FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit/(Loss) for the financial year	6,513	(19,145)
Attributable to:		
Owners of the parent	5,325	(19,145)
Non-controlling interests	1,188	_
	6,513	(19,145)

DIVIDEND

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

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor Loo Hooi Keat Datuk Rozaida binti Omar Datin Normimy binti Mohamed Noor Dato' Afifuddin bin Abdul Kadir Dato' Lua Choon Hann

DIRECTORS' REPORT

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS

Issue of shares and debentures

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

Treasury shares

The Company did not make any purchase of its own shares and none of the treasury shares held were resold or cancelled during the financial year. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 553,296,061 issued and fully paid ordinary shares, 4,928,011 ordinary shares are held as treasury shares by the Company. Such treasury shares are held at carrying amount of RM5,149,918. The number of outstanding ordinary shares in issue after deducting the treasury shares is 548,368,050. Further details are disclosed in Note 24(b) to the financial statements.

Executives' Share Option Scheme

The Company's Executives' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 17 December 2009. The ESOS was effected on 1 March 2010 and is to be in force for a period of five (5) years from the effective date of implementation. It may be extended or renewed for a further period of five (5) years, at the sole and absolute discretion of the Board of Directors upon the recommendation of the Option Committee and pursuant to the by-law, and shall not in aggregate exceed duration of ten (10) years from the effective date of implementation. On 6 February 2015, the ESOS expiry period had been extended for a further three (3) years to 28 February 2018.

The salient features of the ESOS are as follows:

- (i) The Board of Directors has appointed the Option Committee to administer the ESOS.
- (ii) The Company may from time to time grant option to eligible employees of the Group to subscribe for new ordinary shares of RM1.00 each.
- (iii) Subject to the determination and discretion of the Option Committee, ESOS may be granted to any Director named in the Register of Directors of the Company or any employee who is a confirmed full-time employee of the Company and/or its eligible subsidiaries and if that person is servicing under a fixed term of contract of employment, the contract (including any period of employment which that person has already served) should be for a duration of at least one (1) year of continuous service.
- (iv) The total number of shares to be issued under the ESOS shall not exceed five percent (5%) of the issued and paid-up share capital of the Company at any point of time throughout the duration of the ESOS and of which not more than fifty percent (50%) of the Company's new shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than ten percent (10%) of the Company's new shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through person connected with the eligible employee, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.
- (v) The option price for each share shall be the higher of the weighted average market price of the Company's shares, as quoted on Bursa Malaysia Securities Berhad, for the five (5) market days immediately preceding the date of offer of the option with a discount of not more than ten percent (10%), or the par value of the shares of the Company of RM1.00 each.

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS (continued)

Executives' Share Option Scheme (continued)

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

The Company granted 7,983,750 share options under the ESOS at an exercise price of RM1.35 per share option to the eligible employees and Directors. As of 31 December 2016, 1,243,750 options had lapsed and 6,290,000 options remained outstanding. No share options were exercised during or at the end of the financial year.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of holders to whom options have been granted to subscribe for less than 200,000 ordinary shares of RM1.00 each during the financial year pursuant to Section 169 (11) of the Companies Act, 1965. The names of the option holders who were granted options to subscribe for 200,000 and more ordinary shares of RM1.00 each, other than Directors whose details are disclosed in the section on Directors' Interests in this report, are as follows:

	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1				
	BALANCE AS AT			BALANCE AS AT	
NAME	1.1.2016	GRANTED	EXERCISED	31.12.2016	
Azuma Ikeda	200,000	_	_	200,000	
Claudio Esteban Seleguan	200,000	_	_	200,000	
Flavio Monti	200,000	_	_	200,000	
Frauke Wandrey	200,000	_	_	200,000	
Ho Ming Hon	2,000,000	_	_	2,000,000	
Loo Seow Beng	500,000	_	_	500,000	
Loo Phik Yin	300,000	_	_	300,000	
Torsten Jahn	200,000	_	_	200,000	

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being any arrangements with the objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to certain Directors pursuant to the Company's ESOS as disclosed below.

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	NUI	ARY SHARES OF RM1 EACH		
	BALANCE			BALANCE
	AS AT			AS AT
SHARES IN THE COMPANY	1.1.2016	ADDITIONS	DISPOSALS	31.12.2016
Loo Hooi Keat				
- Direct	53,809,423	66,500	_	53,875,923
- Indirect	42,708,852	_	_	42,708,852
	NUMBER O	F OPTIONS OVER O	RDINARY SHARES	OF RM1 EACH
	BALANCE			BALANCE
OPTIONS GRANTED PURSUANT TO THE	AS AT			AS AT
ESOS OF THE COMPANY	1.1.2016	GRANTED	EXERCISED	31.12.2016
Loo Hooi Keat	500,000	_	_	500,000
Datuk Rozaida binti Omar	500,000	_	_	500,000

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

Other than Loo Hooi Keat and Datuk Rozaida binti Omar, none of the other Directors in office at the end of the financial year held any interest in the shares of the Company and of its related corporations during or at the beginning and end of the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets other than debts, which were unlikely to realise, in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

- (i) which would render the amount of bad debts written off or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

- (i) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 7 March 2017, the Company had issued a notice to Pelikan Aktiengesellschaft ("Pelikan AG") of its intention to undertake a squeeze-out against cash compensation pursuant to Section 327a (1) of the German Stock Corporation Act ("Proposed Squeeze-out"). Upon the completion of the Proposed Squeeze-out, the non-controlling interests shares' of 3,348,927 shares, representing 1.38% of Pelikan AG's issued and paid-up capital shall be transferred to the Company against a cash compensation and Pelikan AG will become a 100% owned subsidiary of the Company.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 March 2017.

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

LOO HOOI KEAT
Director

Selangor Darul Ehsan 31 March 2017

STATEMENT BY DIRECTORSPURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR and LOO HOOI KEAT, being two of the Directors of PELIKAN INTERNATIONAL CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 82 to 134 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information set out in Note 36 to the financial statements on page 135 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 March 2017.

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

LOO HOOI KEAT Director

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, LOO HOOI KEAT, being the Director primarily responsible for the financial management of PELIKAN INTERNATIONAL CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 82 to 135 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOO HOOI KEAT

Subscribed and solemnly declared by the abovenamed LOO HOOI KEAT on 31 March 2017 at Petaling Jaya, Selangor

Before me

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PELIKAN INTERNATIONAL CORPORATION BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Pelikan International Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 134.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Impairment assessment of the carrying amounts of goodwill and trademarks

The total carrying amount of goodwill and trademarks of the Group amounted to RM136,673,000 and RM17,227,000 respectively as disclosed in Note 15 to the financial statements.

We considered this to be a key audit matter because the determination of the recoverable amounts of goodwill and trademarks requires significant judgements and estimates about the future results and the key assumptions applied to cash flow projections of the cash generating units ("CGUs"), including projected earnings before interest and tax ("EBIT") margins and growth rates, as well as determining appropriate pre-tax discount rates.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PELIKAN INTERNATIONAL CORPORATION BERHAD

KEY AUDIT MATTERS (continued)

a) Impairment assessment of the carrying amounts of goodwill and trademarks (continued)

Audit response

The audit procedures, with the involvement of component auditors, included the following:

- (i) Challenged the identification and allocation of goodwill and trademarks to appropriate CGUs with reference to our understanding of the business segments of the Group;
- (ii) Assessed the historical reliability of management's projections by comparing prior period projections to actual results:
- (iii) Verified projected EBIT margins, growth rates and terminal values to support the assumptions used in the projections and corroborated the findings from other areas of our audit;
- (iv) Verified the pre-tax discount rates of each CGU by comparing to market data, weighted average cost of capital of the Group and relevant risk factors; and
- (v) Performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

b) Appropriateness and measurement of carrying amounts of post-employment benefit obligations

The Group has defined benefit plans giving rise to post-employment benefit obligations of RM361,468,000 as disclosed in Note 25 to the financial statements.

We considered this to be a key audit matter because of the magnitude of the amounts and significant judgements applied to determine the valuation of post-employment benefit obligations due to the actuarial assumptions applied in its valuation. The key assumption relates to the discount rates used in the actuarial valuations as disclosed in Note 25 to the financial statements.

Audit response

The audit procedures, with the involvement of component auditors, included the following:

- (i) Engaged specialists to assist us in challenging the key actuarial assumptions, which are the discount rates used by the Group for the valuation of its post-employment benefit obligations; and
- (ii) Performed sensitivity analysis to stress test the key assumptions used in the actuarial valuation.

c) Recoverability of trade receivables

Trade receivables of the Group that were past due but not impaired as at 31 December 2016 amounted to RM35,728,000 as disclosed in Note 22 to the financial statements.

Management recognised impairment losses on trade receivables based on specific known facts or circumstances or abilities of customers to pay.

The determination of whether trade receivables are recoverable involves significant judgement due to:

- (i) Large number of different geographic locations of customers; and
- (ii) Inherent subjectivity involved in making judgements in relation to credit risk exposures of individual customers.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PELIKAN INTERNATIONAL CORPORATION BERHAD

KEY AUDIT MATTERS (continued)

c) Recoverability of trade receivables (continued)

Audit response

The audit procedures, with the involvement of component auditors, included the following:

- (i) Evaluated the credit policy and process of the Group, such as credit approvals, credit limits and monitoring procedures in place to manage the recoverability of trade receivables by the Group;
- (ii) Challenged the assessment of management that no further impairment loss was required on debts that were past due but not impaired based on the analysis of customer creditworthiness, past historical payment trends and expectation of payment patterns; and
- (iii) Traced cash receipts subsequent to the end of the reporting period, in respect of the amounts outstanding as at the end of the reporting period.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PELIKAN INTERNATIONAL CORPORATION BERHAD

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the
 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal
 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the
 Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and
 performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PELIKAN INTERNATIONAL CORPORATION BERHAD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being accounts that have been included in the consolidated financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act other than that disclosed in Note 16 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 to the financial statements is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

BDO AF: 0206 Chartered Accountants

31 March 2017 Kuala Lumpur **Rejeesh A/L Balasubramaniam** 02895/08/2018 J Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

NOTE 6	2016 RM'000 1,321,301	2015 RM'000	2016 RM'000	2015 RM'000
		RM'000	RM'000	RM'000
6	1.321.301			
	.,,	1,331,508	102,439	97,133
	25,519	26,939	70,551	70,855
	(619,817)	(638,597)	(98,587)	(95,641)
7	(398,963)	(395,455)	(4,688)	(4,370)
14	(27,061)	(36,499)	(295)	(408)
15	(3,940)	(4,057)	_	_
	(248,827)	(286,200)	(77,029)	(32,445)
10	48,212	(2,361)	(7,609)	35,124
11	(24,159)	(23,137)	(11,536)	(15,553)
	24,053	(25,498)	(19,145)	19,571
12	(17,540)	(24,529)	_	· —
	6,513	(50,027)	(19,145)	19,571
	12,607	21,195	_	-
25	(57,719)	807	_	_
12	(530)	629	_	_
	(45,642)	22,631	_	_
	(39,129)	(27,396)	(19,145)	19,571
	5,325 1,188	(48,960) (1,067)	(19,145) –	19,571 –
	6,513	(50,027)	(19,145)	19,571
	(39,391)	(31,592) 4,196	(19,145)	19,571
	(39,129)	(27,396)	(19,145)	19,571
13 13	0.97 0.96	(8.93) (8.93)	_ _ _	- -
	14 15 10 11 12 25 12	7 (398,963) 14 (27,061) 15 (3,940) (248,827) 10 48,212 11 (24,159) 24,053 12 (17,540) 6,513 12 (530) (45,642) (39,129) 5,325 1,188 6,513 (39,391) 262 (39,129)	7 (398,963) (395,455) 14 (27,061) (36,499) 15 (3,940) (4,057) (248,827) (286,200) 10 48,212 (2,361) 11 (24,159) (23,137) 24,053 (25,498) 12 (17,540) (24,529) 6,513 (50,027) 25 (57,719) 807 12 (530) 629 (45,642) 22,631 (39,129) (27,396) 5,325 (48,960) 1,188 (1,067) 6,513 (50,027) (39,391) (31,592) 262 4,196 (39,129) (27,396)	7 (398,963) (395,455) (4,688) 14 (27,061) (36,499) (295) 15 (3,940) (4,057) — (248,827) (286,200) (77,029) 10 48,212 (2,361) (7,609) 11 (24,159) (23,137) (11,536) 12 (17,540) (24,529) — 6,513 (50,027) (19,145) 12 (530) 629 — (45,642) 22,631 — (39,129) (27,396) (19,145) 1,188 (1,067) — 6,513 (50,027) (19,145) 13 0.97 (8.93) —

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

			GROUP	COMPANY	
	NOTE	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
	NOTE	KM 000	KM 000	KM 000	KM 000
ASSETS					
Non-current assets					
Property, plant and equipment	14	423,265	449,941	171	466
Intangible assets	15	161,587	161,482	_	_
Investments in subsidiaries	16	_	_	414,318	470,498
Investments in associates	17	_	_	_	_
Available-for-sale financial assets	18	2,725	2,807	_	_
Pension Trust Fund	19	134,172	138,184	134,172	138,184
Deferred tax assets	20	113,003	99,083	_	_
		834,752	851,497	548,661	609,148
Current assets					
Inventories	21	260,181	274,978	16	16
Receivables, deposits and prepayments	22	336,442	324,622	310,411	338,297
Tax recoverable		2,557	3,642	198	198
Pension Trust Fund	19	16,692	12,680	16,692	12,680
Deposits, cash and bank balances	23	62,898	71,224	4,081	13,915
		678,770	687,146	331,398	365,106
TOTAL ASSETS		1,513,522	1,538,643	880,059	974,254
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	24	553,296	553,296	553,296	553,296
Share premium		65,591	65,591	65,591	65,591
Foreign currency translation reserves		(76,829)	(90,105)	_	_
Equity-settled employee benefits	24(c)	226	226	226	226
(Accumulated losses)/Retained profits	.,	(116,426)	(63,712)	491	19,636
Treasury shares, at cost	24(b)	(5,150)	(5,150)	(5,150)	(5,150)
		420,708	460,146	614,454	633,599
Non-controlling interests		3,621	3,312	-	_
Total equity		424,329	463,458	614,454	633,599

