

[illegible]

## A detailed black and white line drawing of a white dove with its wings spread, perched on a branch. The dove is surrounded by a dense, intricate floral and leaf pattern. Some elements are already colored in, including a pink flower, a blue flower, and several green leaves, while the rest of the image is left as a black and white outline for coloring.

Pelikan Malaysia opened its first flagship retail store at The Gardens Mall, Mid Valley City on 10 September 2015. The store, an area of 900 sq ft, has a clean and contemporary design to showcase all of the stationery and fine writing instruments under the Pelikan brand, as well as sister brands such as herlitz, Geha and Susy Card. Pelikan Malaysia views the opening of its own retail store as a significant step for the brand and company as it increases brand awareness and visibility, creates a stronger market position, and improves marketing and service to our discerning customers. With everything under one roof, customers can now shop for all their stationery and writing instruments needs at the Pelikan Store for their use at homes, offices and schools.



# Pelikan Store





What makes the Pelikan Store even more special is the creative art classes held on a weekly basis for children and adults. From Mondays to Wednesdays, art jamming sessions are available to those who like to immerse themselves in art for hours, just to create beautiful colouring pieces.

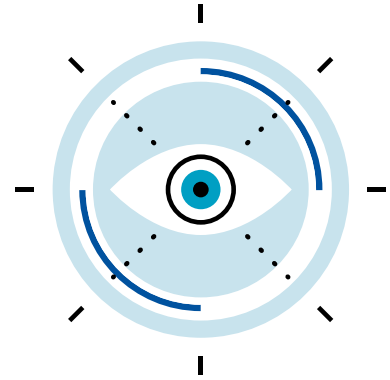
# Art for Everyone

On weekends, Pelikan Store holds two sessions of art classes for children with varying themes. An experienced art teacher, a cheerful and warm environment, and high quality Pelikan materials boost the appeal of the classes. Every week, the children get to express themselves in art on different and interesting themes, ensuring the activities during the classes stay fresh and engaging. It will be difficult for you to find a more relaxing and rewarding art class for your children!



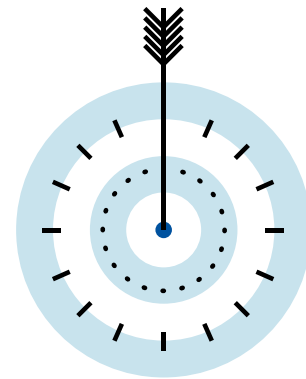
# Vision

- 🕒 To be a successful, profitable and brand focused company operating worldwide.
- 🕒 We create products desired and loved by our consumers.
- 🕒 We are a culturally diverse international family of talented and motivated people who share one vision and strive towards the same goals.



# Mission

- 🕒 Our trusted brands are daily companions.
- 🕒 We are an internationally operating company with German roots.
- 🕒 With passion and expertise, we create products and solutions that fulfil consumers needs.
- 🕒 We are committed to create value for our shareholders and customers.



## Our Guiding Principles

| Quality | Innovation | Commitment | Integrity | Teamwork |



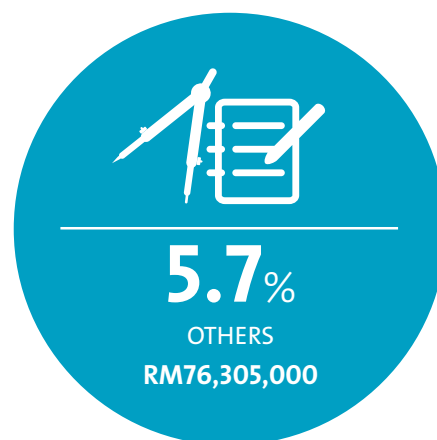
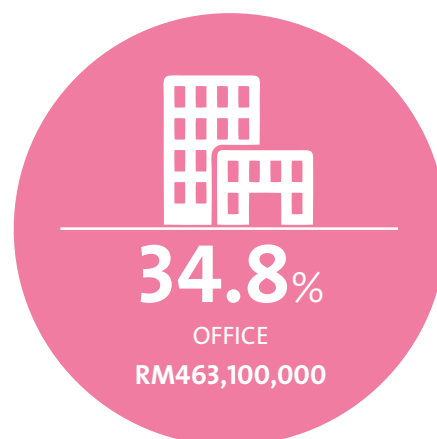
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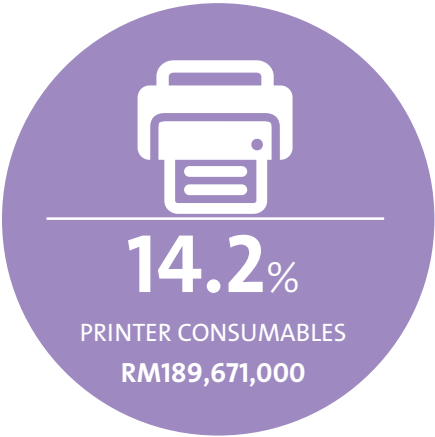
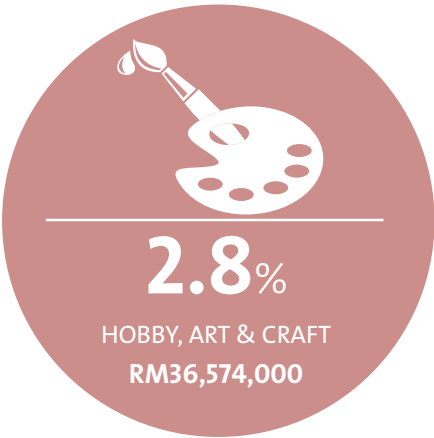
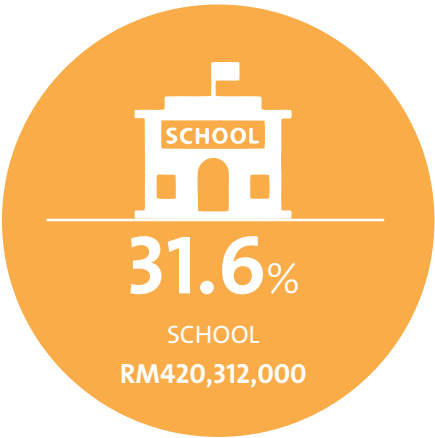
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# Revenue

by Product Group in 2015





TOTAL

RM1,331,508,000

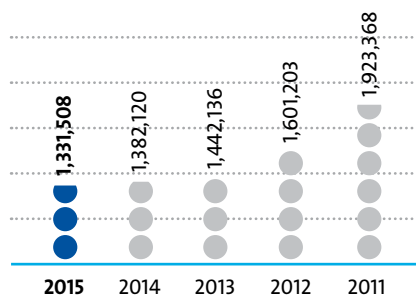
This section is located at the bottom of the page, within a large blue semi-circular shape. It contains the word 'TOTAL' in white capital letters, followed by the total value 'RM1,331,508,000' in a larger white font.

# Financial Highlights

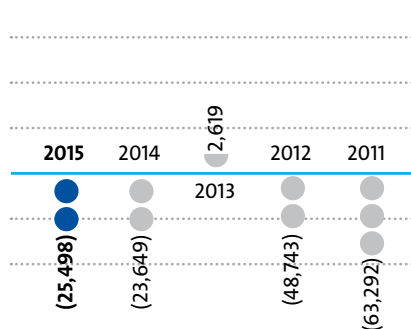
for the financial year ended 31 December

		2015	2014	2013	2012 RESTATED	2011 RESTATED
Revenue	RM'000	1,331,508	1,382,120	1,442,136	1,601,203	1,923,368
(Loss)/Profit before tax	RM'000	(25,498)	(23,649)	2,619	(48,743)	(63,292)
Loss for the financial year	RM'000	(50,027)	(36,572)	(13,660)	(65,116)	(101,302)
Loss for the financial year attributable to owners of the parent	RM'000	(48,960)	(36,459)	(5,602)	(58,044)	(88,423)
Equity attributable to owners of the parent	RM'000	460,146	486,872	545,244	537,607	656,863
Basic loss per share	sen	(8.93)	(6.90)	(1.10)	(11.46)	(17.44)
Fully diluted loss per share	sen	(8.93)	(6.90)	(1.10)	(11.46)	(17.44)
Net asset per share attributable to owners of the parent	sen	0.83	0.88	1.06	1.05	1.28
Dividend per share – proposed	sen	–	–	–	–	3.00

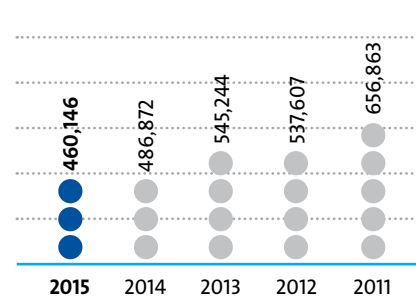
**Revenue**  
(RM'000)



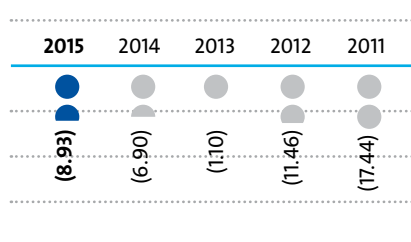
**Profit/(Loss) Before Tax**  
(RM'000)



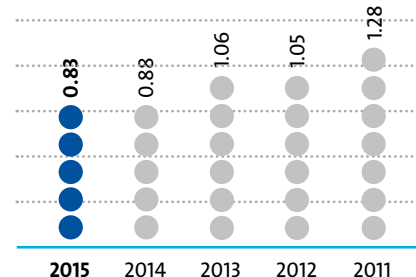
**Equity Attributable**  
(RM'000)



**Basic Loss Per Share**  
(sen)



**Net Asset Per Share**  
(sen)







# Corporate Information

## Board of Directors

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor *Chairman & Independent Non-Executive Director*

Loo Hooi Keat *President/Chief Executive Officer*

Dato' Afifuddin bin Abdul Kadir *Independent Non-Executive Director*

Dato' Lua Choon Hann *Independent Non-Executive Director*

Datuk Rozaida binti Omar *Non-Independent Non-Executive Director*

Datin Normimy binti Mohamed Noor *Non-Independent Non-Executive Director*

## Audit Committee

1. Dato' Lua Choon Hann *Chairman*
2. Dato' Afifuddin bin Abdul Kadir
3. Datuk Rozaida binti Omar

## Remuneration Committee

1. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor *Chairman*
2. Dato' Afifuddin bin Abdul Kadir
3. Datin Normimy binti Mohamed Noor

## Nomination Committee

1. Dato' Lua Choon Hann *Chairman*
2. Dato' Afifuddin bin Abdul Kadir
3. Datin Normimy binti Mohamed Noor

## Executives' Share Option Scheme Committee

1. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor *Chairman*
2. Loo Hooi Keat
3. Datuk Rozaida binti Omar

## Company Secretaries

Ho Ming Hon  
(MICPA 3814)

Chua Siew Chuan  
(MAICSA 0777689)

## Auditors

BDO (AF 0206)  
Chartered Accountants  
Level 8  
BDO @ Menara CenTARa  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Malaysia  
Tel: (+603) 2616 2888  
Fax: (+603) 2616 2970

## Share Registrar

Tricor Investor & Issuing House  
Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia  
Tel: (+603) 2783 9299  
Fax: (+603) 2783 9222

