Obchodní 101 25170 Čestlice okr. Praha-východ Czech Republic	6,894 sqm	Office building	2,823 sqm	15 years 10/1/1997	Freehold	5,215
9	Herlitz Romania srl	Depozitelor Str. 22 540240 Tirgu Mures Romania	861 sqm	Land	–	– 15/3/1995	Freehold	53
10	Molkari Vermietungsgesellschaft Mbh & Co. Objekt Falkensee Kg	Strasse der Einheit 142-148 D-14612 Falkensee Germany	380,922 sqm	Logistic Centre	35,008 sqm	18 years 31/12/2001	Freehold	194,991
								312,893

PELIKAN GROUP OF COMPANIES DIRECTORY

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PELIKAN GROUP OF COMPANIES DIRECTORY

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-First Annual General Meeting of Pelikan International Corporation Berhad will be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150, Selangor Darul Ehsan, Malaysia on Tuesday, 25 June 2013 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. **(Please refer Note 7)**

2. To approve the payment of Directors' fees of RM390,000.00 for the financial year ended 31 December 2012. **(Ordinary Resolution 1)**

3. To re-elect Mr. Loo Hooi Keat who retires pursuant to Article 127 of the Company's Articles of Association. **(Ordinary Resolution 2)**

4. To re-elect Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor who retires pursuant to Article 132 of the Company's Articles of Association. **(Ordinary Resolution 3)**

5. To re-elect Dato' Afifuddin bin Abdul Kadir who retires pursuant to Article 132 of the Company's Articles of Association. **(Ordinary Resolution 4)**

6. To re-elect Dato' Lua Choon Hann who retires pursuant to Article 132 of the Company's Articles of Association. **(Ordinary Resolution 5)**

7. To re-elect Dato' Mohamad Norza bin Zakaria who retires pursuant to Article 132 of the Company's Articles of Association. **(Ordinary Resolution 6)**

8. To re-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 7)**

AS SPECIAL BUSINESS

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

9. 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 commence immediately and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Ordinary Resolution 8)**

10. 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 retained profits and share premium account of the Company based on the audited financial statements for the financial year ended 31 December 2012 of RM23,781,000 and RM57,520,600 respectively at the time of purchase;

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

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

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

(a) the conclusion of the next Annual General Meeting (**"AGM"**) of the Company, at which time the said authority shall lapse, unless renewed by an ordinary resolution passed by the shareholders of the Company in a general meeting; or
(b) the expiration of the period within which the next AGM is required by law to be held; or
(c) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is the earliest;

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

11. To approve the proposed amendments to the following Articles of Association of the Company:

"That the Amendments to the Articles of Association of the Company set out below be hereby approved and adopted:

Article No.	Existing Article	Amended Article
2	New Definition	**Cash Distribution** – **Cash payments made by the Company in respect of its securities which are listed and quoted for trading on the Exchange, as prescribed by the Exchange from time to time which include:** **(a) cash dividends;** **(b) payments of interest or profit rates on debt securities or sukuk respectively;** **(c) income distributions made by collective investment schemes;** **(d) capital repayment; and** **(e) cash payments in lieu of odd lots arising from distributions in specie.**
	Payment of dividends etc	Payment of **distributions** etc
166	(1) Any dividend, interest or other moneys payable in cash in respect of a share may be paid by direct debit, bank transfer, cheque or dividend warrant and (in the case of a cheque or dividend warrant for such payment) sent. (a) by post, by courier or by hand to the registered address of the person entitled as appearing in the Record of Depositors; or (b) by post, by courier or by hand to the registered address of the person becoming entitled to the share by reason of the death, bankruptcy or mental disorder of the holder or by operation of law or if such address has not been supplied, to such address to which such cheque or warrant might have been posted if the death, bankruptcy, mental disorder or operation of law had not occurred; or (c) by post, by courier or by hand to such address as the person entitled may direct in writing but the Company shall be entitled to send such cheque or dividend warrant to such other address or by such other means stated in Articles 166(1)(a) to 166(1)(c) notwithstanding such direction.	(1) Any **cash distribution, non-cash distribution** or other moneys payable in cash in respect of a share may be paid by direct debit, bank transfer, cheque, dividend warrant **or such other method of transfer or distribution as may be introduced or required by Bursa Securities from time to time** and in the case of a cheque or dividend warrant for such payment **send**: (a) by post, by courier or by hand to the registered address of the person entitled as appearing in the Record of Depositors; or (b) by post, by courier or by hand to the registered address of the person becoming entitled to the share by reason of the death, bankruptcy or mental disorder of the holder or by operation of law or if such address has not been supplied, to such address to which such cheque or warrant might have been posted if the death, bankruptcy, mental disorder or operation of law had not occurred; or