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

			GROUP	CON	MPANY
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Post-employment benefit obligations	25	345,162	296,759	_	_
Borrowings	27	48,223	37,432	_	29,175
Tax liabilities		_	36,081	_	_
Deferred tax liabilities	20	18,069	19,970	_	_
		411,454	390,242	_	29,175
Current liabilities					
Payables	28	232,592	237,270	71,692	39,230
Post-employment benefit obligations	25	16,306	25,881	_	_
Derivative liabilities	26	412	1,963	_	_
Borrowings	27	361,166	379,077	193,913	272,250
Current tax liabilities		67,263	40,752	_	_
		677,739	684,943	265,605	311,480
Total liabilities		1,089,193	1,075,185	265,605	340,655
TOTAL EQUITY AND LIABILITIES		1,513,522	1,538,643	880,059	974,254

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

GROUP	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	ON-DISTRIBUTABL FOREIGN CURRENCY TRANSLATION RESERVES RM'000		RETAINED	ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON- CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
At 1 January 2015	553,296	(5,150)	65,591	(105,986)	226	(21,105)	486,872	3,982	490,854
Loss for the financial year Other comprehensive income	-	-	-	- 15,881	-	(48,960) 1,487	(48,960) 17,368	(1,067) 5,263	(50,027) 22,631
Total comprehensive income/(loss) Accretion/(Dilution) from	-	-	-	15,881	_	(47,473)	(31,592)	4,196	(27,396)
changes in subsidiary's stake	_	_	_	_	_	4,866	4,866	(4,866)	_
At 31 December 2015	553,296	(5,150)	65,591	(90,105)	226	(63,712)	460,146	3,312	463,458
At 1 January 2016	553,296	(5,150)	65,591	(90,105)	226	(63,712)	460,146	3,312	463,458
Profit for the financial year Other comprehensive income/(loss)	_	_	-	13,276	-	5,325 (57,992)	5,325 (44,716)	1,188 (926)	6,513 (45,642)
Total comprehensive income/(loss) (Dilution)/Accretion from	-	_	-	13,276	-	(52,667)	(39,391)	262	(39,129)
changes in subsidiary's stake	-	-	-	-	-	(47)	(47)	47	_
At 31 December 2016	553,296	(5,150)	65,591	(76,829)	226	(116,426)	420,708	3,621	424,329

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

COMPANY	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	⊢ NON-D SHARE PREMIUM RM'000	ISTRIBUTABLE EQUITY- SETTLED EMPLOYEE BENEFITS RM'000	FDISTRIBUTABLE → RETAINED PROFITS RM'000	TOTAL EQUITY RM'000
At 1 January 2015 Profit for the financial year/ Total comprehensive income	553,296	(5,150)	65,591 _	226	65 19,571	614,028
At 31 December 2015	553,296	(5,150)	65,591	226	19,636	633,599
At 1 January 2016 Loss for the financial year/	553,296	(5,150)	65,591	226	19,636	633,599
Total comprehensive loss	-	-	_	_	(19,145)	(19,145)
At 31 December 2016	553,296	(5,150)	65,591	226	491	614,454

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		G	GROUP		
	NOTE	2016 RM'000	2015 RM'000		
	NOTE	KW 000	KW 000		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		1,326,388	1,427,022		
Cash paid to suppliers and employees		(1,272,066)	(1,348,766)		
		54,322	78,256		
Interest received		643	703		
Interest paid		(19,942)	(15,878)		
Taxation paid		(26,396)	(25,991)		
Net cash from operating activities		8,627	37,090		
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest paid		(4,078)	(7,259)		
Purchase of property, plant and equipment	14(d)	(18,682)	(24,508)		
Proceeds from disposal of property, plant and equipment		17,280	1,434		
Purchase of intangible assets	15	(1,381)	(1,857)		
Proceeds from disposal of intangible assets		_	43		
Development expenses paid	15	_	(417)		
Proceeds from derecognition of a subsidiary		5,123	_		
Proceeds from disposal of available-for-sale financial assets		142	35		
Net cash used in investing activities		(1,596)	(32,529)		
CASH FLOWS FROM FINANCING ACTIVITIES					
Deposits uplifted/(pledged)		6,494	(1,507)		
Drawdowns of bank borrowings		413,945	287,497		
Repayments of bank borrowings		(433,002)	(290,282)		
Repayments of hire purchase and lease payables		(271)	(332)		
Net cash used in financing activities		(12,834)	(4,624)		
Net decrease in cash and cash equivalents during the financial year		(5,803)	(63)		
Effects of exchange rate changes on cash and cash equivalents		(511)	(2,917)		
Cash and cash equivalents at beginning of the financial year		57,100	60,080		
Cash and cash equivalents at end of the financial year	23	50,786	57,100		

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		CON	COMPANY	
	NOTE	2016 RM'000	2015 RM'000	
CASH FLOWS FROM OPERATING ACTIVITIES				
		120,043	111,598	
Cash receipts from customers Cash paid to suppliers and employees		(111,148)	(101,966)	
		• • •		
Interest received		8,895 15	9,632 128	
Interest paid		(8,742)	(9,487)	
Taxation refunded		(8,742)	140	
Net cash from operating activities		168	413	
Net cash from operating activities		108	415	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest paid		(2,794)	(6,066)	
Dividends received		2,645	1,938	
Purchase of property, plant and equipment	14(d)	_	(13)	
Proceeds from disposal of property, plant and equipment		128	_	
Acquisition of non-controlling interests		(248)	_	
Proceeds from disposal of a subsidiary		63,997	_	
Repayments from subsidiaries		40,081	13,130	
Net cash from investing activities		103,809	8,989	
CASH FLOWS FROM FINANCING ACTIVITIES				
Deposits uplifted/(pledged)		6,494	(1,507)	
Drawdowns of bank borrowings		166,902	163,123	
Repayments of bank borrowings		(280,729)	(188,410)	
Repayments of hire purchase and lease payables		(70)	(126)	
Net cash used in financing activities		(107,403)	(26,920)	
Net decrease in cash and cash equivalents during the financial year		(3,426)	(17,518)	
Effects of exchange rate changes on cash and cash equivalents		86	(144)	
Cash and cash equivalents at beginning of the financial year		7,141	24,803	
Cash and cash equivalents at end of the financial year	23	3,801	7,141	

1. CORPORATE INFORMATION

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

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

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

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 31 March 2017.

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

However, Note 36 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

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

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

4. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

4.1 New and revised MFRSs affecting amounts reported and/or disclosures in the financial statements

In the current financial year, the Group has applied a number of new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. The adoption of these new and revised MFRSs did not have any material impact on the financial statements of the Group and the Company.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

4.2 New and revised MFRSs in issue but not yet effective

The following are accounting standards and amendments of the MFRS Framework that have been issued by the MASB that are relevant but have not been adopted by the Group and the Company.

MFRSs, AMENDMENTS TO MFRS	s AND IC INTERPRETATIONS	EFFECTIVE FOR FINANCIAL PERIODS BEGINNING ON OR AFTER
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRSs	Annual Improvements to MFRSs 2014-2016 Cycle • Amendments to MFRS 12 Disclosure of Interests in	
	Other Entities • Amendments to MFRS 128 Investments in Associates	1 January 2017
	and Joint Ventures	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB)	1 January 2018
MFRS 15	Revenue from Contracts with Customers (and the related	
	Clarifications)	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group and the Company are in the process of assessing the impact of implementing these standards and amendments and will adopt the above pronouncements when they become effective in the respective periods.

5. SEGMENT INFORMATION

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

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

- Germany
- Switzerland
- Rest of Europe
- Americas
- Rest of World

The Group evaluates performance on the basis of profit or loss from operations.

The accounting policies of operating segments are the same as those described in the respective sections of the notes to the financial statements.

5. **SEGMENT INFORMATION (continued)**

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

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

GERMANY RM'000	SWITZERLAND RM'000	REST OF EUROPE RM'000	AMERICAS RM'000	REST OF WORLD RM'000	ELIMINATION RM'000	GROUP RM'000
685,910 417,638	78,707 37,961	268,924 60,350	206,024 13,950	81,736 113,986	– (643,885)	1,321,301 —
1,103,548	116,668	329,274	219,974	195,722	(643,885)	1,321,301
8,017 (18,993) 8,388	(4,297) (4,997) 495	2,153 (2,287) (2,914)	57,758 (3,669) (17,806)	1,996 (12,436) (5,703)	(17,415) 18,223 –	48,212 (24,159) (17,540)
(2,588)	(8,799)	(3,048)	36,283	(16,143)	808	6,513
6,864	2,657	320	3,851	4,580	(17,629)	643
18,962	2,083	3,698	4,341	1,917	_	31,001
(3)	(364)	1,140	54	-	-	827
(3,876) 10,775	360 1,230	(36) 1,573	(718) 6,059	(643) 426	<u>-</u> -	(4,913) 20,063
837,951 -	39,765 -	167,540 –	187,570 –	129,832 150,864		1,362,658 150,864
						1,513,522
484.658	79.482	200.685	94.293	230.075	_	1,089,193
	8,017 (18,993) 8,388 (2,588) 6,864 18,962 (3) (3,876) 10,775	RM'000 RM'000 685,910 78,707 417,638 37,961 1,103,548 116,668 8,017 (4,297) (18,993) (4,997) 8,388 495 (2,588) (8,799) 6,864 2,657 18,962 2,083 (3) (364) (3,876) 360 10,775 1,230 837,951 39,765 — —	GERMANY SWITZERLAND RM'000 685,910 78,707 268,924 417,638 37,961 60,350 1,103,548 116,668 329,274 8,017 (4,297) 2,153 (18,993) (4,997) (2,287) 8,388 495 (2,914) (2,588) (8,799) (3,048) 6,864 2,657 320 18,962 2,083 3,698 (3) (364) 1,140 (3,876) 360 (36) 10,775 1,230 1,573 837,951 39,765 167,540 —	GERMANY SWITZERLAND RM'000 RM'000 RM'000 685,910 78,707 268,924 206,024 417,638 37,961 60,350 13,950 1,103,548 116,668 329,274 219,974 8,017 (4,297) 2,153 57,758 (18,993) (4,997) (2,287) (3,669) 8,388 495 (2,914) (17,806) (2,588) (8,799) (3,048) 36,283 6,864 2,657 320 3,851 18,962 2,083 3,698 4,341 (3) (364) 1,140 54 (3,876) 360 (36) (718) 10,775 1,230 1,573 6,059 837,951 39,765 167,540 187,570	GERMANY SWITZERLAND RM'000 RM'	GERMANY SWITZERLAND RM'000 EUROPE RM'000 AMERICAS RM'000 WORLD RM'000 ELIMINATION RM'000 685,910 78,707 268,924 206,024 81,736 — 417,638 37,961 60,350 13,950 113,986 (643,885) 1,103,548 116,668 329,274 219,974 195,722 (643,885) 8,017 (4,297) 2,153 57,758 1,996 (17,415) (18,993) (4,997) (2,287) (3,669) (12,436) 18,223 8,388 495 (2,914) (17,806) (5,703) — (2,588) (8,799) (3,048) 36,283 (16,143) 808 6,864 2,657 320 3,851 4,580 (17,629) 18,962 2,083 3,698 4,341 1,917 — (3) (364) 1,140 54 — — (3,876) 360 (36) (718) (643) — 10,775 1,230 1,573

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. **SEGMENT INFORMATION (continued)**

	GERMANY	SWITZERLAND	REST OF EUROPE	AMERICAS	REST OF WORLD	ELIMINATION	GROUP
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:							
External customers	659,926	109,601	273,507	215,774	72,700	_	1,331,508
Inter-segment	436,667	50,888	57,108	13,993	113,797	(672,453)	_
Total revenue	1,096,593	160,489	330,615	229,767	186,497	(672,453)	1,331,508
Results:							
Segment result	(18,658)	1,259	890	50,017	(20,335)	(15,534)	(2,361)
Finance costs	(16,027)	(4,869)	(2,064)	(1,427)	(16,688)	17,938	(23,137)
Taxation	22,986	(25,938)	(3,304)	(15,444)	(2,829)	_	(24,529)
(Loss)/Profit for the							
financial year	(11,699)	(29,548)	(4,478)	33,146	(39,852)	2,404	(50,027)
Other segment information:							
Interest income	6,266	3,294	417	2,081	4,875	(16,230)	703
Depreciation and amortisation	25,216	4,065	4,522	4,561	2,192	_	40,556
Other material non-cash items:							
Impairment losses on receivables - net (Reversal of)/	617	550	106	(715)	_	_	558
Inventories written							
down - net	(2,196)	761	(541)	234	15	_	(1,727)
Capital expenditure	19,008	192	9,638	846	717	_	30,401
Assets:							
Segment assets	820,698	54,149	171,377	187,666	153,889	_	1,387,779
Pension trust fund	_	_	_	_	150,864	_	150,864
							1,538,643
Liabilities:							
Segment liabilities	417,575	84,671	156,919	66,233	349,787	-	1,075,185

5. **SEGMENT INFORMATION (continued)**

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

Business segment information

	G	ROUP
	2016 RM'000	2015 RM'000
Sale of goods	1,279,284	1,287,476
Logistics and related services	24,606	27,576
Information technology and related services	17,411	16,456
	1,321,301	1,331,508

6. REVENUE

		GROUP	CON	MPANY
	2016 2015 2016	2016	2015	
	RM'000	RM'000	RM'000	RM'000
Sale of goods	1,279,284	1,287,476	102,439	97,133
Services rendered	42,017	44,032	_	_
	1,321,301	1,331,508	102,439	97,133

Revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts, and after eliminating sales within the Group in the consolidated statement of comprehensive income. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue in respect of the rendering of services is recognised when the stage of completion at the end of the reporting period and the cost incurred can be reliably measured.