## 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 5500

## Principal Bankers

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

## Stock Exchange Listing

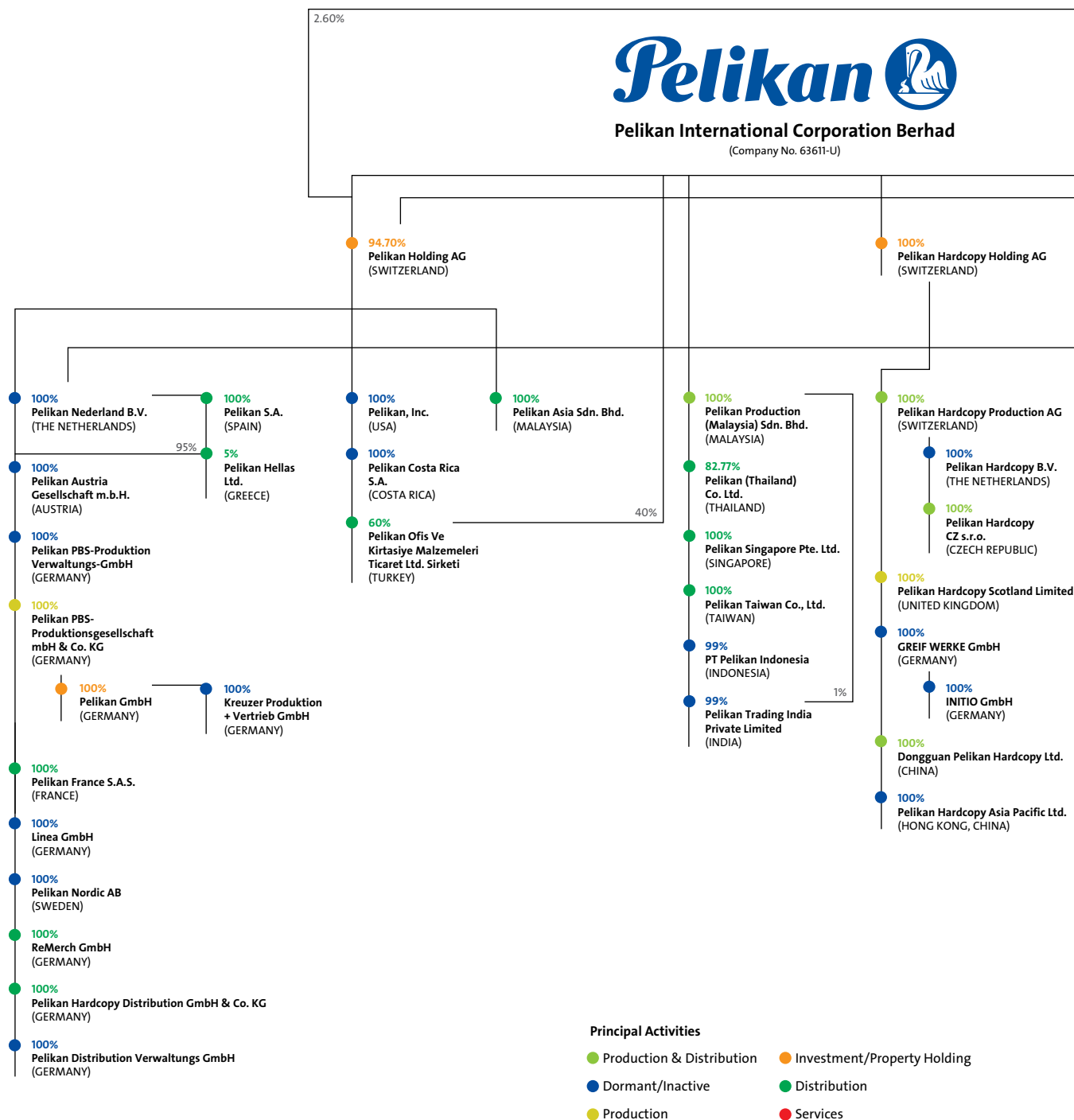
Main Market of  
Bursa Malaysia Securities Berhad,  
Malaysia  
Stock Name : PELIKAN  
Stock Code : 5231

## Website

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

# Group Corporate Structure

as at 31 December 2015



## AMERICAS

Sales & marketing organisations in

- Mexico • Colombia • Argentina

Percentage of  
Group's revenue  
(2014: 15.1%)

**16.2%**

Manufacturing  
facilities

**2 plants**

Employees  
(2014: 631)

**627**

## 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  
Group's revenue  
(2014: 80.4%)

**78.3%**

Manufacturing  
facilities

**5 plants**

Employees  
(2014: 1,891)

**1,791**

## ASIA, MIDDLE EAST & AFRICA

Sales & marketing organisations in

- United Arab Emirates • India • Thailand
- Malaysia • Singapore • Taiwan
- People's Republic of China • Japan

Percentage of  
Group's revenue  
(2014: 4.5%)

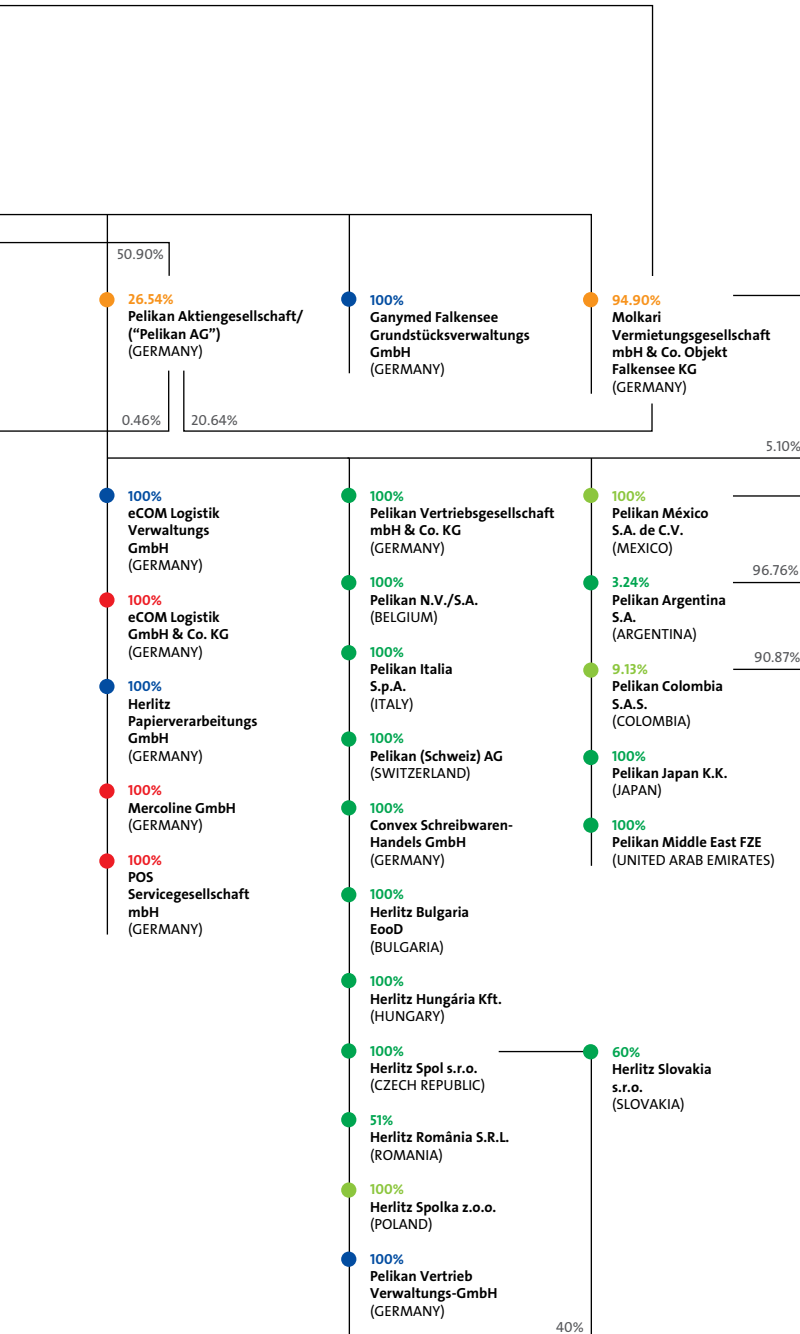
**5.5%**

Manufacturing  
facilities

**2 plants**

Employees  
(2014: 223)

**198**



# Chairman & CEO's

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 2015.

## THE GLOBAL ECONOMY 2015

*(statistics sourced from the World Bank)*

The global Gross Domestic Product ("GDP") in 2015 decelerated to 2.4% (2014: 2.6%), attributed to continued weakening growth in emerging and developing countries. Growth for developing countries was 4.3% last year (2014: 4.9%) as economic rebalancing in China and its accompanying slow growth continued, while growth in Brazil and Russia had been challenging. The declined commodity prices, slower capital inflows and stagnated world trade activities further resulted in smaller contributions to global GDP growth from the emerging economies. In contrast, the major high income countries gained in recovery last year and were driven by stronger domestic demand as labour markets and credit conditions improved.

The Euro Area countries grew at a GDP rate of 1.5% (2014: 0.9%) due to stronger domestic demand and accelerated exports, attributable to the effects of Euro depreciation. Countries such as Spain performed well while Germany, France and Italy were still lagging though recovering from the economic crisis of previous years. Lower oil prices and favourable financing conditions further supported investments and household consumption. The developing European and Central Asian economies grew an estimate of 2.1% (2014: 2.4%), the slowest rate since 2009. The region suffered from slowdown in all major energy-exporting economies, economic contraction in Ukraine, and negative spillover from Russia among others.



**Tan Sri Dato' Abi Musa Asa'ari Bin Mohamed Nor**  
Chairman

# Statement 2015



**Loo Hooi Keat**  
Chief Executive Officer

Economic activities in Latin America and the Caribbean region contracted by 0.9% of GDP (2014: 1.5%) due to multiple factors such as decline of commodity prices, challenging domestic climates, deteriorating labour market conditions, and rising unemployment. The huge region had differing growth rates across the countries with South America's output declining at 2.1% in which Brazil contracted by 3.7%, while Mexico grew at 2.5%. Pelikan Americas, which contributed 16.2% to the Group's revenue last year, still performed positively due to the strong brand presence and robust marketing activities undertaken in the region.

For businesses outside of Europe and America regions, the Group categorises the segment into the Rest of the World, comprising of economies in Japan, Taiwan, China, South East Asia, and Middle East and Africa. These countries are important growing markets for the Group with huge potential in brand visibility and distribution, albeit representing a small percentage of the Group's revenue. Growth in the Middle East and African region was at a GDP rate of 2.5% (2014: 2.5%) with oil exporting countries experiencing slowed or negative growth from the low oil prices. Japan recorded a slow economic growth rate of 0.8% (2014: -0.1%) despite policy stimulus and higher corporate profits. Though domestic investment was stagnant and private consumption contracted last year, Pelikan Japan managed to perform above budget. The growth rate in East Asian and Pacific countries slowed to an estimate of 6.4% in 2015 (2014: 6.9%), as decelerating growth in China and weaker than expected recovery in Thailand accounted for much of the decline. China went through periods of financial market volatility and government stimulus measures to counter the deceleration and correction in the real estate sector and industrial activity. Excluding China, growth in the region was 4.6%, which was similar to 2014.



## Chairman & CEO's Statement 2015



### FINANCIAL PERFORMANCE

For the financial year ended 31 December 2015, Pelikan Group recorded total revenue of RM1.33 billion, a decline of 3.7% from the previous year (2015: RM1.38 billion). The volatility in major global currencies against Ringgit Malaysia ("RM"), in particular USD, had negatively impacted the Group's results as the Group had major USD denominated borrowings. The Group's overall loss before taxation after adjusting for foreign exchange losses on USD borrowings, loss on disposal of property, plant and equipment and intangible assets, and gain on disposal of investment in subsidiaries has improved vis-à-vis the results of 2014. The reduction of revenue for the German market was 6.8% or approximately RM48.4 million compared to 2014, attributable to the lower revenue from the printer consumables business, declined export sales and domestic sales from certain channels. The Americas regions achieved an overall revenue growth of 3.1% for 2015 due to the concerted efforts of the region to develop the markets and product offerings within the markets.

The Group's revenue for the first financial quarter was RM282.0 million (2014: RM312.6 million), a decrease of 9.8% primarily due to the depreciation of the Group's main revenue currency of 9.8% against RM as compared to 2014's corresponding quarter. The decrease was partially offset by the steady growth in the Americas region, which generated higher sales by 7.2% as compared to the 2014's corresponding quarter. The Group recorded a loss before tax of RM8.7 million in the first financial quarter. The losses were attributable to the lower

margin contribution resulting from the lower sales value, as well as the recognition of the gain on disposal of a subsidiary in March 2014.

In the second financial quarter, the Group's revenue decreased by 11.0% to RM342.1 million (2014: RM384.3 million) partly a result of the depreciation of the Euro currency by 9.1% against the RM though partially offset by the positive sales growth in the Americas and Asian regions. However, the Group's revenue increased by 21.3% compared to RM282.0 million in the preceding quarter. The second financial quarter is normally a stronger quarter for the Group's school and education products due to the "Back to School" ("BTS") season in Europe and Americas. Apart from the school product launches, the introduction of the new fine writing instruments, school and office stationery, and special promotions for customers also resulted in the higher demand from key customers and export markets. As a result of the higher sales as compared to the preceding quarter, the Group recorded an earnings before interest, taxation and depreciation ("EBITDA") of RM35.3 million and a profit before taxation of RM20.7 million in the second financial quarter as compared to loss before taxation of RM8.7 million in the preceding quarter. The Group managed to maintain the aforesaid profits on the back of lower operating costs. Notwithstanding this, the depreciation of RM against USD continued to affect the USD denominated borrowings, which resulted in additional unrealised foreign exchange loss in the second financial quarter.

The Group achieved revenue of RM396.9 million in the third financial quarter (2014: RM401.5 million), a decline of RM4.6 million as compared to 2014's corresponding quarter due to the decrease in printer consumables business resulting from the



## Chairman & CEO's Statement 2015



scale down of production and operations. The Group's revenue however increased by 16.0% compared to the preceding quarter as the BTS season continued to perform well, in particular the sales performance in Eastern Europe. While the European business was still a major contributor to a stable revenue, the Pelikan business in Latin America continued to performed positively with a growth rate of 8.2% in the third financial quarter compared to 2014's corresponding quarter. The RM weakened against USD by 17.0% compared to the second financial quarter and the negative effects particularly on the USD denominated borrowings worsened in the third financial quarter. The Group also disposed a property at a loss as part of the closure exercise of a dormant subsidiary.

The Group's revenue for the fourth financial quarter increased by 9.4% to RM310.4 million (2015: RM283.8 million) as markets in Europe, Middle East and Asia showed positive growth.