Article No.	Existing Article	Amended Article
	(2) Every cheque or warrant may be made payable: (a) to the order of the person entitled; or (b) to the order of the person entitled by reason of the death, bankruptcy or mental disorder of the holder or by operation of law; or (c) to the order of such other person as the person entitled may in writing direct or direct to be sent to, but nothing in Article 166(2) shall prevent such cheque or warrant from being made payable in such other manner as the Company would be entitled to in respect of such cheque or warrant including (without limitation), in the case of the death of the holder of the share in respect of which the dividend or other moneys to be paid by the cheque or warrant are payable making such cheque or warrant payable to the estate of such holder if the Company thinks appropriate. Such cheque or warrant shall be a good discharge to the Company. The Company shall not be responsible for any loss of any such cheque or warrant (whether in the post, while being delivered by courier or by hand, after delivery to the relevant address or person or otherwise).	(c) by post, by courier or by hand to such address as the person entitled may direct in writing but the Company shall be entitled to send such cheque or dividend warrant to such other address or by such other means stated in Articles 166(1)(a) **and** 166(1)**(b)** notwithstanding such direction. (2) Every cheque or warrant may be made payable: (a) to the order of the person entitled; or (b) to the order of the person entitled by reason of the death, bankruptcy or mental disorder of the holder or by operation of law; or (c) to the order of such other person as the person entitled may in writing direct or direct to be sent to, but nothing in Article 166(2) shall prevent such cheque or warrant from being made payable in such other manner as the Company would be entitled to in respect of such cheque or warrant including (without limitation), in the case of the death of the holder of the share in respect of which the dividend or other moneys to be paid by the cheque or warrant are payable making such cheque or warrant payable to the estate of such holder if the Company thinks appropriate. Such cheque or warrant shall be a good discharge to the Company. The Company shall not be responsible for any loss of any such cheque or warrant (whether in the post, while being delivered by courier or by hand, after delivery to the relevant address or person or otherwise).

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the proposed amendments to the Company's Articles of Association."

(Special Resolution 1)

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

BY ORDER OF THE BOARD

HO MING HON (MICPA 3814)
CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretaries

Selangor Darul Ehsan
31 May 2013

Notes:

1. A Member who is entitled to attend and vote at the meeting is entitled to appoint at least one (1) proxy 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. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.

2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), 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. Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus sccount it holds.

4. 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.

5. Only depositors whose names appear in the Record of Depositors as at 17 June 2013 shall be entitled to attend, speak and vote at the Thirty-First (31st) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.

6. 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.

7. This agenda item is meant for discussion only, as the provision of section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda is not put forward for voting.

Explanatory Notes On Special Business:

Ordinary Resolution 8

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

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

The general mandate sought for issue of securities is a renewal to a general mandate sought in the preceding year. As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirtieth Annual General Meeting held on 26 June 2012. 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, which would incur additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Ordinary Resolution 9

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

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

Special Resolution 1

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

The proposed Special Resolution 1 is intended to streamline the Company's Articles of Association to be aligned with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which took effect on 2 January 2013.

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FORM OF PROXY

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 Thirty-First Annual General Meeting of the Company to be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150, Selangor Darul Ehsan, Malaysia on Tuesday, 25 June 2013 at 3.00 p.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 approve the payment of the Directors' fees		
2.	To re-elect Loo Hooi Keat as Director of the Company		
3.	To re-elect Tan Sri Abi Musa Asa'ari bin Mohamed Nor as Director of the Company		
4.	To re-elect Dato' Afifuddin bin Abdul Kadir as Director of the Company		
5.	To re-elect Dato' Lua Choon Hann as Director of the Company		
6.	To re-elect Dato' Mohamad Norza bin Zakaria as Director of the Company		
7.	To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration		
8.	To approve the proposed renewal of authority for Directors to issue shares		
9.	To approve the proposed renewal of authority for the purchase by the Company of its own shares		
No.	**Special Resolution**	**For**	**Against**
1.	To approve the proposed amendments to the Articles of Association of the Company		

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

Proxy A	%
Proxy B	%
	100 %

Signed this ____________ day of ____________, 2013

____
Signature(s) of Member/Common Seal

* *Strike out whichever not applicable*

NOTES:

1. A Member who is entitled to attend and vote at the meeting is entitled to appoint at least one (1) proxy 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. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
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3. Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus sccount it holds.
4. 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.
5. Only depositors whose names appear in the Record of Depositors as at 17 June 2013 shall be entitled to attend, speak and vote at the Thirty-First (31st) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.
6. 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

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Level 17, The Gardens North Tower
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