7. STAFF COSTS

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries and bonuses	323,993	320,479	3,862	3,810
Defined contribution plan	55,235	54,511	472	466
Defined benefit plan	10,401	10,018	_	_
Other employee related benefits	9,334	10,447	354	94
	398,963	395,455	4,688	4,370

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	G	ROUP	COMPANY	
	2016	016 2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salaries and bonuses	16,872	14,553	1,710	1,632
Defined contribution plan	280	274	205	196
Defined benefit plan	279	270	_	_
Other employee related benefits	857	614	111	94
	18,288	15,711	2,026	1,922

9. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors				
Fees	370	400	370	400
Executive Director				
Salaries	1,710	1,632	1,710	1,632
Defined contribution plan	205	196	205	196
Estimated monetary value of benefits in kind	111	94	111	94
	2,396	2,322	2,396	2,322

10. PROFIT/(LOSS) FROM OPERATIONS

	GI	ROUP	CON	IPANY
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) from operations is arrived at after charging/(crediting):				
Amortisation of intangible assets	3,940	4,057	_	_
Auditors' remuneration:				
- statutory audit	3,086	3,295	165	165
- underprovision in prior years	244	37	_	_
Bad debts written off	733	826	_	1
Depreciation of property, plant and equipment	27,061	36,499	295	408
Dividend income	_	_	(2,645)	(1,938)
External logistics, outward freight and packaging	46,730	44,328	_	_
Fair value adjustments on derivative liabilities	(1,551)	(1,026)	_	_
Gain from derecognition of a subsidiary	(5,123)	_	_	_
Gain on disposal of available-for-sale financial assets	(5)	_	_	_
Gain on disposal of investments in subsidiaries	_	_	(62,810)	(64,328)
(Gain)/Loss on disposal of property, plant and equipment	(7,585)	2,036	(128)	_

10. PROFIT/(LOSS) FROM OPERATIONS (continued)

	GI	ROUP	CON	IPANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) from operations is arrived at after charging/(crediting) (continued):				
Impairment losses on receivables - net	827	558	_	1,935
Impairment losses on amounts due from subsidiaries	_	_	54,000	_
Impairment loss on investment in a subsidiary	_	_	10,000	_
Intangible assets written off	201	_	_	_
Interest income	(643)	(703)	(4,221)	(4,589)
Gain on disposal of intangible assets	_	(43)	_	_
Reversal of inventories written down - net	(4,913)	(1,727)	_	_
Net (gain)/loss on foreign exchange:				
- realised	(1,714)	8,212	(504)	4,461
- unrealised	2,328	(3,721)	9,608	20,304
Property, plant and equipment written off	2,408	2,742	_	_
Rental:				
- land and buildings	17,188	25,033	229	230
- other equipment	4,742	4,108	17	22
- plant and machinery	2,534	2,621	_	_
Research and development expenses	15,148	14,808	_	_
Sales promotion	53,848	58,453	5	4

11. FINANCE COSTS

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on bank borrowings	21,139	21,201	10,827	14,725
Factoring charges	3,020	1,936	_	_
Interest - others	_	_	709	828
	24,159	23,137	11,536	15,553

12. TAXATION

	G	ROUP	COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current year tax expense based on profit for the financial year:				
- Malaysian tax	_	_	_	_
- Foreign tax	26,210	69,043	_	_
	26,210	69,043	_	_
(Over)/Under-provision in prior years	(8,846)	2,370	_	_
	17,364	71,413	_	_
Deferred tax	176	(46,884)	_	_
Tax expense	17,540	24,529	_	_

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. TAXATION (continued)

	G	ROUP	CON	MPANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax:				
Amounts recognised in profit or loss	176	(46,884)	_	_
Amounts recognised in other comprehensive income	530	(629)	_	_
Total (Note 20)	706	(47,513)	_	_

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	GI	ROUP	CON	MPANY	
	2016	2015	2016	2015	
	RM'000	RM'000	RM'000	RM'000	
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	5,773	(6,375)	(4,595)	4,893	
Tax effects of:					
- different tax regime	1,453	(5,442)	_	_	
- expenses not deductible for tax purposes	11,565	12,553	20,821	10,017	
- income not subject to tax	(1,013)	(1,848)	(16,722)	(17,690)	
- deferred tax assets not recognised in respect of					
current year's tax losses	8,608	23,271	496	2,780	
- (over)/under-provision in prior years	(8,846)	2,370	_	_	
Tax expense	17,540	24,529	_	_	

13. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic:

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

The following table reflects the profit/(loss) and share data used in the computation of basic earnings/(loss) per ordinary share:

	GROUP	
	2016	2015
Profit/(Loss) attributable to owners of the parent (RM'000)	5,325	(48,960)
Weighted average number of ordinary shares in issue ('000)	548,368	548,368
Basic earnings/(loss) per ordinary share (sen)	0.97	(8.93)

13. EARNINGS/(LOSS) PER ORDINARY SHARE (continued)

Diluted:

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting treasury shares and adjusted for the number of ordinary shares that could have been issued under the Executives' Share Option Scheme ("ESOS"). The details of ESOS are disclosed in Note 32 to the financial statements.

The following table reflects the profit and share data used in the computation of diluted earnings per ordinary share:

	GROUP 2016
Profit attributable to owners of the parent (RM'000)	5,325
Weighted average number of ordinary shares used in the calculation of basic earnings	
per ordinary share ('000)	548,368
Effects of dilution due to the ESOS ('000)	6,290
	554,658
Diluted earnings per ordinary share (sen)	0.96

For the financial year ended 31 December 2015, the ESOS that could potentially dilute the earnings per ordinary share were not included in the calculation of diluted earnings per ordinary share as it would have an anti-dilution effect thereon. Accordingly, the diluted earnings per ordinary share is the same as the basic earnings per ordinary share.

14. PROPERTY, PLANT AND EQUIPMENT

GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	CAPITAL WORK-IN- PROGRESS RM'000	TOTAL RM'000
Carrying amounts							
At 1 January 2015	28,140	255,746	113,886	22,764	1,540	11,574	433,650
Additions	3,851	9,201	9,468	4,381	176	1,050	28,127
Disposals	_	(2,765)	(278)	(427)	_	_	(3,470)
Transfers (Note 15)	_	100	5,963	247	_	(6,345)	(35)
Depreciation	_	(8,850)	(20,650)	(6,274)	(725)	_	(36,499)
Written off	_	(2)	(2,679)	(57)	(4)	_	(2,742)
Foreign currencies							
translation	574	20,687	9,473	387	91	(302)	30,910
At 31 December 2015	32,565	274,117	115,183	21,021	1,078	5,977	449,941

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	CAPITAL WORK-IN- PROGRESS RM'000	TOTAL RM'000
Carrying amounts							
At 1 January 2016	32,565	274,117	115,183	21,021	1,078	5,977	449,941
Additions	_	2,065	5,578	4,168	128	6,743	18,682
Disposals	_	(8,785)	(706)	(204)	_	_	(9,695)
Transfers (Note 15)	_	63	1,828	643	_	(2,630)	(96)
Depreciation	_	(5,408)	(15,294)	(5,835)	(524)	_	(27,061)
Written off	_	(195)	(1,606)	(604)	_	(3)	(2,408)
Derecognition of a							
subsidiary	(3,908)	_	_	_	_	_	(3,908)
Foreign currencies							
translation	(1,111)	(256)	(293)	(392)	(27)	(111)	(2,190)
At 31 December 2016	27,546	261,601	104,690	18,797	655	9,976	423,265
GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	CAPITAL WORK-IN- PROGRESS RM'000	TOTAL RM'000
At 31 December 2016							
Cost Accumulated depreciation and	27,546	409,152	440,270	134,108	3,728	9,976	1,024,780
impairment	_	(147,551)	(335,580)	(115,311)	(3,073)	_	(601,515)
Carrying amounts	27,546	261,601	104,690	18,797	655	9,976	423,265
At 31 December 2015 Cost Accumulated	32,565	424,227	455,181	136,623	4,934	5,977	1,059,507
depreciation and impairment	_	(150,110)	(339,998)	(115,602)	(3,856)	_	(609,566)
Carrying amounts	32,565	274,117	115,183	21,021	1,078	5,977	449,941

14. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	TOTAL RM'000
Carrying amounts				
At 1 January 2015	5	215	641	861
Additions	_	13	_	13
Depreciation	(1)	(78)	(329)	(408)
At 31 December 2015/1 January 2016	4	150	312	466
Depreciation	(1)	(67)	(227)	(295)
At 31 December 2016	3	83	85	171
At 31 December 2016				
Cost	434	539	1,998	2,971
Accumulated depreciation and impairment	(431)	(456)	(1,913)	(2,800)
Carrying amounts	3	83	85	171
At 31 December 2015				
Cost	434	539	1,998	2,971
Accumulated depreciation and impairment	(430)	(389)	(1,686)	(2,505)
Carrying amounts	4	150	312	466

- (a) Property, plant and equipment are initially measured at cost. After initial recognition, the property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
- (b) Freehold land is not depreciated as it has an indefinite life. Capital work-in-progress represents machinery under installation and renovation-in-progress and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is ready for its intended use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset over its estimated useful life, as follows:

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

Assets acquired under finance leases and hire purchases are depreciated over the useful lives of equivalent owned assets.

During the financial year, the Group reviewed the residual values and remaining useful lives of certain property, plant and equipment. This revision was accounted for prospectively as a change in accounting estimate and as a result, the depreciation charges for the financial year have been reduced by RM8.0 million.

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) The carrying amounts of property, plant and equipment pledged as security for borrowings as disclosed in Note 27 to the financial statements are as follows:

	GROUP		
	2016	2015	
	RM'000	RM'000	
Freehold land and buildings	202,040	208,162	
Machinery and technical equipment	5,611	5,796	
	207,651	213,958	

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

	G	ROUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Purchase of property, plant and equipment Financed by term loans	18,682 —	28,127 (3,619)	_	13 —	
Cash payments on purchase of property, plant and equipment	18,682	24,508	_	13	

(e) The carrying amounts of the Group's and the Company's property, plant and equipment under hire purchase and finance lease agreements are as follows:

	G	ROUP	COMPANY		
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Machinery, technical equipment and mould	_	25	_	_	
Office equipment, furniture and fittings	45	484	45	81	
Motor vehicles	74	547	43	101	
	119	1,056	88	182	

15. INTANGIBLE ASSETS

GROUP	GOODWILL RM'000	TRADEMARKS RM'000	DEVELOPMENT COSTS RM'000	COMPUTER SOFTWARE LICENSE RM'000	TOTAL RM'000
Carrying amounts					
At 1 January 2015	97,832	15,515	6,905	4,858	125,110
Additions	_	_	417	1,857	2,274
Transfer from property, plant and					
equipment (Note 14)	_	_	_	35	35
Amortisation	_	_	(2,394)	(1,663)	(4,057)
Foreign currencies translation	36,128	1,579	(140)	553	38,120
At 31 December 2015/1 January 2016	133,960	17,094	4,788	5,640	161,482
Additions	_	_	_	1,381	1,381
Transfer from property, plant and equipment (Note 14)	_	_	_	96	96
Amortisation	_	_	(1,911)	(2,029)	(3,940)
Written off	_	_	(201)	(2,025)	(201)
Foreign currencies translation	2,713	133	(128)	51	2,769
At 31 December 2016	136,673	17,227	2,548	5,139	161,587
At 31 December 2016					
Cost	141,637	27,309	39,900	62,076	270,922
$\label{lem:complex} \mbox{Accumulated amortisation and impairment}$	(4,964)	(10,082)	(37,352)	(56,937)	(109,335)
Carrying amounts	136,673	17,227	2,548	5,139	161,587
At 31 December 2015					
Cost	140,935	27,119	39,777	60,738	268,569
$\label{lem:complex} \mbox{Accumulated amortisation and impairment}$	(6,975)	(10,025)	(34,989)	(55,098)	(107,087)
Carrying amounts	133,960	17,094	4,788	5,640	161,482

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15. INTANGIBLE ASSETS (continued)

Goodwill and Trademarks:

Allocation of goodwill and trademarks:

	GI	OUP	
	2016	2015	
	RM'000	RM'000	
Goodwill			
Germany	103,999	102,805	
Switzerland	3,873	3,811	
Argentina	15,031	14,386	
Japan	12,679	11,932	
Taiwan	1,091	1,026	
	136,673	133,960	
Trademarks			
Germany	17,227	17,094	

Goodwill and trademarks arising from business combinations are measured at cost less accumulated impairment losses. Trademarks are assessed to have indefinite useful lives as the management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flows to the Group.

The Group determines whether goodwill and trademarks are impaired at least on an annual basis. This requires an estimation of the recoverable amount based on the value-in-use of the CGU to which goodwill and trademarks are allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of these cash flows. These calculation use cash flow projections based on financial budgets approved by management covering a five (5) year period. Cash flows beyond the 5 year period are extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:

	EBIT MARGIN		GROW	TH RATE	DISCOUNT RATE	
	2016	2015	2016	2016 2015	2016	2015
	%	%	%	%	%	%
Germany	3.0	3.0	1.3	1.5	7.5	5.3
Switzerland	5.5	2.7	1.3	0.1	7.5	4.9
Argentina	11.0	19.9	10.0	16.0	24.5	37.9
Japan	23.2	21.5	1.5	3.0	7.4	5.2
Taiwan	46.7	38.2	1.0	1.0	6.6	5.6

EBIT - budgeted earnings before interest and tax

Growth rate - weighted average growth rate used to extrapolate cash flows beyond the budget period

Discount rate - pre-tax discount rate applied to the cash flow projections

15. INTANGIBLE ASSETS (continued)

Management determined EBIT based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts within the industry. The discount rates used are pre-tax and reflect specific risks relating to the relevant country.