However, due to the slowdown of sales in the European markets subsequent to the BTS season, the revenue in the fourth financial quarter was lower than the preceding quarter, resulting in a loss before tax of RM38.7 million. In Switzerland, the cessation of the third party toner powder production as well as challenging printer consumables business resulted in a lower turnover in the fourth financial quarter compared to 2014's corresponding quarter. The Rest of Europe improved in terms of revenue performance compared to the corresponding quarter of 2014 due to the positive economic data which improved consumer sentiment.

Americas region achieved RM6.8 million segment contribution in the fourth financial quarter but sales reduced as compared to previous year's corresponding quarter due to export issues (additional tariff imposed) to certain countries such as Ecuador. The Rest of the World on the other hand, generated higher sales by 25.3% compared to 2014's corresponding quarter and achieved a segment contribution of RM1.6 million due to increased demand of certain school products in Taiwan and China markets, as well as the launch of Special Edition Fine Writing Instruments in the region. The distribution in China has improved immensely from rigorous marketing efforts undertaken with dealers including participation in internet distribution channels which boosted the demand for certain key products.



## Chairman & CEO's Statement 2015

### FOCUS ON GROWTH

The goal of streamlining the Group's key stationery business into Pelikan AG Group was to form a cohesive and focused core organisation with a clear business structure to further develop its stationery businesses and improve sales performance going forward. Since completing the consolidation of the businesses between Pelikan and herlitz in Germany, the streamlined stationery group under Pelikan AG Group has shown positive results year to date. There are immense opportunities for the Pelikan AG Group to be competitive and aggressive in terms of pricing, placement and marketing. The focus is to improve margins with better product offerings, to increase market shares in core European markets, and to grow revenue, brand awareness and product assortments in other potential markets in the Latin American and Asian regions.

The Group shall continue its focus to address improvements in the remaining printer consumable business through better adaptation of distribution channels and product offering to its respective markets and customers. In addition, the Group will work on improving performance of its production facilities through outsourcing services and production to maximise capacity and utilisation.

### GROWING WITH THE BRAND

It is imperative to the Group to focus on the brands – Pelikan, herlitz, Geha and Susy Card – and the attributes that improve the value of the brands. By focusing on the markets and product ranges that give the Group the best growth potential in terms of sales, profitability and market shares, the Group



is able to focus on growth and deliver on performance. The Group puts emphasis on research and development ("R&D") to ensure continuity in product and marketing innovation, and allocates significant resources to promote and market our products to our target consumers. The R&D efforts paid off as the brands were rewarded with prestigious awards for the design and functionality of our products. Amongst the recognitions were the 'Red Dot Design Award' for griffix® Stylus writing instrument, the "Trophee du Stylo Feminin" at the Trophées du Stylographe 2015 award presented by the well-known French magazine Le Stylographe for the Souverän Series 600 Pink Striped, and two awards by the Pen World's Readers' Choice Award 2015 for the Pelikan M101N Tortoise Shell Red in the category "Best Vintage-inspired pen" and the Limited Edition M1000 Raden Starlight which won the award for the "Best Urushi Arts Pen".

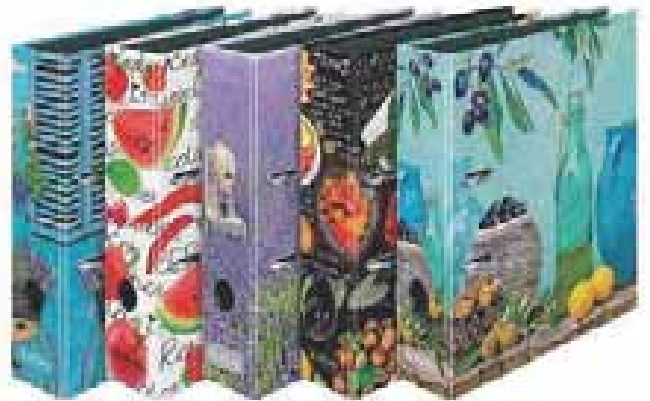


## Chairman & CEO's Statement 2015



As a global player in the stationery and writing instruments industry, the Group has to keep up with the market trends worldwide in the school and education sectors, while introducing products that are useful, functional, fair priced, and attractive for our end users. In Europe, the school products and businesses performed strongly despite a shrinking market as there were popular trends in 2015 such as adult colouring which boosted the sales of coloured pencils, fibre tip pens and painting products. In the Rest of the World, the Group saw the significant increase in FWI sales due to the trend in handwriting, calligraphy and cursive writing among the younger generation who appreciate the art of writing and are gradually able to afford our range of fountain pens. The introduction of the Stola series in Europe last year, a beautiful range of Professional Writing Instruments targeted at young executives and professionals, were widely successful given the monochrome designs and price range.

The Group constantly seeks to expand the distribution networks to ensure that our brands and products will be visible and available to as many users as possible. The Group chooses to team up with business partners and distributors that are not only able to grow their reach in the foreseeable future, but also able to work hand-in-hand to achieve sales growth, higher market shares, and marketability for our brands. The Group looks out for new distributors and channels that can represent the brands and indirectly invest and build up brand awareness. As we operate on a global platform, technology has



become a useful medium to communicate our brand message and product ranges to a global audience. As such, we can no longer ignore the impact and the positive influence that the online distribution, social media networks, communication tools and advertising platforms the digital world can offer and potentially shape our brands. The Group is keen on making our products and services accessible and available online for local and global consumers without compromising on our other channels of distribution.

### IN APPRECIATION

The Board of Directors would like to express thanks and gratitude to Datuk Seri Mohamad Norza Bin Zakaria who retired from his position on the Board of Directors on 17 June 2015. He was appointed as an Independent, Non-Executive Director of Pelikan International on 1 April 2013 and served as the Chairman of the Nomination Committee and a Member of the Remuneration Committee. His professional advice and service have benefited the Pelikan Group immensely and on behalf of the Group, the Board of Directors wish him many success in his future endeavours.

As of 31 December 2015, the Pelikan Group's global employment stood at 2,616 in total. On behalf of the Board of Directors, we thank the management and all employees for their passion, commitment, tireless efforts and unwavering dedication towards the Group in driving the brands, developing the products, pushing the promotional activities and delivering the best solutions for our customers. The Group thanks our fans, shareholders, investors, business associates and all other stakeholders for their endless support to the Brand and Group.





## Chairman & CEO's Statement 2015

### 2016 HIGHLIGHTS

*(statistics sourced from World Bank)*

Global GDP growth is poised to recover modestly at 2.9% in 2016 and 3.1% in 2017 – 2018, as commodity prices level off, global activities improve leading to continued recovery in major high-income countries, China gradual slows down and rebalances, and global interest rates heighten. Euro Area countries should improve in 2016 with a growth rate prediction of 1.7% in 2016 and 1.6% in 2017 – 2018. Developing Europe and Central Asia is projected to grow at 3.0% in 2016 and 3.5% in 2017 – 2018, helped by a robust Euro Area growth. For the Americas region, growth is expected to be stagnant for 2016, followed by a modest recovery of 2.2% in 2017 – 2018 as commodity prices stabilise and domestic policy challenges subside. Growth should pick up in Colombia and Mexico as demand from the US market increases. The developing East Asian and Pacific region is expected to ease on average to

6.2% in 2016 – 2018 with the growth rate in China projected to moderate to 6.7% and 6.5% in 2016 and 2017 – 2018 respectively. The continued slowdown in China should be partly offset by modest growth in the rest of the region by about 5% in 2016 – 2018. Although economic prospects for 2016 seem to be moderate, the Group anticipates challenging times ahead and remains cautious though optimistic on the financial performance. The Group will continue to focus on the key strengths, products, channels and markets that will contribute positively to overall performance as the Group is poised with leaner costs and organisation structures moving forward.

### GOING FORWARD

In 2016, the Group will relentlessly focus on growth by investing in R&D, innovation, marketing and branding activities, and distribution channels. As part of its Group strategy, the markets need to have new products introduced to maintain sales momentum and improve market shares. This year, the Group continues to launch new products, new packaging and better marketing campaigns to support the brands and channels. For the school segment, Pelikan has many interesting products lined up such as the Space+ opaque paint boxes 24 colours and matching water containers in blue and magenta, new Twist writing instruments in Berry, Spearmint, Jungle and Bronze colours, new colours for school writing instruments griffix®, Style, and Pelikano, and more creative packages for the Back to School season. In the office supplies range, a new stick ball pen as well as various blister packaged products for key account channels will be launched. The Group will also release new models of toner modules, inkjet cartridges and inkjet refills for the European and Asian markets.





## Chairman & CEO's Statement 2015

Under the herlitz brand, the Group will introduce new designs and motifs for the core assortment of license/design series such as 'SmileyWorld Rainbow', 'Splash', 'Ladylike/Pastels' and seasonal motifs across its range of stationery and schoolbags; new 2016 range of schoolbags, be.bags, backpacks and accessories; my.book flex range of notebooks; new school agendas and calendars for 2017. herlitz is also launching a new erasable rollerball range to compete in the very saturated but massive market for writing instruments in the school and office segments on top of its popular my.pen range of writing instruments and stationeries. Susy Card will introduce an exciting collaboration with Ice Age, the popular animation, with a range of party supplies such as gift wrap, gift bags, balloons and more with the Ice Age animation designs in the European markets.

In the Fine Writing Instruments segment, the increased demand for Special Editions and the successes of the new pen launches last year has given rise to more planned launches for this year, including the Special Edition M805 Vibrant Blue, M120 Green Black, Edelstein Ink of the Year Aquamarine, M205 Transparent Blue, and more to be revealed in the next half of 2016. The Stola series will be introduced to markets in the Rest of the World for 2016. We believe that these launches will perform significantly well as these products have been anticipated by fountain pen fans worldwide. The Group will continue to invest and support the channels distributing FWI with interesting marketing activities and advertising promotions such as the Wanderlust, "Make a Wish Nib", and Pelikan Hub projects which will continue to captivate the interests of fountain pen enthusiasts from all over the world.



Last but not least, the Group continues to focus on school products and education channels for 2016. As the BTS season represent the biggest sales event for the Group, this year's campaign roll out follows that of the previous years but with improved displays at the point of sales, more promotional activities online and on ground marketing, and featuring a wider selection of products in the new packaging for BTS. The theme for 2016's Pelikan BTS campaign is "Best Friends" which will be the brand's message worldwide. The rise of social media use in promoting our products and marketing campaigns will also boost the brand image and awareness amongst the younger generation of consumers. We look forward to seeing the creative promotional activities in all the markets where Pelikan is represented.

**TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR**  
Chairman

**LOO HOOI KEAT**  
Chief Executive Officer

Selangor Darul Ehsan  
Malaysia



# Board of Directors' Profile



## TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR

Chairman & Independent Non-Executive Director

Chairman of Remuneration Committee

Chairman of ESOS Committee

Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor, a Malaysian aged 66, was appointed as a Non-Independent Non-Executive Chairman of Pelikan on 27 July 2012 and redesignated to Independent Non-Executive Chairman on 30 July 2013.



## LOO HOOI KEAT

President/Chief Executive Officer

Member of ESOS Committee

Loo Hooi Keat, a Malaysian aged 61, was appointed as an Executive Director of Pelikan on 22 April 2005 and thereafter as an Executive Chairman on 26 April 2005. Subsequently, he was re-designated as President/Chief Executive Officer of Pelikan on 14 November 2007.



## DATUK ROZAIDA BINTI OMAR

Non-Independent Non-Executive Director

Member of Audit Committee

Member of ESOS Committee

Datuk Rozaida binti Omar, a Malaysian aged 53, 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).

## Board of Directors' Profile

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 (now 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 1995 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.

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

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, public companies listed on the Main Market of Bursa Malaysia Securities Berhad and a member of Pelikan AG Supervisory Board, a subsidiary of

Currently, he is the Chairman of MCT Bhd and a Director of Heitech Padu Bhd, public companies listed on the Main Market of Bursa Malaysia Securities Berhad, Board of Sultan Idris Education University (UPSI), Platinum Nanochem Sdn Bhd and the Chairman of Pelikan AG Supervisory Board, a subsidiary of Pelikan listed on the Frankfurt Stock Exchange.

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.

Currently, he is the President and Board Member of Pelikan Holding AG, a subsidiary of Pelikan and is also a Board Member of Pelikan AG, a subsidiary of Pelikan listed on the Frankfurt Stock Exchange.

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.

Pelikan listed on the Frankfurt Stock Exchange. 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.

## Board of Directors' Profile



### DATO' AFIFUDDIN BIN ABDUL KADIR

Independent Non-Executive Director

Member of Audit Committee

Member of Nomination Committee

Member of Remuneration Committee

Dato' Afifuddin bin Abdul Kadir, a Malaysian aged 62, 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 to 1985.



### DATIN NORMIMY BINTI MOHAMED NOOR

Non-Independent Non-Executive Director

Member of Nomination Committee

Member of Remuneration Committee

Datin Normimy binti Mohamed Noor, a Malaysian aged 46, was appointed as a Non-Independent Non-Executive Director of Pelikan on 12 September 2011.