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

Other Intangible Assets:

Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are assessed for any indication that the asset may be impaired and are amortised on a straight line basis over their estimated economic useful lives, as follows:

Development costs

Not exceeding 9 years

Computer software license (including computer software license)

software development costs)

Not exceeding 3 years (computer software development costs)

16. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2016	2015
	RM'000	RM'000
Quoted shares, at cost	139,941	139,693
Unquoted shares, at cost	169,972	171,159
Less: Impairment losses	(10,373)	(373)
	299,540	310,479
Amounts due from subsidiaries (Non-trade)	114,778	160,019
	414,318	470,498
Market values of quoted shares	212,801	210,926

Investments in subsidiaries are stated at cost less any impairment losses. Dividends received from subsidiaries, are recognised when the shareholders' right to receive payment have been established and are recorded as a component of other operating income in the Company's separate statement of comprehensive income.

Amounts due from subsidiaries amounting to RM114,778,000 (2015: RM160,019,000) are considered to be part of the Company's net investments in subsidiaries, which are stated at cost less accumulated impairment losses.

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2016 2015 % %		PRINCIPAL ACTIVITIES
Direct subsidiaries				
Pelikan Holding AG	Switzerland	97.30	97.30	Investment holding
Pelikan Singapore Pte. Ltd.*	Singapore	100.00	100.00	Distribution of stationery and office products
PT Pelikan Indonesia*	Indonesia	99.00	99.00	Dormant
Pelikan Production (Malaysia) Sdn. Bhd.	Malaysia	100.00	100.00	Production of stationery and office products
Pelikan Hardcopy Holding AG	Switzerland	100.00	100.00	Investment holding
Pelikan Trading India Private Limited*	India	100.00	100.00	Dormant
Pelikan (Thailand) Co. Ltd.*	Thailand	82.77	82.77	Distribution of stationery and office supplies
Pelikan Aktiengesellschaft ("Pelikan AG") (listed on Frankfurt Stock Exchange)* ^Ω	Germany	97.15	97.12	Investment holding, production and distribution of stationery and office products
Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG*	Germany	99.85	99.85	Property holding
Ganymed Falkensee Grundstücksverwaltungs GmbH*	Germany	100.00	100.00	Dormant
Indirect subsidiaries				
Pelikan GmbH	Germany	97.30	97.30	Investment holding
Pelikan PBS- Produktionsgesellschaft mbH & Co. KG	Germany	97.30	97.30	Production and distribution of stationery and office products
Kreuzer Produktion + Vertrieb GmbH*^	Germany	-	97.30	Dormant

16. INVESTMENTS IN SUBSIDIARIES (continued)

	COUNTRY OF	EFFECTIVE PERCENTAGE OF OWNERSHIP			
NAME OF COMPANY	INCORPORATION	2016 %	2015 %	PRINCIPAL ACTIVITIES	
Indirect subsidiaries (continued)					
Pelikan PBS-Produktion Verwaltungs-GmbH*	Germany	97.30	97.30	Dormant	
ReMerch GmbH*	Germany	97.30	97.30	Services	
Pelikan Hardcopy Distribution GmbH & Co. KG	Germany	97.30	97.30	Distribution of stationery and office products	
Pelikan Hardcopy Distribution Verwaltungs GmbH*	Germany	97.30	97.30	Dormant	
Pelikan S.A.	Spain	97.30	97.30	Distribution of stationery and office products	
Pelikan Hellas Ltd.*	Greece	97.30	97.30	Distribution of stationery and office products	
Pelikan Austria Gesellschaft m.b.H.*	Austria	97.30	97.30	Dormant	
Pelikan Nederland B.V.*	Netherlands	97.30	97.30	Dormant	
Pelikan, Inc.*	USA	97.30	97.30	Dormant	
Pelikan Asia Sdn. Bhd.	Malaysia	97.30	97.30	Distribution of stationery and office products	
Pelikan Nordic AB*	Sweden	97.30	97.30	Distribution of stationery and office products	
Pelikan France S.A.S.	France	97.30	97.30	Distribution of stationery and office products	
Pelikan Hardcopy Production AG	Switzerland	100.00	100.00	Production and distribution of office products	
Pelikan Hardcopy Scotland Limited**	United Kingdom	100.00	100.00	Production and distribution of office and industrial products	
Initio GmbH*	Germany	100.00	100.00	Dormant	
Greif Werke GmbH*	Germany	100.00	100.00	Dormant	
Dongguan Pelikan Hardcopy Ltd.*	China	100.00	100.00	Production of stationery and office products	

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16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION		PERCENTAGE NERSHIP 2015 %	PRINCIPAL ACTIVITIES
Indirect subsidiaries (continued)				
Pelikan Hardcopy Asia Pacific Ltd.*	Hong Kong	100.00	100.00	Dormant
Pelikan Hardcopy CZ s.r.o.*	Czech Republic	100.00	100.00	Production of office products
Pelikan Hardcopy B.V.*	Netherlands	100.00	100.00	Dormant
Linea GmbH*	Germany	97.30	97.30	Distribution of office products
Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd. Sirketi*	Turkey	98.38	98.38	Distribution of stationery and office products
Pelikan N.V./S.A. ^{\Omega}	Belgium	97.15	97.12	Distribution of stationery and office products
Pelikan Italia S.p.A. ^o	Italy	97.15	97.12	Distribution of stationery and office products
Pelikan México S.A. de C.V. ^Ω	Mexico	97.15	97.12	Production and distribution of stationery and office products
Pelikan Argentina S.A. ^Ω	Argentina	97.15	97.12	Distribution of stationery and office products
Pelikan Colombia S.A.S. ^Ω	Colombia	97.15	97.12	Production and distribution of stationery and office products
Pelikan Japan K.K.* ^Ω	Japan	97.15	97.12	Distribution of stationery and office products
Pelikan Middle East FZE*Ω	United Arab Emirates	97.15	97.12	Distribution of stationery and office products
Pelikan Taiwan Co., Ltd.*#	Taiwan	97.15	100.00	Distribution of stationery and office products
Pelikan Vertrieb Verwaltungs-GmbH* ^Ω	Germany	97.15	97.12	Dormant
Pelikan Vertriebsgesellschaft mbH & Co. KG* ^{\Omega}	Germany	97.15	97.12	Distribution of stationery and office products

16. INVESTMENTS IN SUBSIDIARIES (continued)

	EFFECTIVE PERCENTAGE COUNTRY OF OF OWNERSHIP			iE		
NAME OF COMPANY	INCORPORATION	2016	2015	PRINCIPAL ACTIVITIES		
		%	%			
Indirect subsidiaries (continued)						
Pelikan (Schweiz) AG ^Ω	Switzerland	97.15	97.12	Distribution of stationery and office products		
Herlitz Papierverarbeitungs GmbH* ^Ω	Germany	97.15	97.12	Dormant		
Convex Schreibwaren-Handels $GmbH^{*\Omega}$	Germany	97.15	97.12	Distribution of stationery and office products		
Mercoline GmbH*Ω	Germany	97.15	97.12	Production and distribution of software and provision of IT services		
eCom Logistik GmbH & Co. KG*Ω	Germany	97.15	97.12	Logistics services		
eCom Logistik Verwaltungs GmbH* ^Ω	Germany	97.15	97.12	Dormant		
Herlitz Spolka z.o.o.*Ω	Poland	97.15	97.12	Production and distribution of stationery and office products		
Herlitz Spol s.r.o.*Ω	Czech Republic	97.15	97.12	Distribution of stationery and office products		
Herlitz Slovakia s.r.o.*Ω	Slovakia	97.15	97.12	Distribution of stationery and office products		
Herlitz Hungária Kft.*Ω	Hungary	97.15	97.12	Distribution of stationery and office products		
Herlitz România S.R.L.*Ω	Romania	49.55	49.53	Distribution of stationery and office products		
Herlitz Bulgaria EooD* ^Ω	Bulgaria	97.15	97.12	Distribution of stationery and office products		
POS Servicegesellschaft mbH*Ω	Germany	97.15	97.12	Point of sale services		

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16. INVESTMENTS IN SUBSIDIARIES (continued)

- * Not audited by BDO or BDO member firms.
- ** The auditors' report of the financial statements of Pelikan Hardcopy Scotland Limited contained a disclaimer opinion relating to the going concern of the said subsidiary.
- ^ Change in status from a subsidiary to an associate during the financial year.
- ^a Acquired an additional interest in Pelikan AG, thus increasing its ownership from 97.12% to 97.15%.
- On 30 December 2016, the Company disposed its entire equity stake in Pelikan Taiwan Co., Ltd. to Pelikan AG, a 97.15% owned subsidiary of the Company. Arising thereto, the effective interest of the Group in Pelikan Taiwan Co., Ltd. changed from 100% to 97.15%.

Investments in subsidiaries amounting to RM163,752,779 (2015: RM90,157,779) were pledged as security for borrowings of the Company as disclosed in Note 27 to the financial statements.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at their acquisition-date fair values. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. Subsequent to initial recognition, the carrying amount of non-controlling interests are the amounts of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

The Group's subsidiaries which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group, and hence no disclosure of the respective non-controlling interests is made in the financial statements.

17. INVESTMENTS IN ASSOCIATES

The details of the associates are as follows:

	COUNTRY OF			
NAME OF COMPANY	INCORPORATION	2016 %	2015 %	PRINCIPAL ACTIVITIES
Indirect associates				
Artof C.A.*	Venezuela	21.91	21.91	Dormant
Kreuzer Produktion + Vertrieb GmbH*	Germany	19.46	-	Dormant

^{*} Not audited by BDO or BDO member firms

The Group's associates are accounted for using the equity method of accounting.

The associates are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group, and hence no disclosure of the respective associate's summarised financial information is made in the financial statements.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	GROUP	
RA	2016 1'000	2015 RM'000
Quoted shares Unquoted shares	2,701 24	2,784 23
	2,725	2,807
Market value of quoted shares	2,725	2,807

The fair value of quoted shares, which are categorised into Level 1 of the fair value hierarchy is determined by reference to the exchange quoted market bid prices at the close of the business at the end of the reporting period. There were no transfers between Level 1 and Level 2 fair value measurement during the financial year.

The carrying values of investments in unquoted shares approximate fair values. The fair value of the unquoted shares are categorised into Level 3 of the fair value hierarchy and the reconciliation during the financial year are as follows:

	2016	2015
	RM'000	RM'000
Balance as at 1 January 2016	23	55
Disposal	_	(35)
Foreign currencies translation	1	3
Balance as at 31 December 2016	24	23

19. PENSION TRUST FUND

	GROUP AN	ID COMPANY
	2016 RM'000	2015 RM'000
Current	16,692	12,680
Non-current	134,172	138,184
	150,864	150,864

Pursuant to the acquisitions of Pelikan Holding AG group ("PHAG group") in 2005, part of the defined benefit plans of the PHAG group in Germany (known as "Removable Pension Liabilities") is now funded by an external Pension Trust Fund created for this purpose, whilst the Company assumed the balance of the said Removable Pension Liabilities fixed in Ringgit Malaysia as at the completion date of the acquisitions of PHAG group of RM65,087,000. If the assets in the Pension Trust Fund are capable of paying the entire Removable Pension Liabilities, the Removable Pension Liabilities assumed by the Company will be relinquished.

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19. PENSION TRUST FUND (continued)

As disclosed in Note 25 to the financial statements, the post-employment benefit obligations are as follows:

	GROUP	
	2016	2015
	RM'000	RM'000
Liabilities funded by Pension Trust Fund	127,153	129,390
Liabilities assumed by the Company	65,087	65,087
	192,240	194,477
Other post-employment benefit obligations of the Group	169,228	128,163
	361,468	322,640

20. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets Deferred tax liabilities:	113,003	99,083	-	_
- subject to income tax	(13,103)	(14,888)	_	_
- subject to capital gains tax	(4,966)	(5,082)	_	_
	(18,069)	(19,970)	_	_
	94,934	79,113	_	_
Movement in the deferred tax assets/(liabilities) in the cu	rrent year were as f	ollows:		
Movement in the deferred tax assets/(liabilities) in the cu At 1 January Credited/(charged) to statement of comprehensive income: (Note 12)	rrent year were as f	ollows: 24,677	-	_
At 1 January Credited/(charged) to statement of comprehensive	79,113	24,677	-	-
At 1 January Credited/(charged) to statement of comprehensive income: (Note 12)	•		- - -	- - -
At 1 January Credited/(charged) to statement of comprehensive income: (Note 12) - tax losses	79,113	24,677 77,593	- - - -	- - - -
At 1 January Credited/(charged) to statement of comprehensive income: (Note 12) - tax losses - property, plant and equipment	79,113 (1,765) 185	24,677 77,593 (585)	- - - -	- - - -
At 1 January Credited/(charged) to statement of comprehensive income: (Note 12) - tax losses - property, plant and equipment - inventories	79,113 (1,765) 185 (1,113)	24,677 77,593 (585) 497	- - - - - -	- - - - - -
At 1 January Credited/(charged) to statement of comprehensive income: (Note 12) - tax losses - property, plant and equipment - inventories	79,113 (1,765) 185 (1,113) 1,987	24,677 77,593 (585) 497 (29,992)	- - - - -	- - - - -

20. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:				
Deferred tax assets				
Tax losses	73,770	72,400	_	_
Others	39,233	26,683	-	_
	113,003	99,083	_	_
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(13,103)	(14,888)	_	_
Subject to capital gains tax:				
Deferred tax liabilities				
Property, plant and equipment	(4,966)	(5,082)	-	_

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

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unused tax losses	326,724	318,116	9,518	9,022

21. INVENTORIES

		GROUP		MPANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost				
Raw materials	39,972	46,622	16	16
Work in progress	35,286	44,067	_	_
Finished goods	133,584	143,301	_	_
	208,842	233,990	16	16
At net realisable value				
Raw materials	5,381	4,389	_	_
Work in progress	6,191	3,939	_	_
Finished goods	39,767	32,660	_	_
	260,181	274,978	16	16

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21. INVENTORIES (continued)

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

The cost of inventories recognised as expense during the financial year of the Group amounted to RM674,906,000 (2015: RM653,776,000).