### DATO' LUA CHOON HANN

Independent Non-Executive Director

Chairman of Audit Committee

Chairman of Nomination Committee

Dato' Lua Choon Hann, a Malaysian aged 39, was appointed as an Independent Non-Executive Director of Pelikan on 1 April 2013.

## Board of Directors' Profile

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 the Director in MIDA's branch in London.

In early 2005, he was posted back to MIDA's Head office 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 Head office. 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 the post of the Deputy Director General II and subsequently to the Deputy General I of MIDA in June 2008, a post he held until his retirement on 14 September 2011.

Currently, he sits on the Board of Lion Corporation Berhad and UMW Oil & Gas Corporation Berhad, public companies listed on the Main Market of Bursa Malaysia Securities Berhad and Lam Soon (M) Berhad.

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.

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.

Datin 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.

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 in 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.

Currently, he is a Director of PRG Holdings Berhad, a public listed company on the Main Market of Bursa Malaysia Securities Berhad.

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, 61*

*President/Chief Executive Officer*

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

### 2. HO MING HON

*Malaysian, 41*

*Senior Vice President, Head of Group Finance and 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, 58*

*Head of Procurement*

- BSc in Business
- Over 20 years of experience with Pelikan Group
- Pelikan Singapore-Malaysia Pte Ltd (1995)
- Pelikan Holding AG

### 4. FLAVIO MONTI (PRINTER CONSUMABLES)

*Swiss, 56*

*Managing Director, Pelikan Hardcopy Production AG (PHPAG)*

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

### 5. WILLIAM LIU (CHINA & TAIWAN)

*Chinese, 58*

*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 of experience in the Taiwan consumer market
- Pelikan Taiwan Co. Ltd. (2007)

## PELIKAN AG MANAGEMENT

### 6. CLAUDIO ESTEBAN SELEGUAN

*Argentinean, 53*

*CEO, Pelikan AG*

*Managing Director, Pelikan Mexico*

- BA in Business Administration
- Over 26 years of experience with Pelikan Group
- Manager of Pelikan Costa Rica (1989)

### 7. FRAUKE WANDREY

*German, 47*

*Board Member of Pelikan AG*

- Degree in Law (State Exam)
- Attorney in an international law firm
- Joined Pelikan Group as Head of Legal Department in March 2000
- Appointed Company Secretary and General Counsel Pelikan Holding AG in 2004
- Appointed Board Member of Pelikan Holding AG in June 2011
- Appointed Board Member of Pelikan AG in January 2014

### 8. TORSTEN JAHN

*German, 41*

*Board Member of Pelikan AG*

- 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

## Group Management Team

### 9. JENS KOLLECKER

*German, 40*

*Finance Director of Pelikan AG*

- Graduate in IT and information management
- Diploma in Economics
- Joined Pelikan Group in 1998 and held several positions in Controlling and Finance (1998-2011)
- Manager of manufacturing plant at Vöhrum, Germany (2011-2014)
- Appointed Finance Director of Pelikan AG in February 2014

### 10. SVEN VERGAUWEN

*Belgian, 44*

*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)

### 11. PATRICK VULTO

*Dutch, 45*

*Head of European Marketing*

- BA in Business Administration
- Masters in Marketing
- Over 20 years of Marketing and Business Development experience in leading FMCG companies
- Joined Pelikan Group in 2015

### 12. MATHIAS SHAW

*Argentinean, 40*

*Senior Vice President, Sales and Marketing, Latin America*

*Managing Director, Pelikan Argentina*

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

### 13. YAMIL VALENCIA

*Colombian, 47*

*Managing Director,*

*Pelikan Colombia SAS*

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

### 14. AZUMA IKEDA

*Japanese, 62*

*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

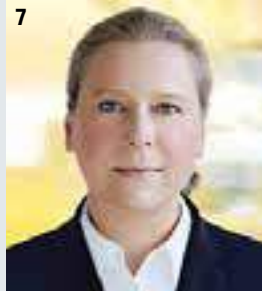
### 15. NASSER AL ATRASH

*Jordanian, 49*

*Head of Sales and Marketing*

*Middle East and Africa*

- BSc in Business Administration (Yarmouk University)
- Over 23 years of experience in strategic business planning, finance, operations, sales and marketing



# Group Operations Review 2015

## FOCUSING ON GROWTH

The Pelikan Group believes in positive changes that will come about through a relentless focus on growth and performance. The Group has made strategic business decisions in key areas that will drive growth in the long run and create better outcomes for our stakeholders. Though markets are challenging at times, the Group plans to capture the full growth potential of its brands and businesses by improving the Company's financial results through organic sales growth, increasing productivity, reducing costs, and efficient allocation of capital and resources.

## GROUP CORPORATE SERVICES

### Corporate Planning

During the financial year, the Group implemented its assets streamlining via contribution in kind exercise by transferring certain subsidiaries and assets of the Company, Pelikan Holding AG, Pelikan Nederland B.V. and Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG into Pelikan AG for an aggregate consideration of EUR231.2 million which were satisfied by the issuance of 231.2 million new Pelikan AG shares of nominal value EUR1.00 each ("Pelikan AG shares"). The contribution agreement was entered into on 5 March 2015. On 30 April 2015, the resolutions for the increase in issued share capital were entered into the Commercial Registers of Pelikan AG. Accordingly, 231.2 million new Pelikan AG shares were issued and the assets streamlining was duly completed. Subsequently, on 5 August 2015, Pelikan AG issued 124,402 new Pelikan AG shares of EUR1.00 each and Pelikan Holding AG sold 96,919 Pelikan AG shares of EUR1.00 each.



Upon completion, approximately 83.0% of the Group's turnover shall be undertaken through Pelikan AG which is focused in the sales and distribution of stationery products worldwide.

On 23 October 2015, Pelikan Trading (Shanghai) Co. Ltd., a wholly owned subsidiary of the Company was deregistered voluntarily and the distribution is taken over by the subsidiary in Taiwan.

### Human Resource and Employees

As of 31 December 2015, the Group had a total headcount of 2,616 employees (2014: 2,745), a decline of 4.7% from 2014 as the downsized production facilities in Scotland and Switzerland and the synergies between the Pelikan and herlitz businesses in Europe resulted in a lower headcount required to maintain the Group's productivity rates in line with the lower cost structure of the organisation. Out of the total workforce, 1,791 (68.4%) of the Group's employees were based in Europe, 627 (24.0%) from offices in Latin America, and 198 (7.6%) were based in Asia and Middle East regions.



## Group Operations Review 2015

The Group believes that the employees are the Company's greatest assets. All the managers and employees are constantly trained in their profession and personal development as well as skills in management, leadership and teamwork in line with the Group's mission, in order to focus on overall growth and performance. The Group strives to attract and retain the best talents with market comparative salaries and benefits by awarding staff who have performed above and beyond their potential; by ensuring a safe, healthy and stimulating work environment to perform; and by promoting entrepreneurial spirit and teamwork amongst the staff. The Group also ensures that staff are fit and healthy to carry on their daily jobs and, within several subsidiaries, staff undergo basic medical checks, fitness classes, and routine health talks and awareness programmes. For those working in production facilities, periodical preventive medical check ups for hearing, sight, hand-eye coordination tests for driving, control and monitoring duties, and balance tests for workers under fall-risk, were carried out.

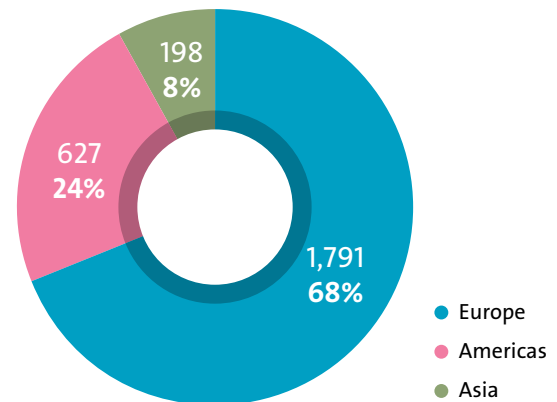
### GROUP PRODUCTION, PRODUCT DEVELOPMENT AND RESEARCH AND DEVELOPMENT ("R&D")

In 2015, Group Production continued to reduce production complexities in all its production facilities. The plant in Vöhrum, Germany improved on the utilisation of capacity by

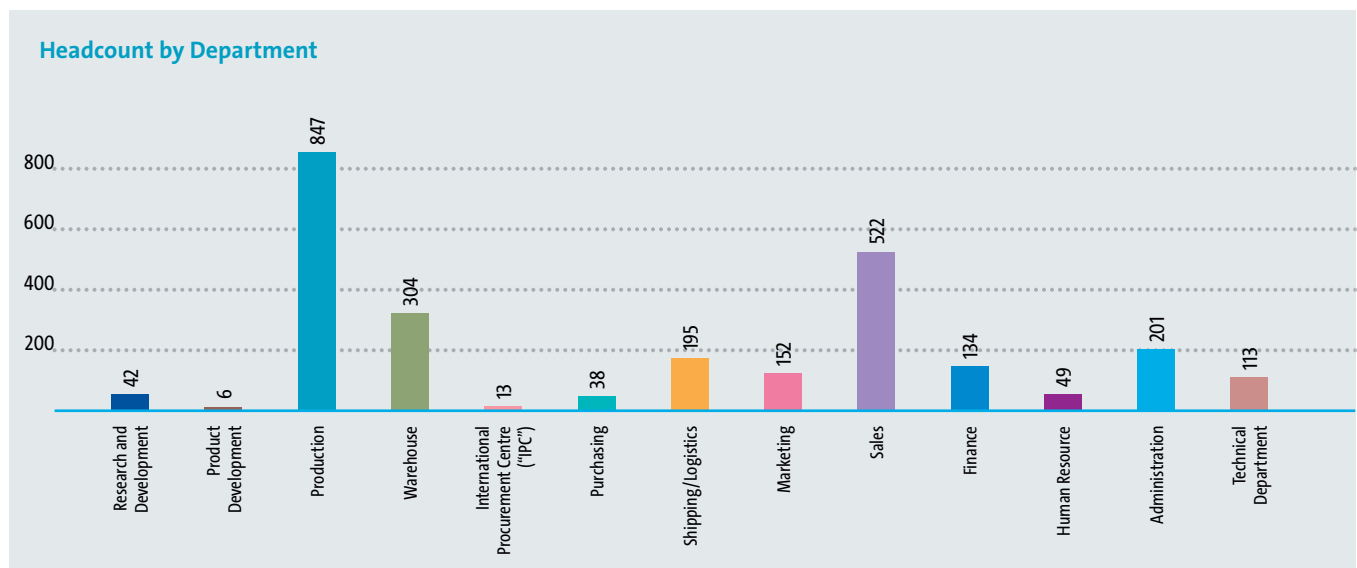
offering specific services to the market, such as construction of injection moulding tools and a contract supply for plastic injection parts. The Group Production realised many new projects last year and focused on the product development and production of FWI, school and office products in Germany.

Pelikan Hardcopy Production AG ("PHPAG"), which is responsible for the manufacture and distribution of printer consumables, focused on winding down the production plant in Mönchaltorf, Switzerland which was completed successfully in December 2015. In addition to this cost saving project, the

Headcount by Region



Headcount by Department





## Group Operations Review 2015

contract production for an OEM customer was transferred to the customer's own plant. The PHPAG production of toner powder was subjected to an asset deal with one of the major European suppliers after the wind down. In terms of investment, there were no major investments necessary for the launches of new toner modules or major adjustments needed in the production lines as the existing machinery and equipment are regularly maintained to secure ongoing production.

In November 2015, all of the Group's production plants and locations were recertified as ISO 9001, ISO 14001 (environmental) and OHSAS 18001 (health and safety) management systems by the Swiss Certification Institute ("SGS" SOCIETE GENERALE DE SURVEILLANCE SA). These certifications ensure that the Group meets the requirements on its quality systems and improve on environmental management efforts. For the product groups containing wood and paper elements, the Group passed the Forest Stewardship Council ("FSC") Certification and additionally Susy Card GmbH was recertified for the PEFC standard for wood and paper products. Poised to become a greener company, PHPAG managed to reduce waste last year and increased its recycling materials load to over 300 tonnes since the recycling centre was opened in Germany back in 2014. As the plant in Mönchaltorf, Switzerland decreased its production volume over the past year, the consumption for water and electricity was reduced by about 50%. The amount of chemicals used for

production also declined accordingly. The Group production plants strictly adhered to their operating country's regulations and laws on environment, and inspections by internal and external auditors were carried out throughout the year.

### Product Development and R&D

The R&D strategy for 2015 was to focus on the school and office product segment, and to support the different market requirements by assisting in project management, technical planning and realisation of product development for the Group. The Group Production focused on implementing these strategies and prioritised its production capacity on production units and product development projects that will bring about the highest growth in terms of sales and profitability, product life cycle and marketability. The chemical department focused on the development of new inks and ink formulations to improve product assortments and quality offered in the markets while adhering to strict chemical regulations imposed in Europe. In the field of technical development, the use of digital device technology was transferred to the product development segment. In the R&D for printer consumables, due to lack of capacity, the Group had to concentrate on the qualification of third party goods and the development of a selected quantity of intellectual property ("IP") free compatible cartridges until the prototype phase. The Group worked on stabilising the inkjet R&D and launched new products for the Epson models. As the production of industrial toners in Switzerland had to be stopped due to the closure of the Mönchaltorf plant, the toner powder R&D was also closed by end of 2015.

In 2015, the Group invested a total of RM14.8 million (2014: RM17.8 million) in fixed assets for the R&D of new products and machinery in production. In Vöhrum, Germany, the total investment in fixed assets last year amounted to €0.9 million for the manufacturing equipment such as a 2-axis universal lathe, a data recording machine, injection moulding tools for the production of ink cartridges, a 3D measurement machine, and LED energy saving lighting for the factory. The Group also invested in the manufacturing of new products such as the M120 Black-Green fountain pens, Porsche Design Shake Pen Big Stylus, Porsche Design Tec Flex Gold, griffix® Stylus pen, the Space+ paintbox 24 colours and the matching Space+ water containers.





## Group Operations Review 2015



It is important to the Group that our brands carry products that are sourced and made from ethically produced materials and environmentally safe chemicals. The Group strictly follows the rules and regulations stipulated by the authorities in the R&D and technical development of our products and packaging. In accordance to the CLP Directive 1272/2008, the Group created new “Safety Data Sheets” for all products with chemical content and updated the texts on some of the product packaging in 2015. For several products, the chemical formulations were changed to avoid hazardous labelling of the products as the new and more restrictive legal regulations were enforced. In addition, the ‘Candidate List of Substances of Very High Concern’ was further enlarged to contain over 150 substances, which included many raw chemical materials that were restricted for the industrial and consumer use. The authorities also increased the REACH field of applications to those of the regular consumer products. Within the field of writing instruments, the Group had to reduce the nickel usage drastically due to health and quality reasons.

In 2016, the R&D will also focus on the development of remanufactured toner modules and compatible inkjet cartridges. If empties are available, some inkjet refills will also be produced especially for the inkjet printers business. The necessary chemicals (toner powder and ink) will be bought in goods or already available formulations. Furthermore, the other products necessary for a full assortment will continue to be qualified by R&D and sourced as third party goods from reliable suppliers.

### Fine Writing Instruments

In 2015, Pelikan was successful in launching many fine writing instruments that were so popular, the Group had to make additional production runs just to keep up with the demand. The Group managed to grow the FWI business by 24.5% last year compared to 2014, mainly attributed to the launches of Special Editions that continued to rejuvenate the collection and avoided the build up of too many SKUs under the FWI category. The highlights of 2015 were the Souverän 805 Stresemann series (standard collection), Souverän M805 Demonstrator, Souverän 800 Burnt Orange series (which were sold out), Souverän 600 Pink Striped series which won several accolades, Classic 200 Café Crème series that were highly in demand particularly in China and Japan markets, Classic 205 Amethyst series, which had a special packaging with the Edelstein Ink of the Year “Amethyst” that was also sold separately in ink bottle and ink cartridge form, and the Classic 200 Green Marbled series which was a remake of a classic design. The Group also launched two Limited Editions – the Maki-e Koi and the Maki-e Autumn Flowers which were very well received in the markets despite the high price tags.

Another highlight of 2015 was the global HUB meetings which took place in multiple cities at the same local time back in September. The idea of combining online and offline marketing has truly created a buzz in the pen communities, and the HUB meetings have given us a greater consumer understanding and insights. More information about the HUB project can be found on [www.pelikan.com/hubs](http://www.pelikan.com/hubs). Last year, the Group continued to promote the “Make a Wish Nib” project which allowed consumers to visit the factory in Vöhrum, Germany



## Group Operations Review 2015

in guided tours that showed the making of our FWI and at the end enabled consumers to personalise their nibs. These guided tours were fully booked throughout the year despite targeting only a niche consumer group, yet the feedback was very positive with some customers planning further visits to “Make a Wish Nib”.

Majority of the models launched in 2015 are now sold out and the Group is very encouraged by the support and the enthusiasm of its fountain pen fans worldwide. The results have shown that we are moving in the right direction by focusing on Special Editions in the Souverän and Classic series as opposed to creating new and modern product lines. Pelikan has always been known for its high quality, craftsmanship, know-how, expertise and historical tradition in the field of FWI, and the Group will continue to emphasise these brand messages in all our new product launches as well as our communication materials to the trade and end consumers. It is important that the Group maintains the brand image for FWI by creating better impressions in terms of our marketing collaterals, increasing the standards of our extraordinary product shots, and updating the FWI website constantly with newer images and updated information. Social media networks such as Facebook and Instagram have been an amazing communication tool, not only to showcase and communicate our latest FWI products and projects to the fans, but also as a way to connect and interact with the global online community on all things about FWI. With our stable core markets in China, Japan, Germany and the USA, the Group will focus on further developing the other markets for our FWI business in order to increase revenue and growth.



### Pelikan School and Office

In 2015, the Twist product range performed well thanks to the launch of new trendy colours “Lime and Pearl”, classy neutral colours “Black and Silver”, and a promotional colour “Pink”. The Group was able to target a larger consumer group with these Twist writing instruments and we believe in the growth potential of Twist in the long run. The launch of the new water colour paint box Space+ was a huge success in Germany, Austria and Switzerland. The sales realised with this high-end paint box exceeded all our expectations by far. With this positive feedback, the Group plans to launch a Space+ version with 24 colours as well as a water container in the same design for 2016. Other new products include the griffix® Stylus, which was an additional ergonomic and pedagogic product for children to write and play on digital devices. The griffix® Stylus has the same grip features as all the other griffix® writing instruments and was the first step for Pelikan into the digital world of writing. The new packaging designs also made vast improvements on the visual designs of the Pelikan products, especially when displayed on the standees at point of sales outlets. As always, the highlights of 2015 for school products was the opaque paint box K12 with 1.6 million pieces sold, as well as the Pelikano, griffix® range, ink cartridges and ink eradicators. In Malaysia, the BTS products such as Treasure Set, Colouring Set, Junior Set, Home-Office Set and 2B Pencil Set were created especially during the BTS season to complement the “For Real Adventurers” theme and to cater to the distribution channels. For the office range of products, a smaller version of the blanco® correction roller, named ACDC was launched in the European markets. Its new, transparent design was a vast improvement on the predecessor. The maxi version is expected to be launched in May 2016. The Group also developed a new kind of writing instrument with smooth and comfortable writing for the office market called Pointec made especially for the Latin American market.

## Group Operations Review 2015



The main focus of promotional activities for school products was the annual BTS campaign which had an international roll out in Europe, Americas, Middle East and Asian markets. In 2015, the theme was “For Real Adventurers” which targeted school-going children with colourful, adventure filled visuals such as pirates, treasure chests and exploration. For the distribution channels, the Group supplied supporting marketing collaterals and attractive point of sales materials such as displays, standees and decoration elements for product placement. The Group continued the griffix® TV commercials in cooperation with a major German trade partner to support the griffix® learn-to-write system sales in the market. As always, online marketing and internet activities have proven to be a very useful medium for the Group to convey messages on the brand and products as well as form an interaction with the school children, teachers, parents and distributors. Globally, the same brand message and unified BTS theme were communicated through Facebook promotions for all end users and followers. On the internet, children could access the microsite [www.pelikan.com/kids](http://www.pelikan.com/kids) in their preferred language and play with the interactive online games created especially with the theme “For Real Adventurers” in mind. For 2016, the Group will continue promoting and advocating a strong BTS season with a new campaign featuring new products, new interaction and online activities, and new thematic designs at the point of sales outlets.



### herlitz School and Office

Under the herlitz brand, the Group launched many new SKUs to further grow the business and expand into new channels and markets. Amongst the popular herlitz products are the schoolbags and accessories for 2015. The schoolbags that are ergonomic, back-friendly, and high-quality with creative motifs continued to perform well. herlitz introduced a new model – “Motion” – which is a larger schoolbag in terms of volume. Along with the popular schoolbag models “Flexi”, “Sporti” and “Midi”, we came out with fantastic designs and matching accessories for boys and girls. The backpack for kids in the form of “Mini”, “Mini softbag” and “Rookie” models were perfect for pre-school, kindergarten and leisure activities.



The combination of quality, safety, carrying comfort and new designs in the high-quality schoolbag segment became the successful and impressive factors for the retailers, parents and children. Another new launch was the collaboration with Marcel Ostertag, a fashion designer who created a fresh, unique and exclusive range of stationery based on his 2015 spring/summer collection. The “Marcel Ostertag for herlitz” design stationery was launched in May 2015 to great response. Other new designs included the “Smileyworld Fancy”, an extension of the adorable Smileyworld license series with cuter and trendier designs from bags to stationery. The high quality gift and hardback items featured the big Smiley face in a fashionable sweatshirt look. Pastell, the new lifestyle range by herlitz, targeted the fashion-conscious crowd of the teens and young women group, and offered a rich assortment of trendy products in creamy hues. The innovative my.book flex range of notebooks continued to expand with new cover designs and sizes. The versatility offered consumers a diverse and comprehensive range of notebooks.

## Group Operations Review 2015

herlitz participated in the Mercedes-Benz Fashion Week Berlin in January and July 2015 to promote the my.book flex range, which proved that writing was truly in fashion. At Mercedes-Benz Fashion Week Berlin, herlitz continued its role for the fifth time as official outfitter at the Brandenburg Gate continuing its strategy of product and brand positioning in fashion and design-conscious environments.

### Susy Card

There are many product categories under the Susy Card brand, namely party supplies, gift wraps and bags, greeting cards, table decorations, and paperterie for festive and seasonal periods such as Halloween and Christmas. The main markets for Susy Card are Germany as well as Eastern European countries, however the party and gift assortments have an international appeal that can transcend across the other regions. New party assortments are constantly developed to keep up with trends and styles in the markets. In the past year, Susy Card launched 95 new designed items in the greeting card segment, 50 items in the gift segment, and over 200 items in the seasonal party and stationery segment. The Group is always on the look out for colours, patterns, designs and finishings that are trending on social media, point of sales outlets, print media such as magazines, internet blogs, and international fairs and exhibitions to appeal to the mass markets. It is important to equip the trade with quality sales folders and attractively designed standees and displays for the Susy Card assortment to stand out in the market. In 2015, Susy Card focused on building up the party assortment and

the strategy was to leverage on globally popular themes to expand to the international markets. We are excited to have teamed up and create a whole assortment on a licensing agreement with 'Ice Age' the animation movie that will be released in 2016. Susy Card also expanded on 3D printing for greeting cards and gift bags as these have proven

to be popular and sellable items last year. There was also a development in personalised greeting cards with additional new items for 2015. For 2016, the Group aspires to have the latest finishing and technology (lasercut, accessories) for the greeting card assortment as these additional touches will create design value and unique appeal to the consumers. The Group believes that the global market for celebration and party items will continue to grow, hence we intend to expand the party assortment with improved design, quality, packaging with affordable price points. The Group also want to include activity items for children such as games, party and stationery items as part of the Susy Card repertoire.

### Printer Consumables

Last year, Pelikan launched 102 new products, the same amount as 2014 but with over 78 new toner modules (made for Brother, Epson, Dell, HP, Lexmark, OKI and Samsung printer models), 12 compatible inkjet cartridges and 12 inkjet refills. One of the main challenges was to react fast enough with new product articles for newly launched printers. The implementation time has been reduced thanks to improved communication with the Group with clear and follow through of targets. Other challenges included keeping costs of raw materials stable and finding alternative chemical and raw materials with suitable suppliers in accordance to the REACH CLP legislations. In the field of inkjet refill cartridges, the produced compatible cartridges was released when the market picked up and after the third party refills passed the R&D department tests. The Group also launched three new families of compatible cartridges – Epson T16, T18 and T27 – that were developed internally. In the private label segment, business grew by 13.0% last year compared to 2014 as Prime-Printing assortment increased and all private label contracts were extended successfully.

The main focus in 2016 will be to finalise the transition from traditional sales channels to rapidly developing e-commerce channel which is currently the fastest growing channel for printer consumables. There will be more new Epson models being produced for this year with plans to ramp up the production volumes in cooperation with external partners in order to be competitive in the market. The Group continues in our efforts to become the preferred supplier not only for Pelikan branded printer consumables but also for non-branded and private label products. Efforts will be emphasised on marketing activities following the official launch of the new printer consumables website.





## Group Operations Review 2015



### GROUP PROCUREMENT

The strategies for International Procurement Centre (“IPC”) remain to be as a support function for product development projects, to assist sales and marketing organisations in maintaining competitiveness through negotiated quality, price and service levels, as well as minimising cost up for sourced products. The focus in 2015 was to continue enhancing product and market knowledge, increase efficiency in turnaround time for sourcing activities, and consolidate the global product demand and orders to mitigate the cost impacts. IPC was also proactive and involved in expediting customers’ orders and delivery from suppliers.