Inventories of the Group pledged as security for borrowings amounted to RM5,752,000 (2015: RM17,539,000) as disclosed in Note 27 to the financial statements.

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS

GROUP		COMPANY	
2016	2015	2016	2015
RM'000	RM'000	RM'000	RM'000
232,091	222,706	818	2,086
_	_	1,781	14,795
(9,099)	(9,721)	-	_
222,992	212,985	2,599	16,881
_	_	237,214	247,538
106,426	103,757	69,876	70,212
5,801	3,732	422	312
1,223	4,148	300	3,354
336,442	324,622	310,411	338,297
	2016 RM'000 232,091 — (9,099) 222,992 — 106,426 5,801 1,223	2016 RM'000 RM'000 232,091 222,706 (9,099) (9,721) 222,992 212,985 106,426 103,757 5,801 3,732 1,223 4,148	2016 2015 2016 RM'000 RM'000 RM'000 232,091 222,706 818 1,781 (9,099) (9,721) - 222,992 212,985 2,599 237,214 106,426 103,757 69,876 5,801 3,732 422 1,223 4,148 300

Receivables and deposits are classified as loans and receivables, and measured at amortised cost using the effective interest method.

Trade receivables of the Group pledged as security for borrowings amounted to RM12,028,000 (2015: RM9,110,000) as disclosed in Note 27 to the financial statements.

Credit terms offered by the Group in respect of trade receivables range from 30 days to 120 days (2015: 30 days to 120 days) from date of invoices.

Amounts due from subsidiaries which arose mainly from trade transactions, advances and payments made on behalf are unsecured, interest free and are repayable on demand, except for certain amounts due from subsidiaries which are subject to interest rate of 2.19% (2015: 2.37%) per annum and trade transactions which are subject to normal trade credit terms.

Included in receivables of the Group are amounts due from related parties amounting to RM5,507,000 (2015: RM5,501,000), which arose from trade transactions, are unsecured, interest free and repayable on demand.

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
- EU Euro ("EUR")	127,624	123,627	190,714	206,066
- RM	77,428	81,971	109,113	100,826
- Colombian Peso ("COP")	29,071	22,811	_	_
- US Dollar ("USD")	23,682	19,226	5,137	20,641
- Argentine Peso ("ARS")	19,253	17,268	_	_
- Mexican Peso ("MXN")	14,904	17,015	_	_
- Romanian New Lei ("RON")	13,964	13,017	_	_
- Japanese Yen ("JPY")	9,738	10,618	132	66
- Polish Zloty ("PLN")	8,935	10,529	_	_
- Czech Koruna ("CZK")	2,725	496	_	_
- British Pound ("GBP")	2,186	2,943	_	6,644
- Swiss Franc ("CHF")	1,870	1,435	_	_
- Hungarian Forint ("HUF")	1,785	_	_	_
- Singapore Dollar ("SGD")	1,763	2,135	5,279	3,959
- Thai Baht ("THB")	485	1,031	14	95
- Chinese Yuan Renminbi ("CNY")	453	180	_	_
- Bulgarian Lev ("BGN")	340	_	_	_
- New Taiwan Dollar ("TWD")	170	114	_	_
- Indian Rupee ("INR")	48	_	_	_
- Swedish Krona ("SEK")	18	201	_	_
- Hong Kong Dollar ("HKD")	_	5	22	_
	336,442	324,622	310,411	338,297

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

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	186,976	166,932	65	1,770
0 to 30 days past due	17,784	19,625	1,142	5,406
31 to 60 days past due	6,820	7,345	621	2,249
61 to 90 days past due	2,708	5,310	273	1,229
More than 90 days past due	17,803	23,494	498	6,227
	232,091	222,706	2,599	16,881
Allowance for impairment	(9,099)	(9,721)	-	_
	222,992	212,985	2,599	16,881

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22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

As at 31 December 2016, the Group and Company have trade receivables amounting to RM35,728,000 (2015: RM46,020,000) and RM2,534,000 (2015: RM15,111,000) respectively that are past due at the end of the reporting period but not impaired. Trade receivables that are past due but not impaired relate to customers that have good track records with the Group and the Company. Based on past experience and no adverse information to-date, the Directors of the Group and Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered to be fully recoverable.

Receivables that are past due and impaired

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

GROUP	INDIVIDUALLY IMPAIRED RM'000	COLLECTIVELY IMPAIRED RM'000	TOTAL RM'000
2016 Trade receivables, gross	444	8,943	9,387
Less: Impairment losses	(444)	(8,655)	(9,099)
	_	288	288
2015			
Trade receivables, gross	389	9,365	9,754
Less: Impairment losses	(389)	(9,332)	(9,721)
	-	33	33

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

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The reconciliation of movements in the impairment losses are as follows:

	GROUP	
	2016	2015
	RM'000	RM'000
At 1 January	9,721	9,561
Charged for the financial year	1,387	1,702
Reversal for the financial year	(560)	(1,144)
Written off	(1,337)	(260)
Foreign currencies translation	(112)	(138)
At 31 December	9,099	9,721

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

23. DEPOSITS, CASH AND BANK BALANCES

GROUP		COMPANY	
2016	2015	2016	2015
RM'000	RM'000	RM'000	RM'000
4,222	12,488	340	9,035
58,676	58,736	3,741	4,880
62,898	71,224	4,081	13,915
(11,832)	(7,350)	_	_
51,066	63,874	4,081	13,915
(280)	(6,774)	(280)	(6,774)
50,786	57,100	3,801	7,141
	2016 RM'000 4,222 58,676 62,898 (11,832) 51,066 (280)	2016 2015 RM'000 RM'000 4,222 12,488 58,676 58,736 62,898 71,224 (11,832) (7,350) 51,066 63,874 (280) (6,774)	2016 2015 2016 RM'000 R

Deposits, cash and bank balances and bank overdrafts are classified as loans and receivables and other financial liabilities respectively, and measured at amortised cost using the effective interest method. Bank overdrafts form an integral part of the Group and Company's cash management, and, as such, for the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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23. DEPOSITS, CASH AND BANK BALANCES (continued)

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	%	%	%	%
Deposits with licensed banks	3.60	3.10 - 3.60	3.60	3.10 - 3.60

The deposits of the Group and of the Company as at 31 December 2016 have a maturity period of two months (2015: between overnight and two months). Certain deposits have been pledged to financial institutions for borrowings as disclosed in Note 27 to the financial statements.

The currency exposure profile of deposits, cash and bank balances are as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
- EUR	31,495	28,388	2,661	699
- USD	7,126	7,835	939	3,875
- MXN	5,728	5,960	_	_
- RON	4,363	4,391	_	_
- JPY	3,112	2,335	5	140
- TWD	2,230	1,846	1	_
- CHF	1,614	2,010	14	14
- CZK	1,549	766	_	_
- HUF	1,355	1,312	_	_
- PLN	1,218	_	_	_
- ARS	959	2,896	_	_
- RM	612	9,386	458	9,182
- COP	430	1,682	_	_
- BGN	397	553	_	_
- HKD	226	670	_	_
- GBP	147	212	2	2
- THB	100	161	_	_
- SGD	90	383	_	_
- CNY	88	337	1	1
- INR	33	32	_	_
- SEK	21	67	_	_
- Turkish Lira ("TRY")	5	_	_	_
- Australian Dollar ("AUD")	-	2	_	2
	62,898	71,224	4,081	13,915

24. SHARE CAPITAL

	GROUP AND COMPANY			
		2016	2015	
	NUMBER		NUMBER	
	OF SHARES	AMOUNT	OF SHARES	AMOUNT
	'000	RM'000	'000	RM'000
Ordinary shares of RM1.00 each:				
Authorised:				
As at 1 January/31 December	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
As at 1 January/31 December	553,296	553,296	553,296	553,296

(a) Issued and fully paid shares

Fully paid ordinary shares carry one vote per share and carry right to dividends. All ordinary shares rank pari passu with regards to the residual assets of the Company.

(b) Treasury shares

	GROUP AND COMPANY			
		2016		2015
	NUMBER OF SHARES '000	AMOUNT RM'000	NUMBER OF SHARES '000	AMOUNT RM'000
At cost: As at 1 January/31 December	4,928	5,150	4,928	5,150

The Company did not make any purchase of its own shares and none of the treasury shares held were resold or cancelled during the financial year. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Treasury shares have no rights to voting, dividends or participation in other distribution. As at 31 December 2016, the Company held 4,928,011 (2015: 4,928,011) treasury shares, with carrying amount of RM5,149,918 (2015: RM5,149,918).

(c) Equity-settled employee benefits

The equity-settled employee benefits reserve relates to share options granted by the Company to employees under ESOS. Further information about the ESOS is set out in Note 32 to the financial statements.

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25. POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group operates both funded and unfunded defined benefit plans for its employees. The defined benefit plans, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields, at the end of each reporting period, of government securities which have currency and terms to maturity approximating the terms of the related liability. The latest actuarial valuations of the plans were carried out in 2016.

	REMOVABLE PENS	SION LIABILITIES		
	FUNDED BY	ASSUMED		
	PENSION	BY THE		GROUP
	TRUST FUND	COMPANY	OTHERS	TOTAL
	RM'000	RM'000	RM'000	RM'000
At 31 December 2016				
Current	16,292	_	14	16,306
Non-current	110,861	65,087	169,214	345,162
	127,153	65,087	169,228	361,468
At 31 December 2015				
Current	16,157	_	9,724	25,881
Non-current	113,233	65,087	118,439	296,759
	129,390	65,087	128,163	322,640

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

Amounts recognised in the statement of comprehensive income in respect of these defined benefit plans are as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Service cost:		
Current service cost	5,751	6,286
Past services cost, including gains from settlements or curtailments	(2,222)	(2,963)
Net interest expense	6,872	6,695
Components of defined benefit costs recognised in staff costs in profit or loss	10,401	10,018
Re-measurement on the net defined benefit obligations:		
Return on plan assets (excluding amounts included in net interest expense)	(8,536)	7,880
Actuarial gains and losses arising from changes in demographic assumptions	(1,353)	(942)
Actuarial gains and losses arising from changes in financial assumptions	64,635	(7,145)
Actuarial gains and losses arising from experience adjustments	2,973	1.7
		(600)
Components of defined benefit costs recognised in other comprehensive income	57,719	(807)

25. POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

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

	GROUP	
	2016 RM'000	2015 RM'000
Present value of funded defined benefit obligations Fair value of plan assets	360,380 (214,570)	345,138 (240,303)
Status of funded plans Present value of unfunded defined benefit obligations	145,810 215,658	104,835 217,805
	361,468	322,640

Movements in the present value of the defined benefit obligations in the current year were as follows:

	GR	ROUP
	2016	2015
	RM'000	RM'000
Opening defined benefit obligations	562,943	521,703
Current service cost	5,751	6,286
Interest expense	12,245	12,987
Re-measurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	(1,353)	(942)
Actuarial gains and losses arising from changes in financial assumptions	64,635	(7,145)
Actuarial gains and losses arising from experience adjustments	2,973	(600)
Past services cost, including gains from settlements or curtailments	(2,222)	(2,963)
Liabilities extinguished on settlements	(301)	
Benefits paid	(40,037)	(42,492)
Foreign currencies translation and others	(28,596)	76,109
Closing defined benefit obligations	576,038	562,943

Movements in the fair value of the plan assets in the current year were as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Opening fair value of plan assets	240,303	221,853
Interest income	5,373	6,292
Re-measurement gains/(losses):		
Return on plan assets (excluding amounts included in net interest expense)	8,536	(7,880)
Contributions from the employer	1,219	3,088
Contributions from plan participants	840	1,143
Assets distributed on settlements	(246)	_
Benefits paid	(21,565)	(23,744)
Foreign currencies translation and others	(19,890)	39,551
Closing fair value of plan assets	214,570	240,303

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25. POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

The major categories of plan assets are as follows:

	GROUP		
	2016		
	RM'000	RM'000	
Debt instruments	89,506	95,426	
Equity instruments	66,281	72,790	
Alternative investments	32,630	41,008	
Properties	12,321	16,818	
Qualifying insurance policies	9,407	9,334	
Cash and others	4,425	4,927	
	214,570	240,303	

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

		GROUP	
	2016	2015	
	%	%	
Discount rate	0.50 - 8.75	0.75 - 8.00	

Significant actuarial assumption used for the determination of the defined benefit obligations is discount rate. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 50 basis points higher or lower with all other variable held constant, the Group's defined benefit obligations would decrease or increase by:

	GROUP DISCOUNT RATE		
	INCREASE BY	DECREASE BY	
	50 BASIS POINT	50 BASIS POINT	
	RM'000	RM'000	
At 31 December 2016			
(Decrease)/Increase on defined benefit obligations	(24,996)	26,045	
At 31 December 2015			
(Decrease)/Increase on defined benefit obligations	(21,755)	22,955	

25. POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

26. DERIVATIVE LIABILITIES

	20	2015		
	CONTRACT/ NOTIONAL AMOUNT EUR'000	LIABILITIES RM'000	CONTRACT/ NOTIONAL AMOUNT EUR'000	LIABILITIES RM'000
Group Interest rate swap	10,000	412	10,000	1,963

The derivative liabilities of the Group are categorised as financial liabilities at fair value through profit or loss.

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

The fair value of interest rate swap contracts, which are categorised into Level 2 of the fair value hierarchy is determined by reference to market values of similar instruments. There were no transfers between Level 1 and Level 2 fair value measurement during the financial year.