Last year, IPC handled a total of 73 projects (2014: 88) in the multiple product categories and sales regions. Although the number of projects declined, more time and effort were required in managing these projects due to challenging business environments that were beyond IPC’s control. In 2015, IPC managed a total of 103 active suppliers (2014: 112 suppliers), a decrease of 8.0%. As part of the Group Procurement’s policies, suppliers are audited annually through the Group’s Supplier Assessment and Survey Form. IPC also conducts factory audits on their suppliers. Furthermore, IPC

enforces its “Code of Ethics” whereby audited suppliers must adhere to the strict policies stipulated to the best of the Group’s knowledge as we do not tolerate forced or child labour involved or any other violation towards human rights. Since 2014, IPC department has been co-certified for BSCI (Business Social Compliance Initiative). IPC also enforces suppliers to agree to the “Declaration of Conformity” to ensure that materials purchased and used do not contravene any European protection laws.

2015 was a challenging year for IPC to achieve cost down targets as the weak Euro currency and the strong USD currency caused many cost up requests from the suppliers on top of the constant increase of raw material prices, continual hike in minimum labour wages, and overall uncertainty and volatility in costs. Nevertheless, IPC conducted two rounds of cost down negotiations in 2015 and managed to achieve cost down savings from approximately 40 suppliers.

For 2016, IPC aims to support the development of new product and growth achievement in more markets, to develop more competitive suppliers particularly in the herlitz schoolbag and accessories segment where there are high opportunities for better synergies. As always, IPC anticipates to have frequent changes and updates in the EU legal and safety requirements, and more stringent requirements and documentations across the regions for this year.





Back To School 2015

# For Real Adventurers

Back to School ("BTS") is the busiest and most important marketing season for the stationery, writing instruments and paper related industry as students, parents and teachers stock up on school uniforms, shoes, and stationery supplies for the new school year. Every year, the Group embarks on a global marketing campaign for BTS and 2015 was no different. With a theme 'For Real Adventurers', the BTS campaign targeted schoolgoing children with high emphasis on friendship, fun and adventure!

The BTS campaign based on a theme similar to the previous campaign, began the rollout across Europe and Americas from March 2015, followed by the Asia region in October 2015. The campaign highlighted new products for 2015 including the Space+ paintbox, Twist writing instruments, a new range of coloured pencils, crayons and fibre-tip markers, and the standard best sellers: paintbox K12, ink erasers, pencils, erasers, and more.





## Back to School in Malaysia The Real Adventurers Colouring Contest

Pelikan Malaysia adopted the BTS theme 'For Real Adventurers' and rolled out the campaign across its major point of sales nationwide such as hypermarkets, bookstores and departmental stores. During the campaign, we promoted our selection of popular Pelikan school products and exclusively developed BTS sets namely the Treasure set, Junior set, Colouring set, 2B pencil set, and Home & Office set which were well received in the market.



To boost the campaign's impact, Pelikan Malaysia organised a nationwide colouring contest aptly called 'The Real Adventurers Colouring Contest' for children under the age of 18 years old. This contest required participants to use their creativity to colour and decorate 'The Real Adventurers' artwork and mail in their completed artwork. The artwork and entry forms were available at all Pelikan's BTS point of sales and also downloadable from the Pelikan Kids website ([www.pelikan.com/kids](http://www.pelikan.com/kids)) as well as Pelikan Malaysia's Facebook page. The reward for the colouring contest itself was a huge appeal: prizes worth more than RM10,000 for 13 winners were put up for grabs, with the Grand Prize offering RM3,000 cash and RM500 worth of Pelikan products. The contest was promoted online through Pelikan Malaysia's social media channels, Google advertising, as well as advertisements on print magazines and email blasts (electronic direct mailing).

Pelikan Malaysia was overwhelmed with the hundreds of entries received which were all beautiful, creative and colourful. We had a panel of external experts as well as internal staff to judge and select the winners, who were announced on Pelikan Malaysia Facebook page on 29 February 2016. Pelikan Malaysia then held a simple prize giving ceremony at the Pelikan Store, The Gardens Mall on 19 March 2016 to celebrate the winners and their achievements. One can view their impressive artworks displayed at the Pelikan Store. We hope to see more children participate in our 2016 BTS colouring contest with their amazing works of art.



# Marketing Diary 2015



**MALAYSIA**

## Mewah Oil Staff Sale

On 30 January 2015, Pelikan Malaysia participated in the Mewah Oil Sdn Bhd staff sale, a company known for its food brand, Moi. The staff sale was organised for Mewah Oil's employees to celebrate the Chinese New Year festival.



## Anniversary Quiz on Facebook

To share the excitement of Pelikan's 177<sup>th</sup> anniversary, a quiz was organised on Pelikan Malaysia's Facebook page for its followers, from 1-28 April 2015. Quiz questions (13 in total) were posted on selected dates and the first person with the correct answer for each question was selected as the winner. The prizes were various Pelikan products, ranging from lower end office products to the high end FWI products. The quiz was well received by Pelikan Malaysia Facebook page followers and all the questions were answered within minutes!

## Tabung Haji Open Day

Pelikan Malaysia was invited to participate in Tabung Haji's Human Resource Open Day that was held on 21 April 2015 at Menara Tabung Haji, KL. As usual, the Pelikan booth was a hit with the visitors and they constantly swamped the Pelikan team to make their purchase. Some products were totally sold out!



## March Madness Swift Staff Sale

After the success of Mewah Oil's staff sale, Pelikan Malaysia visited Swift Haulage Sdn Bhd at their Port Klang office on 27 March 2015, as part of the March Madness Sale promotion. The staff sale offered a wide range of Pelikan and herlitz products at special prices. The crowd turn up was better than expected and the Pelikan colouring and writing products were the best sellers.



## Ready, Set, Go! herlitz Schoolbag 2015

The new range of herlitz schoolbags was officially launched on 13 June 2015 at Times bookstores Bangsar Shopping Centre. The new herlitz schoolbag range offers more variety of designs and a new model, motion plus, which comes with the new ergonomic system, ergoActive. Together with the launch, "Selfie for a herlitz bag" contest was also announced as part of the promotion for the herlitz schoolbag 2015.





## Marketing Diary 2015



### MALAYSIA

#### “Selfie for a herlitz Bag” Contest

“Selfie for a herlitz bag” contest was organised as part of the herlitz schoolbag 2015 promotion. Offering a herlitz flexi plus worth RM499 as the grand prize, the contest required participants to take photo or selfie with the Pelikan mascot and upload the photos to Pelikan Malaysia Facebook page. The photo with the most number of ‘likes’ was chosen as the winner.



#### The Annual General Meeting 2015

Pelikan International Corporation Bhd held its 33<sup>rd</sup> Annual General Meeting (“AGM”) at The Saujana Hotel Kuala Lumpur on 17 June 2015. Pelikan Malaysia took this opportunity to showcase the latest products to the shareholders and held a special promotion on that day. Among the products on display were the new Geha shredders range, Special Edition fine writing instruments, and the new herlitz 2015 range.



#### AEON BIG Brands Fair

Pelikan Malaysia took part in AEON BIG Brands Fair, from 14-27 August 2015. The brands fair offered special promotions from all the brands available at AEON Big. The Pelikan writing and colouring materials were the main products promoted.

#### Real Adventurers Colouring Contest

Pelikan Malaysia kicked off its Back to School (“BTS”) campaign 2015/16 on 1 November 2015. A contest for school going children called ‘Real Adventurers Colouring Contest’ were organised as part of the BTS campaign, offering prizes worth more than RM10,000 in total. To be eligible for the contest, contestants were required to purchase Pelikan products worth RM30 or more in a single receipt, and use only Pelikan school and office products to colour and decorate the colouring sheet. The contest was a success with hundreds of entries received.



#### Pelikan Store @ The Gardens Mall

The eagerly awaited Pelikan Store at The Gardens mall started its operation on 10 September 2015. Located at Level 3, the Pelikan Store carries majority of the products from Pelikan, herlitz, Geha and Susy Card. The Pelikan Store also showcases an activity room where art classes for kids and adults are carried out.



## Marketing Diary 2015



**MALAYSIA**

### Children's Education Show

Pelikan Malaysia participated in the Children's Education Show that took place at the Mid Valley Exhibition Centre for 3 days from 25-27 September 2015. The exhibition focused on children's early education and showcased non-stop entertainment and activities for children and families. Pelikan Malaysia's booth, which displayed a combination of Pelikan and herlitz products, was crowded with visitors. Pelikan Malaysia also organised a colouring contest called the 'Little Adventurer Colouring Contest' for the visitors of the exhibition that attracted over 40 participants. Winners of the colouring contests received Pelikan goodie bags and vouchers for the Pelikan Store.



### Times Bookstores Halloween Workshop

Times bookstores, a retail distributor for Pelikan Malaysia, celebrated Halloween at Atria Shopping Gallery. As part of the celebration, they organised a Halloween mask workshop for its members on 31 October and 1 November. Pelikan Malaysia sponsored oil pastels for use during the workshop.

### We Are Now On Instagram

We are now on Instagram! Follow us @pelikan\_malaysia to get the latest news and updates especially on our store at The Gardens Mall. You can also share your photos or artworks with us using #pelikanmy.

### Paint the Town Beau

In collaboration with Kids Around, Pelikan Malaysia hosted a canvas painting session at the Pelikan Store, The Gardens Mall, for the 'Paint The Town Beau' event on 20 October 2015. The event was organised to promote *Carrement Beau*, a French childrenwear label. Pelikan Malaysia provided Plaka paints, blue aprons and blue water containers for the event and sponsored prizes for the best canvas paintings. Close to 30 children took part in the painting session and prizes were presented to the winners.



## Marketing Diary 2015



### MALAYSIA

#### Pelikan Membership

Pelikan Malaysia launched a Pelikan Member Card programme that was open for registration to all Pelikan fans starting from November 2015. For an annual fee of just RM10, members will receive the Pelikan Member Card (free membership if they spend RM50 or above in a single receipt at the Pelikan Store). Members are entitled to a 10% discount for purchases on normal-priced items, special benefits and others such as exclusive members' day only sales.



#### 6<sup>th</sup> Private & International School Fair

Pelikan Malaysia participated in the 6<sup>th</sup> Private & International School Fair (PISF) that was held for 2 days from 7-8 November 2015. The fair, held at Mid Valley Exhibition Centre, showcased about 70 exhibitors which mainly consisted of international and private schools, preschools, pre-universities and learning/enrichment centers. Over 13,000 visitors made their way to the fair. Pelikan Malaysia's booth displayed and sold selected Pelikan and herlitz products at discounted prices.



#### Jualan Cuti Sekolah

Pelikan Malaysia held a 'Jualan Cuti Sekolah' from 4-6 December 2015 at its office in Glenmarie, Shah Alam and offered many Pelikan, herlitz and Geha's products at amazing prices. The crowd was overwhelming and the sales was above our expectations.



#### Q-Dees Art Competition

Q-Dees Kindergarten organised an art competition for its pre-school students on 4 December 2015. The competition took place at Tadika Tekad Maju, Petaling Jaya. Pelikan Malaysia sponsored the colouring material and prizes for the contest.



## Marketing Diary 2015



### POLAND

Pelikan Poland's marketing efforts included events such as Radio Kolor, Run for Health with PIP and Carnival with Illusionist. Sponsoring these events increased Pelikan's brand visibility and helped to strengthen the market position in 2015.



### SINGAPORE

#### Shoe Design Competition

Pelikan Singapore held a Shoe Design Competition at Hougang Mall in September 2015. Around 300 participants took part in the competition, using Pelikan's fineliner 96, Plaka Paint and Colorella Star.



### ROMANIA

#### herlitz School Bag Trade In

herlitz Romania ran a school bag trade in promotion through their partner, Diverta. Customers who returned their old school bags to Diverta received a 20% discount for a new school bag. This promotion was carried out nationwide at 24 Diverta stores.



#### Product Presentation to Partners

Pelikan Romania organised a product presentation session for their partners to introduce all the new products from Pelikan and herlitz. This was the first time such event held in Romania and it was the perfect way to present the products and to strengthen relationship with all the partners.



#### Pen Meets Gathering

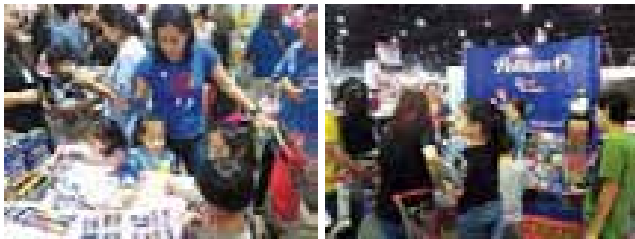
The number of fountain pens enthusiast in Singapore is increasing every year. Pelikan Singapore took advantage of the increasing interest by organising a Pen Meets Gathering, an event that gathered enthusiasts to share their interests and knowledge of using fountain pens. The gathering took place in April, attracting around 80 participants.



## Marketing Diary 2015

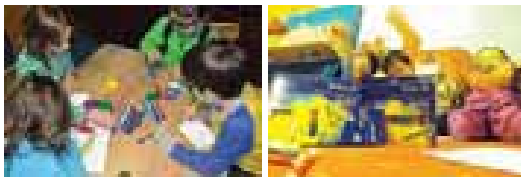


Pelikan Thailand participated in The Mall Department Store's Grand Sale event as part of their promotional efforts. The Grand Sale was held three times in 2015 to a great reception from customers.



### Pelikan Products in Blu Hotel

To increase brand visibility, Pelikan Italy sponsors colouring products for Blu Hotel's children area, an area set up by the hotel chain for their customers. Children could spend their time there playing games or participating in activities such as colouring and other art related activities. Among the products supplied are Colorella Star felt tip pens, Eraser AL20, graphite pencils, coloured pencils and Pelifix glue sticks.



### Big Buyer Exhibition

Pelikan Italy participated in the Big Buyers Exhibition held in Bologna, Italy from 25-27 November 2015. Big Buyer is an exhibition for stationery and office supplies participated by the main players in the industry which targets wholesalers and retailers. Visitors can learn in depth about the latest developments, trends, services and products from many different areas. Pelikan Italy has participated in Big Buyer for a few years now and for 2015 at Big Buyer, Pelikan Italy focused on promoting the school products.



As previous years, Pelikan Belgium participated in Teacher's Day COV, a platform to introduce products and share information with school teachers. In 2015, the Teachers Day COV was held at 5 different locations.



### National Children's Day Celebration

Pelikan Middle East celebrated Iran's National Children's Day that was held in Tehran on 8 October 2015. Pelikan Middle East contributed over 1,000 sets of Pelikan products to be used during the event and as donations to several charity organisations.



## Marketing Diary 2015



UAE

### Dubai Public Library Community Spring Festival

Pelikan Middle East participated in the Dubai Public Library Community Spring Festival that took place at the Dubai Public Library from 7-14 April 2015. Pelikan Middle East held a colouring contest with the theme "What's on your plate" to raise awareness on healthy eating. 3 winners were selected and received Pelikan promotion packs as the prizes.



### GEMS Students Visit Khaleej Times

Pelikan Middle East provided free samples of Pelikan school kits for the workshop organised by Khaleej Times, a daily newspaper, at their office for the visiting students from GEMS School.



ALGERIA

### Colouring and Painting Workshop

Pelikan in Algeria sponsored a colouring and painting workshop for children organised by one of its partners there. The activities in the workshop included colouring and face painting.



JAPAN

### Heart Line 2015

Due to the event's success of the previous years, Pelikan Japan once again participated in the Heart Line Project as one of the sponsors. For 2015, the event was held on 24 November at Haneda Airport, Tokyo. Mr Azuma Ikeda was present at the ceremony to represent Pelikan. Heart Line Project is an award ceremony organised by the Japan Imported Pen Association honouring Japan's top celebrities.



### Fountain Pen of the World Fair

Pelikan Japan participated in two "Fountain Pen of the World Fair" events. The first fair took place at Maruzen from 4-10 March 2015 while the other took place at Mitsukoshi from 11-16 March 2015. "Fountain Pen of the World Fair" is one of the most awaited fountain pen fairs in Japan.



## Marketing Diary 2015



### GERMANY

#### Back to School 2015

Pelikan Germany kicked off their Back to School ("BTS") campaign for 2015 in March, carrying the theme "For Real Adventurers". The theme focused on friendship, fun and adventure, which promoted the new school products for 2015 and targeted school going children. The theme "For Real Adventurers" was adopted by many countries in Europe, Americas, Middle East and Asia for their BTS campaign, including Malaysia.

#### Draw Your Way To Fame

To celebrate the release of a German comedy "Fack Ju Göhte 2" on 10 September 2015, herlitz together with Constantin Film launched the "DRAW YOUR WAY TO FAME" contest. The contest, ran from June to August 2015, required participants to draw funny self-portraits with their herlitz my.pen and then upload their scribbled self-portrait to the campaign microsite, [www.herlitz.de/maldichzumstar](http://www.herlitz.de/maldichzumstar) together with a selfie. The winners were selected by a prize draw. The prizes include a trip for ten to the Fack Ju Göhte 2 movie tour and 100 exclusive fan packs full of Fack Ju Göhte promotional items and herlitz my.pen products.

#### Point of Sales Promo for BTS

Other than promoting the BTS campaign through print and online advertising, Pelikan Germany did extensive promotions at the major point of sales with its promoters on duty to push the sales, especially for herlitz school bags and the griffix® range.



#### Pelikan HUBS

On September 25 2015, at 6.30PM local time, Pelikan invited its fine writing fans to meet at several hubs all over the world to share their experience, knowledge and passion towards Pelikan writing instruments. It was the second time that Pelikan organised the HUBS Event and the feedback was overwhelming! 72 Hubs in 28 different countries were chosen and approximately 1,000 people attended the HUBS 2015. The biggest hub took place in Tainan, Taiwan (approximately 100 participants). Participants received a paper cup, Edelstein Ink cartridges, a consumer brochure and a small pen pouch from Pelikan.





# 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 2015.

## THE BOARD OF DIRECTORS

### 1. Composition

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

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

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

### 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. 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.

There are 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;



## Statement on Corporate Governance

- (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 2015, 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 2015 was as follows:

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED	TOTAL ATTENDANCE (%)
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	5 out of 5	100
Loo Hooi Keat	5 out of 5	100
Dato' Afifuddin bin Abdul Kadir	5 out of 5	100
Datuk Rozaida binti Omar	5 out of 5	100
Datin Normimy Binti Mohamed Noor	5 out of 5	100
Dato' Lua Choon Hann	5 out of 5	100
Datuk Seri Mohamad Norza bin Zakaria (Retired on 17 June 2015)	0 out of 3	—

### 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.

## Statement on Corporate Governance

### 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 accept new directorship 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, Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor ("Tan Sri Abi Musa"), Loo Hooi Keat and Dato' Lua Choon Hann are due to retire pursuant to Article 127 of the Articles. Tan Sri Abi Musa, Loo Hooi Keat and Dato' Lua Choon Hann 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. During the year, the respective Directors participated in trainings on various topics that were relevant in keeping abreast with general economic, industry, regulatory and technical developments. In line with the increased importance of Risk Management within the operational environment, the Company organised an external training for the Board on Risk Management and practices in order to impart key roles and responsibilities they play towards having a sound risk management framework.

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.

## Statement on Corporate Governance

### (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 2015 are presented on pages 57 to 60 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 Non-Executive Directors as follows:

#### NAME OF NOMINATION COMMITTEE MEMBERS

Dato' Lua Choon Hann (Re-designated on 24 February 2016)	Chairman Independent Non-Executive Director
Datuk Seri Mohamad Norza bin Zakaria (Retired on 17 June 2015)	Chairman Independent Non-Executive Director
Dato' Afifuddin bin Abdul Kadir	Member Independent Non-Executive Director
Datin Normimy Binti Mohamed Noor (Appointed on 24 February 2016)	Member Non-Independent Non-Executive Director

The Nomination Committee met once during the financial year ended 31 December 2015 and the meeting was attended by majority of the members of the Nomination Committee, during which the Nomination Committee did an assessment programme to assess, the Board Committees, individual director and the independence of Independent Directors. Criteria used in these assessments are guided by the Bursa Securities' Corporate Governance Guide after taking into consideration the current and future needs of the Company.

The annual assessment of each individual Director enables the Board to ensure that each of the Board members has the character, experience, integrity, competence and time to effectively discharge the respective role.

The Nominating Committee was satisfied that the Board has the right size and the Board composition is well balanced having considered the appropriate mix of skills, experience, strength and independence and the diversity required to meet the current and future needs of the Company.

The Nomination Committee also assess and recommends relevant programs and training to the directors on an on-going basis annually.

The duties and responsibilities of the Nominating Committee are in its terms of reference approved by the Board set out as below:

- a) To review the structure, size, and composition of the Board of Directors;
- b) To develop, maintain and review the criteria for the appointment of new Directors and independence of Directors;

## Statement on Corporate Governance

- c) To conduct an annual assessment on all Directors;
- d) To review formal succession plans in identifying and mentoring potential Executive and Non-Executive Directors and senior management personnel;
- e) To assess and recommend new appointments of potential candidate to the Board;
- f) To review Board and Senior Management succession plans;
- g) To review training programmes for the Board and facilitate board induction and training programmes; and
- h) To propose and recommend to the Board of Directors, the retirement and re-appointment/re-election of existing Executive and Non-Executive Directors, in accordance with the Companies Act 1965 and 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 Non-Executive Directors as follows:

#### NAME OF REMUNERATION COMMITTEE MEMBERS

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Chairman Independent Non-Executive Director
Datuk Seri Mohamad Norza bin Zakaria (Retired on 17 June 2015)	Member Independent Non-Executive Director
Dato' Afifuddin bin Abdul Kadir	Member Independent Non-Executive Director
Datin Normimy Binti Mohamed Noor (Appointed on 24 February 2016)	Member Non-Independent Non-Executive Director

The Remuneration Committee met once during the financial year ended 31 December 2015 and the meeting was attended by majority of the members of the Remuneration Committee.

## Statement on Corporate Governance

The duties and responsibilities of the Remuneration Committee are reflected in its terms of reference approved by the Board set out as below:

- a) to recommend to the Board, the remuneration and compensation of the Executive Directors in all its form, drawing external advice where necessary;
- b) to establish a formal procedure for developing policy on Executive Directors remuneration and compensation package;
- c) to ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully;
- d) to structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at Board level;
- e) to act in line with the directions of the Board of Directors;
- f) to consider and examine such other matters as the Remuneration Committee consider appropriate ; and
- g) to consider any other matters as defined by the Board.

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 the following members:

#### NAME OF ESOS COMMITTEE MEMBERS

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Chairman Independent Non-Executive Director
Loo Hooi Keat	Member President/Chief Executive Officer
Datuk Rozaida binti Omar	Member Non-Independent Non-Executive Director

The ESOS Committee did not meet during the financial year ended 31 December 2015.



## Statement on Corporate Governance

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 2015 are as follows:

NAME OF DIRECTORS	FEES (RM)	SALARIES (RM)	DEFINED CONTRIBUTION PLAN (RM)	BENEFIT- IN-KIND (RM)	TOTAL (RM)
<b>Executive Director</b>					
Loo Hooi Keat	—	1,632,000	195,840	94,240	1,922,080
<b>Non-Executive Directors</b>					
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	120,000	—	—	—	120,000
Dato' Afiffuddin bin Abdul Kadir	60,000	—	—	—	60,000
Datuk Rozaida binti Omar	60,000	—	—	—	60,000
Datuk Seri Mohamad Norza bin Zakaria	30,000	—	—	—	30,000
Dato' Lua Choon Hann	70,000	—	—	—	70,000
Normimy Binti Mohamed Noor	60,000	—	—	—	60,000
<b>Total</b>	<b>400,000</b>	<b>1,632,000</b>	<b>195,840</b>	<b>94,240</b>	<b>2,322,080</b>

### 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 methods 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.

## Statement on Corporate Governance

### 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 contact details of the Company Secretary are as follows:

#### COMPANY SECRETARIES

Mr Ho Ming Hon  
Ms Chua Siew Chuan

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

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](http://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.

## Statement on Corporate Governance

### 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.

## Statement on Corporate Governance

### 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.





# Statement on Risk Management and Internal Control

## INTRODUCTION

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of public listed companies are required to include in their annual report a statement about the state of risk management and internal control of the listed issuer as a group. The Malaysian Code on Corporate Governance (“Code”) requires listed companies to maintain a sound system of internal control to safeguard shareholders’ investments and the group’s assets.

The Board is pleased to provide the Statement on Risk Management and Internal Control, which has been prepared in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (the “Guidelines”).

## BOARD’S RESPONSIBILITIES

The Board of Directors (“Board”) of Pelikan International Corporation Berhad (“Pelikan” or “the Company”) is ultimately responsible for the Company’s overall system of corporate governance including to adopt 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.

The Board has delegated to executive management the implementation of processes for identifying, evaluating, monitoring, reporting and responding of significant risks and internal controls pertinent to the achievement of Company’s overall corporate objectives, 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.

## RISK MANAGEMENT FRAMEWORK

The Group has in place a formal risk management process systematically to identify, evaluate, mitigate, monitor and review risks impacting the achievement of the Group’s corporate objectives. 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 Enterprise Risk Management (“ERM”) Framework, in line with the Code. The ERM Framework 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.

## Statement on Risk Management and Internal Control



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:

- Clear organisation structure of the Company and its subsidiaries has defined level of accountability and authority for all aspects of the business;
- Clear Company vision, mission and strategic direction which are communicated to employees at all levels;
- Training and development programs to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives;
- Code of ethics are established and adopted for all employees to ensure high standards of conduct and ethical values in all business practices;
- 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;

## Statement on Risk Management and Internal Control

- f) Detailed budgeting process where operating units prepare budgets for the coming year, which are approved at both the operating unit level and the Board;
- g) Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- h) 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;
- i) Regular visits to operating units by members of the Board and senior management; and
- j) The Group 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.