The maturity profile of derivative liabilities of the Group at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

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27. BORROWINGS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Bank overdrafts	11,832	7,350	_	_
Bankers' acceptances/Trust receipts	2,390	3,528	_	_
Revolving credits	200,407	189,589	125,550	167,212
Discounted bills	69,558	60,429	68,320	56,911
Hire purchase and lease payables	429	350	43	71
Short term loans	69,196	62,154	_	_
Term loans	7,354	55,677	_	48,056
	361,166	379,077	193,913	272,250
Non-current				
Hire purchase and lease payables	285	638	_	42
Term loans	47,938	36,794	_	29,133
	48,223	37,432	_	29,175
Total				
Bank overdrafts (Note 23)	11,832	7,350	_	_
Bankers' acceptances/Trust receipts	2,390	3,528	_	_
Revolving credits	200,407	189,589	125,550	167,212
Discounted bills	69,558	60,429	68,320	56,911
Hire purchase and lease payables	714	988	43	113
Short term loans	69,196	62,154	_	_
Term loans	55,292	92,471	-	77,189
	409,389	416,509	193,913	301,425

Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

The carrying amounts of borrowings, except for fixed rate term loans, hire purchase and lease payables are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are reprized to market interest rates on or near the end of the reporting period.

The fair value of fixed rate term loans, hire purchase and lease payables are estimated by discounting expected future cash flows at current market interest rates available for similar financial instruments and of the same remaining maturities. The carrying values of these financial instruments approximate their fair values.

The fair values of borrowings are categorised into Level 2 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 fair value measurement during the financial year.

27. BORROWINGS (continued)

Contractual terms of borrowings:

	EFFECTIVE		TOTAL						
GROUP	INTEREST	FUNCTIONAL	CARRYING	44 VEAD	OND VEAD		TY PROFILE—	ETILVEAD	. F.VEADC
2016	RATE %	CURRENCY	AMOUNT RM'000	< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Bank overdrafts	6.90 - 7.15	EUR	5,648	5,648	_	_	_	_	_
Bank overdrafts	30.00	ARS	12	12	_	_	_	_	_
Bankers' acceptances/									
Trust receipts	3.80	RM	235	235	_	_	_	_	_
Bankers' acceptances/									
Trust receipts	2.00	USD	228	228	_	_	_	_	_
Revolving credits	4.53 - 4.93	USD	67,258	67,258	_	_	_	_	_
Revolving credits	2.80	EUR	37,949	37,949	_	_	_	_	_
Discounted bills	2.11 - 3.92	USD	24,143	24,143	_	_	_	_	_
Discounted bills	0.96 - 2.77	EUR	3,885	3,885	_	_	_	_	_
Hire purchase and			•	,					
lease payables	5.77 - 5.87	EUR	627	367	142	71	47	_	_
Hire purchase and									
lease payables	2.33 - 3.55	RM	76	56	14	6	_	_	_
Hire purchase and									
lease payables	3.40	GBP	11	6	5	_	_	_	_
Short term loans	1.75 - 5.75	EUR	53,441	53,441	_	_	_	_	_
Short term loans	26.00 - 29.75	ARS	6,938	6,938	_	_	_	_	_
Short term loans	29.38	COP	4	4	_	_	_	_	_
Term loans	1.80 - 3.95	EUR	49,323	7,067	6,975	6,944	6,944	6,944	14,449
Term loans	2.61	USD	5,043	_	· -	_	5,043	· -	· -
			254,821	207,237	7,136	7,021	12,034	6,944	14,449
Unsecured									
Bank overdrafts	4.25	GBP	5,194	5,194	_	_	_	_	_
Bank overdrafts	7.10 - 8.50	EUR	978	978	_	_	_	_	_
Bankers' acceptances/									
Trust receipts	2.75	EUR	1,927	1,927	_	_	_	_	_
Revolving credits	3.00 - 4.95	USD	58,292	58,292	_	_	_	_	_
Revolving credits	5.47 - 5.82	MXN	28,053	28,053	_	_	_	_	_
Revolving credits	5.33 - 5.79	RM	8,855	8,855	_	_	_	_	_
Discounted bills	2.90 - 4.50	USD	27,124	27,124	_	_	_	_	_
Discounted bills	2.06 - 4.92	EUR	14,406	14,406	_	_	_	_	_
Short term loans	1.41 - 1.44	USD	8,465	8,465	_	_	_	_	_
Short term loans	3.24	PLN	348	348	_	_	_	_	_
Term loans	4.25	GBP	926	287	303	314	22	_	-
			154,568	153,929	303	314	22	_	_
			409,389	361,166	7,439	7,335	12,056	6,944	14,449

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. BORROWINGS (continued)

GROUP	EFFECTIVE INTEREST	FUNCTIONAL	TOTAL CARRYING			ΜΔΤΙΙΡΙ	TY PROFILE —		
2015	RATE %	CURRENCY	AMOUNT RM'000	< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Bank overdrafts	7.40 - 7.65	EUR	4,039	4,039	_	_	_	_	-
Bankers' acceptances/									
Trust receipts	2.03 - 2.12	USD	639	639	_	_	_	_	-
Bankers' acceptances/									
Trust receipts	2.91 - 3.68	RM	342	342	_	_	_	_	-
Bankers' acceptances/									
Trust receipts	1.78	EUR	15	15	_	_	_	_	-
Revolving credits	4.27 - 4.42	USD	64,947	64,947	_	_	_	_	-
Revolving credits	4.83 - 5.97	RM	11,091	11,091	_	_	_	_	-
Discounted bills	2.00 - 3.19	USD	23,327	23,327	_	_	_	_	-
Discounted bills	1.42 - 6.92	EUR	3,656	3,656	_	_	_	_	-
Hire purchase and									
lease payables	5.77 - 5.87	EUR	792	248	408	94	42	_	-
Hire purchase and									
lease payables	2.33 - 3.55	RM	171	96	55	14	6	_	-
Hire purchase and									
lease payables	3.40	GBP	25	6	6	13	_	_	-
Short term loans	1.95 - 6.25	EUR	53,541	53,541	_	_	_	_	-
Short term loans	26.50 - 40.00	ARS	4,386	4,386	_	_	_	_	_
Short term loans	7.50	CZK	5	5	_	_	_	_	-
Term loans	6.43 - 6.89	RM	77,189	48,056	29,133	_	_	_	_
Term loans	1.85 - 2.32	CHF	6,405	6,405	_	_	_	_	-
Term loans	1.80 - 2.90	EUR	7,483	898	901	811	780	780	3,313
			258,053	221,697	30,503	932	828	780	3,313
Unsecured									
Bank overdrafts	4.50	GBP	1,825	1,825	_	_	_	_	_
Bank overdrafts	7.10 - 8.50	EUR	975	975	_	_	_	_	_
Bank overdrafts	7.00	USD	511	511	_	_	_	_	_
Bankers' acceptances/									
Trust receipts	4.94	EUR	2,532	2,532	_	_	_	_	_
Revolving credits	2.55 - 4.42	USD	95,202	95,202	_	_	_	_	_
Revolving credits	5.79 - 5.96	RM	11,896	11,896	_	_	_	_	_
Revolving credits	5.26	MXN	6,448	6,448	_	_	_	_	_
Revolving credits	31.06	СОР	5	5	_	_	_	_	_
Discounted bills	2.60 - 4.50	USD	21,667	21,667	_	_	_	_	_
Discounted bills	2.26 - 6.92	EUR	11,779	11,779	_	_	_	_	_
Short term loans	1.20	USD	4,222	4,222	_	_	_	_	_
Term loans	4.25	GBP	1,394	318	331	350	363	32	-
			158,456	157,380	331	350	363	32	-
			416,509	379,077	30,834	1,282	1,191	812	3,313

27. BORROWINGS (continued)

COMPANY	EFFECTIVE INTEREST	FUNCTIONAL	TOTAL CARRYING	MATURITY PROFILE								
2016	RATE %	CURRENCY	AMOUNT RM'000	< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000			
Secured												
Revolving credits	4.53 - 4.93	USD	67,258	67,258	_	_	_	_	_			
Discounted bills	2.11 - 3.92	USD	24,143	24,143	_	_	_	_	_			
Discounted bills	0.96 - 2.77	EUR	3,885	3,885	_	_	_	_	_			
Hire purchase and												
lease payables	3.50	RM	43	43	_	_	_	_	_			
			95,329	95,329	-	-	-	-	-			
Unsecured												
Revolving credits	3.00 - 4.95	USD	58,292	58,292	-	_	_	-	_			
Discounted bills	2.90 - 4.50	USD	27,124	27,124	_	_	_	_	_			
Discounted bills	2.06 - 2.75	EUR	13,168	13,168	-	-	-	-	-			
			98,584	98,584	-	-	-	-	-			
			193,913	193,913	-	-	-	-	-			
	EFFECTIVE		TOTAL									
COMPANY	INTEREST	FUNCTIONAL	CARRYING				TY PROFILE —					
2015	RATE %	CURRENCY	AMOUNT RM'000	< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000			
Secured												
Revolving credits	4.27 - 4.42	USD	64,947	64,947	_	_	_	_	_			
Revolving credits	4.83 - 5.97	RM	7,063	7,063	_	_	_	_	_			
Discounted bills	2.00 - 3.19	USD	23,327	23,327	_	_	_	_	_			
Discounted bills	1.42 - 2.85	EUR	2,728	2,728	_	_	_	_	_			
Hire purchase and												
lease payables	3.50	RM	113	71	42	_	_	_	_			
Term loans	6.43 - 6.89	RM	77,189	48,056	29,133	_	_	_	_			
			175,367	146,192	29,175	-	-	-	_			
Unsecured												
Revolving credits	2.55 - 4.42	USD	95,202	95,202	_	_	_	_	_			
Discounted bills	2.60 - 4.50	USD	21,667	21,667	_	_	_	_	_			
Discounted bills	2.26 - 2.75	EUR	9,189	9,189	-	-	-	-	_			
			126,058	126,058	-	-	-	-	-			
			301,425	272,250	29,175							

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27. BORROWINGS (continued)

	GROUP		COM	MPANY
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase and lease payments:				
- Not later than 1 year	448	385	50	78
- Later than 1 year and not later than 5 years	290	649	_	48
	738	1,034	50	126
Future finance charges	(24)	(46)	(7)	(13)
	714	988	43	113
Present value of hire purchase and lease payables:				
- Not later than 1 year	429	350	43	71
- Later than 1 year and not later than 5 years	285	638	-	42
	714	988	43	113

Discounted bills are secured over the subsidiaries' receivables as disclosed in Note 22 to the financial statements.

Short term loans and bank overdrafts are secured over the subsidiaries' property, plant and equipment as disclosed in Note 14 to the financial statements, inventories as disclosed in Note 21 to the financial statements and trade receivables as disclosed in Note 22 to the financial statements.

The term loans, revolving credits and bankers' acceptances/trust receipts are secured by legal charges over the property, plant and equipment as disclosed in Note 14 to the financial statements, investments in subsidiaries as disclosed in Note 16 to the financial statements and deposits with licensed banks as disclosed in Note 23 to the financial statements.

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

Term loans and hire purchase and lease payables which are subject to fixed interest rates amounted to RM6,638,000 (2015: RM13,888,000) and RM714,000 (2015: RM988,000) respectively, out of which RM6,014,000 (2015: RM7,223,000) are repayable later than one (1) year.

27. BORROWINGS (continued)

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

	ON DEMAND OR WITHIN ONE YEAR RM'000	ONE TO FIVE YEARS RM'000	OVER FIVE YEARS RM'000	TOTAL RM'000
As at 31 December 2016				
Group				
Financial liabilities: Borrowings/Total undiscounted financial liabilities	362,316	37,843	15,079	415,238
Company				
Financial liabilities: Borrowings/Total undiscounted financial liabilities	193,913	-	_	193,913
As at 31 December 2015				
Group				
Financial liabilities: Borrowings/Total undiscounted financial liabilities	384,484	36,606	3,839	424,929
Company				
Financial liabilities: Borrowings/Total undiscounted financial liabilities	277,314	31,086	_	308,400

28. PAYABLES

	G	ROUP	COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	130,397	135,722	13,019	17,895
Amounts due to subsidiaries	_	_	57,447	20,497
Accruals:				
- Staff costs	32,607	37,410	193	130
- Bonus to customers	42,478	37,616	_	_
- Others	16,618	19,523	769	591
Employee related benefits	5,437	3,796	_	_
Other payables	5,055	3,203	264	117
	232,592	237,270	71,692	39,230

Payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

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28. PAYABLES (continued)

Credit terms of trade payables granted to the Group and to the Company range from 1 day to 120 days (2015: 1 day to 120 days). The maturity profile of payables of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

Amounts due to subsidiaries which arose mainly from trade transactions, advances and payments made on behalf are unsecured, interest free and repayable on demand except for trade transactions, which are subject to normal trade credit terms.