### CONCLUSION

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control to safeguard the interest of shareholders. The CEO and CFO have provided assurance to the Board that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively.

This Statement on Risk Management and Internal Control is made in accordance with the Resolution of the Board of Directors passed on 31 March 2016.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirement, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of 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 its 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 Group IARM department reports to 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.

## Statement on Internal Audit Function

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

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 2015 amounted to RM163,110.



# 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 2015.

## 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, and one (1) member who is Non-Independent Non-Executive Director is a member of the Malaysian Institute of Accountants. The representative of the 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 three (3) meetings out of five (5) held.

The Audit Committee members’ attendance record is as follows:

NAME OF AUDIT COMMITTEE MEMBERS	NO. OF MEETINGS ATTENDED	TOTAL ATTENDANCE (%)
Dato’ Lua Choon Hann ( <i>Chairman</i> ) Independent Non-Executive Director	5 out of 5	100
Dato’ Afifuddin bin Abdul Kadir Independent Non-Executive Director	5 out of 5	100
Datuk Rozaida binti Omar Non-Independent Non-Executive Director	5 out of 5	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:

- 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;
- have full and unrestricted access to any information, records, properties and personnel of the Company and of any other companies within the Group;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- 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;
- 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
- 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.

## Audit Committee Report

### DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee are reflected in its terms of reference 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 establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors;
- c) 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;
- d) to review with the external auditors his evaluation of the system of internal controls and his audit report;
- e) to review the quarterly and year-end financial statements of the Group before submission to the Board, 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.
- f) 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);
- g) to review the external auditor's management letter and management's response;
- h) 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, when necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - iii) review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
  - iv) review any appraisal or assessment of the performance of the members of the internal audit function; and
  - v) approve an appointment or termination of senior staff members of the internal audit function.
- i) 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;
- j) to consider the major findings of internal investigations and management's response;

## Audit Committee Report

- k) to determine the remit of the internal audit function;
- l) to consider other topics as defined by the Board;
- m) to report its findings on the financial and management performance, and other material matters to the Board;
- n) verification on allotment of shares under Executives' Share Option Scheme ("ESOS") is in compliance with the basis set out in the Bursa Securities' Main Market Listing Requirements and ESOS by-laws;
- o) to monitor the integrity of the Company's and Group's financial statements;
- p) to monitor the independence and qualification of the Company's external auditors;
- q) to monitor the performance of the Company's internal audit function; and
- r) to review the adequacy and effectiveness of risk management, internal control and governance systems.

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year 2015, 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.

## Audit Committee Report

### 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 the performance of members of the internal audit function.

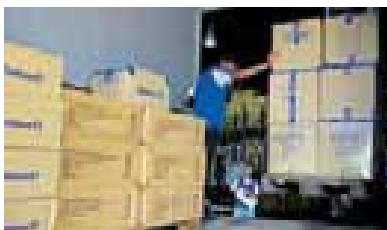
# Statement on Corporate Social Responsibility 2015

Pelikan Group's Corporate Social Responsibility ("CSR") strategy is to prioritise the issues that are important to our business and to our stakeholders while creating value for our customers, partners, shareholders, the environment and local communities. Pelikan Group has always believed in the importance of supporting good causes around the world based on the current social needs and environment, while maintaining children's education and development as the number one objective in its CSR initiatives.

The Group is committed to innovation and sustaining business practices that preserve the natural environment for future generations throughout its product development and business activities. The Group also values a strong corporate governance, and highly regards building teamwork and creating an effective workplace for its dedicated employees worldwide. Pelikan Group will continue to foster a corporate culture that values CSR by pursuing initiatives in the following key areas mentioned below.

## AIDING GOOD CAUSES

In December 2014, Malaysia was hit by its worst flood in decades. More than 200,000 people were affected and a large part of the victims were from the East Coast states of Peninsular Malaysia. Reacting to this flood crisis, Pelikan Malaysia donated around RM20,000 worth of stationeries for the children in these states for their new school term as these children had lost everything in the flood. Amongst the stationeries donated were coloured pencils, oil pastels, 2B pencils and erasers. The donations were made through the IMCA foundation Crisis Relief Squad.



Unity was the main objective of Zubedy Sdn Bhd's #PaintSomethingNice colouring contest, which was always a cause worth supporting. Pelikan took this opportunity to show its support to the cause by contributing the materials used in the contest and also the prizes. Around 60 children from age 4 to 12 years old who participated in the contest were given the new Pelikan school bus water colour set to be used during the contest, and the winners received Pelikan products as one of the prizes.

Pelikan Malaysia also sponsored the Lions Group Peace Poster contest. The contest was held at several districts nationwide for young children aged between 11 and 13, encouraging them to express their visions of peace through art. The final contest, judging and prize presentation was held at Encorp Strand Mall, Kota Damansara in December 2015.





## Statement on Corporate Social Responsibility 2015



Pelikan Thailand contributed art supplies to UNITE Thailand for its Art Feast for Freedom project. For this project, UNITE Thailand partnered with Modern Nine TV to celebrate Her Royal Highness Princess Maha Chakri Sirindhorn 60th birthday by creating art camps in four regions of Thailand. The project was a great success; attracting more than 200 university and high school students from leading institutions in Thailand to work together and initiate educational and fun experiences. UNITE Thailand organised four art camps in Karnchanaburi, Loei, Petchaburi and Lampoon province for more than 800 students. While the activities were similar across the four art camps – such as art activities to make birthday cards for the Princess, recreational activities and educational games – each art camp was distinct in its nature. Some took place in temple grounds, which allowed different local schools to participate; while others happened within the schools themselves. The student populations were also diverse, ranging from early childhood, to primary and secondary school students.

In Romania, Pelikan and herlitz worked together with the Royal House of Romania on the Childhood Books project. The project's aim was to encourage a reading culture among children by teaching them love and appreciation for books.



### SUPPORTING COMMUNITY

Contributing to the community, especially the underprivileged, is something that has been instilled in the heart of the whole group. As such, Pelikan Malaysia saw it fit to contribute Plaka Textilmalen paints for Nippon Paint's Colourful Reads Mini Celebration organised on 22 September 2015 at Rumah Kasih Harmoni, a shelter home for underprivileged children. The event was held to mark the conclusion of Nippon Paint's Colourful Dreams Project, a children art exhibition which started in 2014. In the Colourful Dreams event, 67 participants aged 7 to 18 years old used the Plaka Textilmalen in a t-shirt painting activity. Other activities such as career advice for the older children and interactive games for the younger ones were also carried out during the event.



## Statement on Corporate Social Responsibility 2015



herlitz in Romania came up with a great idea to contribute to the community there via 'The Schoolbags Buy Back Campaign'. The campaign which allowed customers to trade in their old herlitz bags for a 20% discount on new bags, was a big hit. All the old backpacks and school bags that were traded in were sorted, cleaned and donated to children from poor financial backgrounds.

Meanwhile, Pelikan Germany focused on spreading Christmas cheer to children in orphanages and hospitals during the holiday season. The children were treated to some Pelikan goodies by the friendly Pelikan mascot who was accompanied by the eagerly awaited Santa who brought smiles to the children's faces.



### FOR THE PEOPLE – THE GREATEST ASSET

One of the biggest mistakes a company could do is to neglect its employees. Employees' development and welfare are vital in running a growing operation. That's why at Pelikan Group, steps are taken to ensure our employees, are valued and appreciated. Continuous trainings are provided for Pelikan employees for their personal development and to help them stay updated with the current level of knowledge needed for them to be effective in their work.

Employees' welfare is a priority and activities which promote good health and lifestyle are promoted. On 19 November 2015, The National Kidney Foundation team was invited to Pelikan Production Malaysia Sdn Bhd (PPMSB) to conduct health screening and health talks for Pelikan Malaysia staff. The screening covered tests for blood pressure, cholesterol level, blood glucose, urine test and also a counselling session. As usual, the health screening attracted a high turnout from the staff and the two health talk sessions on important health issues were also well attended.

To increase safety at the workplace, PPMSB hosted a Fire & Safety Drill for Pelikan Malaysia staff on 26 November 2015. The drill was conducted by the Fire Department's Emergency Medical Rescue team at Pelikan's Production office. It was a really good training exercise and the staff learnt a lot of important useful new skills.



## Statement on Corporate Social Responsibility 2015



Pelikan's plant in Vöhrum, Germany, took steps to minimise health and safety risks. Periodical preventive check-up for hearing and vision were done for their employees. Yearly risk assessment for all workplaces, including inspection of health and safety, were enforced, and improvements made on preventive fire protection and emergency preparedness and response. In addition to that, all employees were offered annual preventive influenza vaccination to combat the disease. Awareness on skin protection was also raised through a campaign during the year under review.

### OPERATING RESPONSIBLY

The Pelikan Group is committed to ensuring good governance, transparency and consistency in its business dealings. As a business, making a profit is high on the list, but leaving positive footprints wherever the Group is operating is just as big a priority, if not bigger. Pelikan Global Best Practices, a guideline for the Group to adopt, ensures this. It seeks to address the broad principles of

internal controls governing key business operations in the areas of inventory, logistics, purchasing and others. With this in place, it was no surprise that Pelikan's plant in Vöhrum, Germany, has been re-certified with ISO 9001 and 14001 in 2015.

In addition, a Code of Ethics for the Group's International Procurement Centre (IPC) ensures Pelikan does not engage vendors or suppliers who violate any human rights such as forced and child labour. IPC has also been co-certified for the Business Social Compliance Initiative (BSCI), a leading business driven initiative for companies committed to improving working conditions in their global supply chain since 2014.

Other than ethics and transparency in business dealings, Pelikan Group also commits to running a 'green' business. Some herlitz products, for example, are Blue Angel certified. The Blue Angel label guarantees that a product or service meets high standards when it comes to its environmental, health



and performance characteristics. In the process, these products and services are always evaluated across their entire life cycle. Criteria developed for each individual product group must be fulfilled by those products and services awarded with the Blue Angel. In order to reflect technological advances, the Federal Environmental Agency reviews these criteria every 3 to 4 years. The process requires companies to constantly improve the environmental friendliness of their products over time.

Other than the Blue Angel label, herlitz products are also certified by the The Forest Stewardship Council ("FSC"), the only wood certification scheme endorsed by major environmental charities, including WWF, Greenpeace and The Woodland Trust. Basically the FSC certification guarantees that the product has been made from environmentally and responsibly managed forests.

In 2015, herlitz's plant in Poland was re-certified with the Green Office Certification by the Polish Environmental Partnership Foundation. The certification ensures actions are taken to reduce energy and water consumption, and an effective waste management system is in place.

# Financial Calendar

## 2015

<b>27 Feb</b>	Board Audit Remuneration Nomination	Reviewed and approved the financial results for the 4 <sup>th</sup> quarter ended 31-12-2014  Reviewed the remuneration package of Executive Director for year 2015 Reviewed the composition of the Board of Directors Reviewed the Executive Director's new contract
<b>22 Apr</b>	Board Audit	Approved the Audited Financial Statements for the financial year ended 31-12-2014 Reviewed the statements and reports to be included in the Annual Report 2014
<b>27 May</b>	Board Audit	Reviewed and approved the financial results for the 1 <sup>st</sup> quarter ended 31-03-2015
<b>17 Jun</b>	33 <sup>rd</sup> AGM	Received the Audited Financial Statements for the financial year ended 31-12-2014 Approved the Directors' fees and re-appointment of External Auditors
<b>27 Aug</b>	Board Audit	Reviewed and approved the financial results for the 2 <sup>nd</sup> quarter ended 30-06-2015
<b>27 Nov</b>	Board Audit	Reviewed and approved the financial results for the 3 <sup>rd</sup> quarter ended 30-09-2015 Presentation of Audit Plan for year 2016 Discussion of Proposed Meetings Calendar for year 2016

## 2016

<b>24 Feb</b>	Board Audit Remuneration Nomination	Reviewed and approved the financial results for the 4 <sup>th</sup> quarter ended 31-12-2015  Reviewed the remuneration package of Executive Director for year 2016 Reviewed the composition of the Board of Directors
<b>31 Mar</b>	Board Audit	Approved the Audited Financial Statements for the financial year ended 31-12-2015 Reviewed the statements and reports to be included in the Annual Report 2015
<b>18 May</b>	34 <sup>th</sup> AGM	Receive the Audited Financial Statements for the financial year ended 31-12-2015 Approve the Directors' fees and re-appointment of External Auditors
<b>25 May</b>	Board Audit	Review and approve the financial results for the 1 <sup>st</sup> quarter ended 31-03-2016
<b>25 Aug</b>	Board Audit	Review and approve the financial results for the 2 <sup>nd</sup> quarter ended 30-06-2016
<b>24 Nov</b>	Board Audit	Review and approve the financial results for the 3 <sup>rd</sup> quarter ended 30-09-2016 Presentation of Audit Plan for year 2017 Discussion of Proposed Meetings Calendar for year 2017