The currencies exposure profiles of payables are as follows:

	G	ROUP COM		MPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
- EUR	156,626	148,655	31,690	9,534	
- MXN	16,698	21,635	_	_	
- USD	16,610	18,982	31,505	26,747	
- ARS	6,592	5,037	_	_	
- CHF	6,524	10,565	_	_	
- COP	6,106	5,843	_	_	
- PLN	5,596	7,066	_	_	
- RON	3,920	3,182	_	_	
- CZK	3,438	3,728	_	_	
- GBP	2,861	4,868	_	_	
- RM	2,414	2,434	2,907	1,437	
- JPY	1,920	1,983	5,576	1,512	
- HUF	1,280	1,265	_	_	
- CNY	755	721	_	_	
-TWD	510	322	_	_	
- SGD	332	273	_	_	
- Indonesian Rupiah ("IDR")	211	202	_	_	
- HKD	161	428	_	_	
- BGN	38	_	_	_	
- THB	_	_	14	_	
- SEK	_	81	-	_	
	232,592	237,270	71,692	39,230	

29. CAPITAL COMMITMENTS

		GROUP
	2016	2015
	RM'000	RM'000
Authorised and contracted for:		
- Property, plant and equipment	1,573	1,354
Authorised but not contracted for:		
- Property, plant and equipment	1,506	_

30. OPERATING LEASE COMMITMENTS

	GROUP	
	2016 RM'000	2015 RM'000
Minimum lease payments under operating lease commitments:		
Not later than 1 year	11,736	9,829
Later than 1 year and not later 5 years	15,732	10,272
	27,468	20,101

31. CONTINGENT LIABILITIES

- (a) In the ordinary course of business, the business of Pelikan Hardcopy Holding AG and German Hardcopy AG groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the "Hardcopy business") is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers ("OEM") for perceived breach of patents with an assessed potential maximum exposure of EUR5 million (RM23.6 million) (2015: EUR6.0 million or RM28.1 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group has been successful in defending most cases and management remains confident that the Group's exposure to these claims can be reduced or can be successfully defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material effect on the Group.
- (b) Based on the latest actuaries assumption as at 31 December 2016, Pelikan Hardcopy Scotland Limited's ("PHSL") retirement fund has GBP24.5 million (RM135.1 million) assets to meet its estimated pension liabilities of GBP45.9 million (RM253.1 million). The Company provided a guarantee of GBP12.6 million for the shortfall. An amount of GBP21.4 million (RM118.0 million) has been recognised as a pension liability of the Group for the financial year ended 31 December 2016 in accordance with MFRS 119 Employee Benefits.
 - The increase in the pension liability as at 31 December 2016 is primarily resulted from the reduction in gilt yields following United Kingdom's referendum to exit European Union.
 - Whilst the pension payouts continue to be made out of the pension assets, the Group is looking at various options for the pension scheme in the longer term.
- (c) The Company has provided corporate guarantees to financial institutions and suppliers for financing arrangements of certain subsidiaries amounting to RM286,206,000 (2015: RM142,684,000). The financial guarantees have not been recognised since the fair value on initial recognition was negligible.

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32. EXECUTIVES' SHARE OPTION SCHEME

The Company's Executives' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 17 December 2009. The ESOS was effected on 1 March 2010 and is to be in force for a period of five (5) years from the effective date of implementation. It may be extended or renewed for a further period of five (5) years, at the sole and absolute discretion of the Board of Directors upon the recommendation of the Option Committee and pursuant to the by-law, and shall not in aggregate exceed duration of ten (10) years from the effective date of implementation. On 6 February 2015, the ESOS expiry period had been extended for a further three (3) years to 28 February 2018.

The salient features of the ESOS are as follows:

- (i) The Board of Directors has appointed the Option Committee to administer the ESOS.
- (ii) The Company may from time to time grant option to eligible employees of the Group to subscribe for new ordinary shares of RM1.00 each.
- (iii) Subject to the determination and discretion of the Option Committee, ESOS may be granted to any Director named in the Register of Directors of the Company or any employee who is a confirmed full-time employee of the Company and/or its eligible subsidiaries and if that person is servicing under a fixed term of contract of employment, the contract (including any period of employment which that person has already served) should be for a duration of at least one (1) year of continuous service.
- (iv) The total number of shares to be issued under the ESOS shall not exceed five percent (5%) of the issued and paid-up share capital of the Company at any point of time throughout the duration of the ESOS and of which not more than fifty percent (50%) of the Company's new shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than ten percent (10%) of the Company's new shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through person connected with the eligible employee, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.
- (v) The option price for each share shall be the higher of the weighted average market price of the Company's shares, as quoted on Bursa Malaysia Securities Berhad, for the five (5) market days immediately preceding the date of offer of the option with a discount of not more than ten percent (10%), or the par value of the shares of the Company of RM1.00 each.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company except that the so allotted and issued shares will not be entitled to any dividends, rights, allotments or other distribution, where the entitlement date precedes the date of allotment of the new shares and will be subject to the provisions of the Articles of Association of the Company relating to transfer, transmission or otherwise of the Company's shares.

The Company granted 7,983,750 share options under the ESOS at an exercise price of RM1.35 per share option to the eligible employees and Directors. As of 31 December 2016, 1,243,750 options had lapsed and 6,290,000 options remained outstanding. No share options were exercised during or at the end of the financial year.

The weighted average fair value of the share options granted is RM0.03 per option. Options were priced using the Black Scholes Model and the key assumptions used in these models are as follows:

Share price	RM1.19
Expected volatility	20.00%
Risk free rate	3.82%

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, significant related party transactions entered into by the Group during the financial year are set out below. These transactions were carried out in the normal course of business and have been established under negotiated and mutually agreed terms.

		GROUP		MPANY
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods to subsidiaries - net	_	-	102,439	97,133

34. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings, net of cash and bank balances over shareholders' equity. At the end of the reporting period, the Group's net gearing ratio is 0.82 times (2015: 0.75 times). The Group's policy is to keep its gearing within manageable levels.

(b) Financial risk management

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

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

(i) Credit risk

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

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34. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Receivables

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

The Group does not have any significant exposure to any individual customer. A significant portion of its trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 22 to the financial statements.

The Company provides unsecured loans and advances to subsidiaries. Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment.

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

(ii) Liquidity and cash flow risk

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

The maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations are disclosed in Note 26, Note 27 and Note 28 to the financial statements.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates mainly to bank borrowings which are subject to floating interest rates.

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

The following table illustrates the effect of changes in interest rates at 31 December 2016. If the interest rates at the end of the reporting period increased by twenty five (25) basis points with all other variables held constant, the Group's and the Company's profit before tax will improve/(decline) by:

	2016 RM'000	2015 RM'000
Group		
Increase by 25 basis points	(1,032)	(997)
Company		
Increase by 25 basis points	(619)	(750)

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

(iv) Foreign currency risk

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

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

The following table illustrates the effect of changes in exchange rate on the translation of foreign currency monetary items against the functional currency at 31 December 2016. If the major currencies weakened by 3% at the end of the reporting period, the Group's and the Company's profit before tax will improve/(decline) by:

MAJOR CURRENCY	2016 RM'000	2015 RM'000
Group United States Dollar	5,290	6,070
Company European Euro United States Dollar	(4,340) 6,070	(5,560) 6,220

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34. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk (continued)

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

The Group operates internationally and is therefore exposed to different currencies of the countries where the Group operates. Exposure to currency risk as a whole is mitigated by the operating environment which provides for a natural hedge. Most payments for foreign payables is matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

(v) Market price risk

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

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

35. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 7 March 2017, the Company had issued a notice to Pelikan Aktiengesellschaft ("Pelikan AG") of its intention to undertake a squeeze-out against cash compensation pursuant to Section 327a (1) of the German Stock Corporation Act ("Proposed Squeeze-out"). Upon the completion of the Proposed Squeeze-out, the non-controlling interests shares' of 3,348,927 shares, representing 1.38% of Pelikan AG's issued and paid-up capital shall be transferred to the Company against a cash compensation and Pelikan AG will become a 100% owned subsidiary of the Company.

36. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

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

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total (accumulated losses)/retained profits of the Company and its subsidiaries:				
- Realised (loss)/profit	(176,785)	(139,703)	49,284	58,821
- Unrealised profit/(loss)	65,527	81,962	(48,793)	(39,185)
	(111,258)	(57,741)	491	19,636
Less: Consolidation adjustments	(5,168)	(5,971)	-	_
Total (accumulated losses)/retained profits as per				
statements of financial position	(116,426)	(63,712)	491	19,636

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

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

2. OPTIONS OR CONVERTIBLE SECURITIES

The shareholders of the Company had on 17 December 2009 during the Extraordinary General Meeting of the Company approved an Executives' Share Option Scheme ("ESOS") for the eligible executives and Directors of the Company. The ESOS was effective 1 March 2010 and is to be in force for a period of five (5) years from the effective date of implementation. It may be extended or renewed for a further period of five (5) years, at the sole and absolute discretion of the Board of Directors upon the recommendation of the Option Committee and pursuant to the by-law, and shall not in aggregate exceed a duration of ten (10) years from the effective date of implementation. On 6 February 2015, the ESOS expiry period has been extended for a further period of three (3) years to 28 February 2018.

The Company granted 7,983,750 shares options under the ESOS at an exercise price of RM1.35 per share option to the eligible employees and Directors. As of 31 December 2016, 1,243,750 options has lapsed and 6,290,000 options remains outstanding. No share options were exercised during or at the end of the financial year.

The total number of shares to be issued under the ESOS shall not exceed five percent (5%) of the issued and paid-up share capital of the Company at any point of time throughout the duration of the ESOS and of which not more than fifty percent (50%) of the Company's new shares available under the ESOS shall be allocated in aggregate, to Directors and senior management.

Since the commencement of the ESOS, 20.2% was granted to Directors and senior management.

3. NON-AUDIT FEES

The non-audit fees paid or payable to the external auditors of the Company and its subsidiaries for the financial year ended 31 December 2016 amounted to RM80,000.

4. MATERIAL CONTRACTS

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

ANALYSIS OF SHAREHOLDINGS AS AT 20 MARCH 2017

Authorised Share Capital : RM1,000,000,000 Issued and Paid-Up Share Capital : RM553,296,061

Class of Shares : Ordinary Shares of RM1.00 each Voting Rights : One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%*	NO. OF SHARES	% *
1-99	740	16.92	26,080	0.00
100 - 1,000	357	8.16	145,261	0.03
1,001 - 10,000	2,130	48.71	9,149,606	1.67
10,001 - 100,000	943	21.57	29,200,945	5.33
100,001 to less than 5% of the issued shares	198	4.53	222,581,680	40.59
5% and above of issued shares	5	0.11	287,264,478	52.38
Total	4,373	100.00	548,368,050	100.00

^{*} After netting off the 4,928,011 treasury shares of Pelikan International Corporation Berhad ("PICB") held as at 20 March 2017.

DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

		NO. OF SHARES HELD			
NA	ME OF DIRECTORS	DIRECT INTEREST	% *	INDIRECT INTEREST	% *
1.	Loo Hooi Keat ⁽²⁾	53,875,923	9.82	42,708,852(1)	7.79
2.	Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	_	_	_	_
3.	Dato' Afifuddin bin Abdul Kadir	_	_	_	_
4.	Dato' Lua Choon Hann	_	_	_	_
5.	Datuk Rozaida binti Omar ⁽²⁾	_	_	_	_
6.	Datin Normimy Binti Mohamed Noor	_	_	_	_

Notes:

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

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

⁽²⁾ Mr. Loo Hooi Keat and Datuk Rozaida binti Omar, each has 500,000 ESOS options at an option price of RM1.35 per option.

^{*} After netting off the 4,928,011 treasury shares of PICB held as at 20 March 2017.

ANALYSIS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(Based on the Register of Substantial Shareholders)

		NO. OF SHARES HELD					
		DIRECT		INDIRECT			
NAM	NE OF SUBSTANTIAL SHAREHOLDERS	INTEREST	% *	INTEREST	% *		
1.	Loo Hooi Keat	53,875,923	9.82	42,569,928(1)	7.76		
2.	Lembaga Tabung Haji	157,185,498	28.66	_	_		
3.	PBS Office Supplies Holding Sdn Bhd	42,548,975	7.76	_	_		
4.	Marktrade Sdn Bhd	_	_	42,548,975(2)	7.76		
5.	Auctus Ventures Ltd and Nominees	36,500,000	6.66	_	_		
6.	Chia Chor Meng and Nominees	33,526,000	6.11	1,233,900(3)	0.23		
7.	Caprice Capital International Ltd and Nominees	29,200,000	5.32	_	_		
8.	Poh Yang Hong and Nominees	2,000,000	0.36	29,200,000(4)	5.32		

Notes:

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

⁽²⁾ Deemed interested by virtue of its substantial shareholdings in PBS Office Supplies Holding Sdn Bhd.

⁽³⁾ Deemed interested by virtue of shares held by his wife.

⁽⁴⁾ Deemed interested by virtue of his interest in Caprice Capital International Ltd and Nominees.

^{*} After netting off the 4,928,011 treasury shares of PICB held as at 20 March 2017.

ANALYSIS OF SHAREHOLDINGS

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

(Da:	based on the Record of Depositors)				
	NAME OF SHAREHOLDERS	NO. OF SHARES	%*		
1.	Lembaga Tabung Haji	157,185,498	28.664		
2.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	40,616,200	7.406		
3.	Kenanga Nominees (Tempatan) Sdn Bhd ECM Libra Partners Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd	32,462,780	5.919		
4.	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Caprice Capital International Ltd	29,200,000	5.324		
5.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat	27,800,000	5.069		
6.	Public Invest Nominees (Asing) Sdn Bhd Exempt An for Phillip Securities Pte Ltd (Clients)	25,647,100	4.676		
7.	CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	20,790,428	3.791		
8.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	19,773,800	3.605		
9.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat	15,071,002	2.748		
10.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (001)	10,802,140	1.969		
11.	HSBC Nominees (Asing) Sdn Bhd Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	8,055,500	1.468		
12.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd	6,000,000	1.094		
13.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Kim Teck (471848)	5,580,300	1.017		
14.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Siew Chin (CEB)	5,139,096	0.937		
15.	Loo Hooi Keat	5,079,000	0.926		

ANALYSIS OF SHAREHOLDINGS

LIST OF TOP THIRTY (30) SHAREHOLDERS

(Based on the Record of Depositors) (continued)

	NAME OF SHAREHOLDERS	NO. OF SHARES	%*
16.	PBS Office Supplies Holding Sdn Bhd	4,056,195	0.739
17.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (MX3665)	3,660,000	0.667
18.	Ambank (M) Berhad Pledged Securities Account for Gan Kong Hiok (SMART)	3,278,000	0.597
19.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok	2,995,000	0.546
20.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Monteiro Gerard Clair	2,800,000	0.510
21.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	2,792,500	0.509
22.	Kenanga Nominees (Tempatan) Sdn Bhd Lim Meng Sin (001)	2,408,000	0.439
23.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	2,400,000	0.437
24.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (KLC/Ken)	2,354,660	0.429
25.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok	2,023,000	0.368
26.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Caprice Capital Holdings Ltd	2,000,000	0.364
27.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Prakash A/L K V P Menon	1,967,000	0.358
28.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore for IAM Traditional Asian Growth Fund	1,937,200	0.353
29.	APEX-PAL Malaysia Sdn Bhd	1,918,000	0.349
30.	Affin Hwang Nominees (Asing) Sdn Bhd Exempt An for DBS Vickers Securities (Singapore) Pte Ltd (Genting Sec L AC)	1,501,100	0.273

^{*} After netting off the 4,928,011 treasury shares of PICB held as at 20 March 2017.

LIST OF GROUP PROPERTIES

REC	SISTERED OWNER	LOCATION	LAND AREA	EXISTING USE	BUILT-UP AREA	AGE OF BUILDING/ DATE OF ACQUISITION	TENURE	RM'000
1	Pelikan AG	Strasse der Einheit 142-148 D-14612 Falkensee Germany	319,783 sqm	Logistic Centre	134,644 sqm	22 years 31/12/2001	Freehold	187,512
2	Pelikan GmbH	Factory Vöhrum Pelikanstrasse 11 D-31228 Peine Germany	68,873 sqm	Production	46,373 sqm	20 – 46 years 17/12/1973	Freehold	56,265
3	Pelikan México S.A. de C.V.	Carretera a Tehuacán 1033 Col. Maravillas C.P. 72220, Puebla Mexico	80,109 sqm	Production	18,485 sqm	37 years 30/4/1981	Freehold	17,137
4	Pelikan Hardcopy CZ s.r.o	Svatoborska 1355/100 CZ-69701 Kyjov Czech Republic	9,933 sqm	Production	5,376 sqm	15 years 29/1/2015	Freehold	9,543
5	Herlitz Spolka z.o.o.	ul. Szamotulska 2 Baranowo k. Poznania 62081 Przezmierowo Poland	37,563 sqm	Office building, production & warehouse	12,000 sqm	17 years 1/1/1999	Freehold	9,237
6	Pelikan Colombia S.A.S.	Carrera 65B No 18ª-17 Bogotá Colombia	4,478 sqm	Production	5,845 sqm	37 years 8/1/2007	Freehold	6,791
7	Pelikan Hardcopy Scotland Limited	Markethill Road GB-Turriff Aberdeenshire AB 53 4AW United Kingdom	30,200 sqm	Production	15,400 sqm	51 years 15/1/2010	Freehold	2,619
8	Herlitz Romania S.R.L.	Str. Depozitelor nr. 22 540240 Targu Mures Romania	861 sqm	Land	-	- 15/3/1995	Freehold	43
								289,147

PRODUCTION

Colombia

Pelikan Colombia S.A.S. Carrera 65B No. 18^a - 17

Bogotá

Tel: +571 261 1711 Fax: +571 290 5550

Email: servicioaclientes@pelikan.com.co

Czech Republic

Pelikan Hardcopy CZ s.r.o Svatoborska 1355/100 CZ-69701 Kyjov Tel: +42 0 518 699 888

Fax: +42 0 518 699 866 Email: phcz@phpag.com

Germany

Pelikan AG

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Tel: +49 0(30) 4393 0 Fax: +49 0(30) 4393 3408

Email: http://pelikan-ag.com/pelikanag/Pulsar/de_DE.Pelikan-AG.displayContactForm.215./

?form=contact

Website: www.pelikan-ag.com

Germany

Pelikan PBS-Produktionsgesellschaft mbH & Co. KG

Factory Vöhrum Pelikanstrasse 11 D - 31228 Peine Tel: +49 5171 299 0

Fax: +49 5171 299 205

Email: produktion@pelikan.com

United Kingdom

Pelikan Hardcopy Scotland Limited Markethill Road GB-Turriff Aberdeenshire AB 53 4AW Tel: +44 1888 564 200

Email: enquires@pelikan-ttr.com

Mexico

Pelikan México S.A. de C.V. Carretera a Tehuacán 1033 Col. Maravillas

C.P. 72220 Puebla Tel: +52 222 309 8000 Fax: +52 222 309 8049

Email: buzon@pelikan.com.mx

People's Republic of China

Dongguan Pelikan Hardcopy Ltd. 3/F Block B Chuang Xin Industrial Park No. 93 Da Xin Road Da Zhou Qiaotou Zhen Dongguan Guangdong 523525 Tel: +86 769 8334 9250 Fax: +86 769 8334 2450

Email: info@pelikan-china.com

Poland

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

INVESTMENT HOLDINGS

Malaysia

Pelikan International Corporation Berhad No. 9 Jalan Pemaju U1/15

Seksyen U1

Hicom Glenmarie Industrial Park

40150 Shah Alam Selangor Darul Ehsan Tel: +603 5569 5511 Fax: +603 5569 5500 Email: picb@pelikan.com.my

Switzerland

Pelikan Holding AG Chaltenbodenstrasse 8 CH-8834 Schindellegi Tel: +41 44 786 70 20 Fax: +41 44 786 70 21

Email: frauke.wandrey@pelikan.com

Germany

Pelikan AG Am Borsigturm 100 13507 Berlin Tel: +49 0(30) 4393 0 Fax: +49 0(30) 4393 3408

Email: http://pelikan-ag.com/pelikanag/Pulsar/de_DE.Pelikan-AG.displayContactForm.215./

?form=contact

Website: www.pelikan-ag.com

SALES

EUROPE

Austria

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Belgium

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

Bulgaria

Herlitz Bulgaria EooD

1528 Sofia Tel: +359 2 973 20 20 Fax: +359 2 973 2151 Email: office@herlitzbg.com Website: www.herlitzbg.com

10 Poruchik Nedelcho Bonchev str.

Czech Republic

Herlitz Spol s.r.o. Bucharova 1281/2 CZ 158 00 Praha 5 - Stodůlky Tel: +420 296 544 111

Fax: +420 296 544 445 Email: info@herlitz.cz Website: www.herlitz.cz

France

Pelikan France S.A.S. Les Conquérants - Imm. Annapurna 1 Av. de l'Atlantique - Z.A. Courtaboeuf 91978 Les Ulis Cedex Tel: +33 (0)1 69 29 88 68 Fax: +33 (0)1 69 29 88 60 Email: info@pelikan.fr

Germany

Pelikan Vertriebsgesellschaft mbH & Co. KG Werftstrasse 9 D - 30163 Hannover Tel: +49 511 6969 0 Fax: +49 511 6969 212 Email: info@pelikan.com Website: www.pelikan.com

Germany

Pelikan Hardcopy Distribution GmbH & Co. KG/ Pelikan Hardcopy Distribution Verwaltungs GmbH Eurotec Ring 47445 Moers Tel: +49 2841 998930 Email: info@pelikan-printing.de

Greece

Pelikan Hellas Ltd.

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Hungary

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Italy

Pelikan Italia S.p.A. Via Cechov 48 20151 Milano Tel. +39 02 390161 Fax. +39 02 39016367 Email: info@pelikan.it Website: www.pelikan.it

Poland

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Romania

Sediu Central Str. Depozitelor nr.22 540240 Targu Mures Tel: +40 (0)265 253722, 253583 Fax: +40 (0)265 253582

Herlitz România S.R.L.

Email: herlitz@herlitzromania.ro Website: www.herlitzromania.ro

SALES

Slovakia

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Website: www.herlitz.sk

Spain

Pelikan S.A. Lleida 8 nave 1 08185 Lliçà de Vall Barcelona

Tel: +34 902 208 200 Fax: +34 902 208 201 Email: pelikan@pelikan.es

Switzerland

Pelikan Hardcopy Production AG Haldenstrasse 28 CH-8620 Wetzikon Tel: +41 44 986 1222 Email: info@phpag.com

Switzerland

Pelikan (Schweiz) AG

Chaltenbodenstrasse 8 CH-8834 Schindellegi Tel: +41 (0)44 786 70 20 Fax: +41 (0)44 786 70 21 Email: info@pelikan.ch

Turkey

Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd. Sirketi Maslak Mah. Dereboyu Cad. Bilim Sok. No.5 Sun Plaza Kat 23 34398, Sariyer, İstanbul Tel.: +90 (0) 212 276 9820 Fax: +90 (0) 212 276 9880

AMERICAS

Argentina

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Juan Zufriategui 621/627 P. 1º
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Colombia

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Fax: +52 222 309 8049 Email: buzon@pelikan.com.mx

ASIA & MIDDLE EAST

India

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

Japan

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Fax: +81 3 3836 6545
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Selangor Darul Ehsan
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SALES

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Email: enquiry@pelikan.com.sg

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Thailand

Pelikan (Thailand) Co. Ltd.
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Bangkok 10160
Tel: +662 804 1415 9
Fax: +662 804 1420
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United Arab Emirates

Pelikan Middle East FZE Sharjah Airport International Free Zone Area O3 - Bldg "O" P.O.Box 120318 Sharjah Tel: +9716 5574 571

Fax: +9716 5574 572 Email: nalatrash@pelikan.ae

SERVICES

Germany

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Germany

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Fax: +49 (0)30 3322 26 5680 Email: kontakt@ecomlogistik.de Website: www.ecomlogistik.de

Germany

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14612 Falkensee

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Email: kontakt@poss-merchandising.de Website: www.poss-merchandising.de

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fifth Annual General Meeting of Pelikan International Corporation Berhad will be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Wednesday, 24 May 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon.	(Please refer to Explanatory Note 1)
2.	To approve the payment of Directors' fees of RM370,000.00 for the financial year ended 31 December 2016.	(Ordinary Resolution 1)
3.	To approve the payment of the Directors' benefits to the Non-Executive Directors up to RM60,000.00 from 1 January 2017 until the next Annual General Meeting.	(Ordinary Resolution 2)
4.	To re-elect Datuk Rozaida Binti Omar who retires pursuant to Article 127 of the Company's Articles of Association.	(Ordinary Resolution 3)
5.	To re-elect Datin Normimy Binti Mohamed Noor who retires pursuant to Article 127 of the	

6. To re-appoint Messrs. BDO as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.

(Ordinary Resolution 5)

(Ordinary Resolution 4)

AS SPECIAL BUSINESS

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

Company's Articles of Association.

7. To approve the proposed renewal of authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.

"THAT, pursuant to Sections 75 and 76 of the Companies Act, 2016, the Articles of Association of the Company and subject to the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised to issue shares of the Company from time to time upon such terms and conditions for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit and expedient in the best interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total issued and paid-up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately and continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within the next Annual General Meeting of the Company is required to be held, whichever is earlier."

(Ordinary Resolution 6)

NOTICE OF ANNUAL GENERAL MEETING

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

BY ORDER OF THE BOARD

HO MING HON (MICPA 3814)
CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretaries
Selangor Darul Ehsan
28 April 2017

NOTES:

- 1. A Member who is entitled to attend and vote at the meeting is entitled to appoint at least (1) proxy to attend and vote in his stead. Where a Member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
- 2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- 3. Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 4. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor, and shall be in the form as set out in the Articles of Association of the Company (or in a form as near to it as circumstances allow or in any other form which is usual or which the Directors may approve) and shall be deemed to include the right to demand or join in demanding a poll.
- 5. Only depositors whose names appear in the Record of Depositors as at 17 May 2017 shall be entitled to attend, speak and vote at the Thirty-Fifth (35th) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.
- 6. The proxy form, to be valid, must be deposited at the registered office at No. 9 Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:

1. Item 1 of the Agenda

This agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda is not put forward for voting.

2. Item 7 of the Agenda

Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 6 if passed, will give powers to the Directors to issue up to a maximum 10% of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiry of the period within the next Annual General Meeting of the Company is required to be held, whichever is earlier.

The general mandate sought for issue of securities is a renewal to a general mandate sought in the preceding year. As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirty-Fourth Annual General Meeting held on 18 May 2016. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval, which would incur additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.





FORM OF PROXY

Number of Shares Held	
CDS Account No.	



I/W	e	(Full na	ame in capital letters)
NRI	C No./Company No of		
			(Full address)
bein	g a Member of PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U), hereby appoint		(1111111)
	xy A)	(Full n	ame in canital letters)
	C No of		
INIXIV	OI		
*200	I/or failing him/har		(Full address)
	l/or failing him/her	7 - 11	
	ху В)		
NKI	C No of		
			(Full address)
at t Sauj	or failing him/her, *the Chairman of the Meeting as my/our proxy/proxies to attend and vote fo The Thirty-Fifth Annual General Meeting of the Company to be held at Saujana Ballroom, The Jana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Wednesday, Tournment thereof.	Saujana Hote	el Kuala Lumpur,
The	proportions of my/our holding to be represented by my/our proxy/proxies are as follows:		
Prox	ry A		%
Prox	уу В		%
			100%
My/	our proxy/proxies shall vote as follows:		
	ase indicate with an "X" in the spaces provided below how you wish your votes to be cast. If you do not one of abstain from voting at his/her discretion.)	not do so, the p	proxy/proxies will
No.	Ordinary Resolutions	For	Against
1.	To approve the payment of the Directors' fees		
2.	To approve the payment of Directors' benefits		
3.	To re-elect Datuk Rozaida Binti Omar as Director of the Company		
4.	To re-elect Datin Normimy Binti Mohamed Noor as Director of the Company		
5.	To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration		
6.	To approve the proposed renewal of authority for Directors to issue shares		
Sign	day of, 2017		
*Strike	out whichever not applicable Signatu	re(s) of Memb	er/Common Seal

NOTES:

- 1. A Member who is entitled to attend and vote at the meeting is entitled to appoint at least one (1) proxy to attend and vote in his stead. Where a Member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
- 2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- 3. Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 4. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor, and shall be in the form as set out in the Articles of Association of the Company (or in a form as near to it as circumstances allow or in any other form which is usual or which the Directors may approve) and shall be deemed to include the right to demand or join in demanding a poll.
- 5. Only depositors whose names appear in the Record of Depositors as at 17 May 2017 shall be entitled to attend, speak and vote at the Thirty-Fifth (35th) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.
- 6. The proxy form, to be valid, must be deposited at the registered office at No. 9 Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

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PELIKAN INTERNATIONAL CORPORATION BERHAD

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

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

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