Pelikan

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

realigning strengths

annual report 2014

VISION

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

MISSION

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

We accomplish our mission by:

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

OUR GUIDING PRINCIPLES Quality • Innovation • Commitment • Integrity • Teamwork

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REVENUE by Product Group in 2014

4.7%	FINE WRITING INSTRUMENTS	RM65,539,000
30.9%	SCHOOL	RM426,362,000
2.7%	HOBBY, ART & CRAFT	RM37,190,000
34.7%	OFFICE	RM480,094,000
15.5%	PRINTER CONSUMABLES	RM213,772,000
4.9%	PAPETRIE	RM68,238,000
6.6%	OTHERS	RM90,925,000

TOTAL

RM1,382,120,000

Calling all Pelikan fans!

Pelikan Hubs was an idea generated from our desire to celebrate the passion of our fine writing instrument fans all over the world. What we did was organise a meeting between these fans from cities in various countries and let them share their stories, knowledge, experiences and of course their passion towards our writing instruments. The result? A memorable evening for more than 900 Pelikan fans in almost 70 cities around the world!!

This was the **Pelikan Hubs 2014**!
The gathering was held on **13 June 2014**, at 7.30PM local time.
The following cities were chosen as Pelikan Hubs:

Australia: Melbourne

Austria: Wien

Brazil: Sao Paulo

Canada: Montreal, Toronto

Chile: Santiago

China: Beijing

Colombia: Bogotá

France: Paris

Germany: Berlin, Bonn, Dortmund, Dresden, Düsseldorf, Frankfurt/Main, Hamburg, Hannover, Karlsruhe, Köln, Leipzig, Mannheim, München, Nürnberg, Rostock, Stuttgart

Greece: Athens, Thessaloniki

Hong Kong: Hong Kong

Hungary: Budapest

India: Mumbai

Italy: Florence, Milan, Turin

Japan: Tokyo

Malaysia: Kuala Lumpur

Mexico: Mexico City

New Zealand: Christchurch

Philippines: Cebu, Manila, Quezon City

Poland: Katowice, Warsaw

Portugal: Lisbon

Singapore: Singapore

Spain: Barcelona, Madrid, Malaga

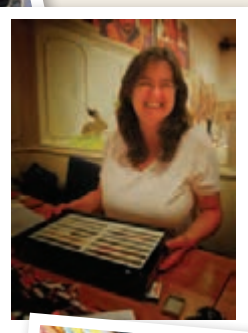
Switzerland: Zürich

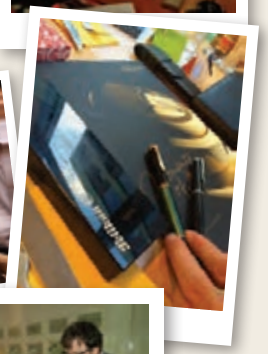
Taiwan: Tainan, Taipei

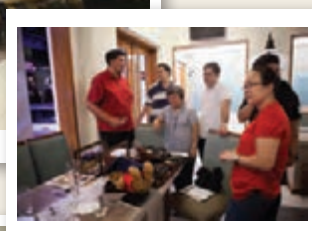
Turkey: Ankara, Istanbul, Izmir

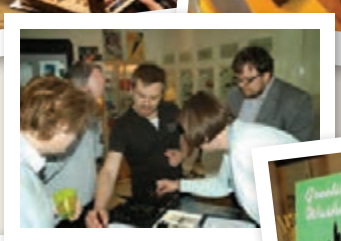
United Kingdom: Edinburgh, London

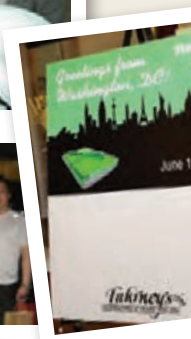
USA: Atlanta, Boston, Chicago, Cincinnati, Dallas, Detroit, Houston, Los Angeles, New York, Philadelphia, Richmond, San Francisco, Washington









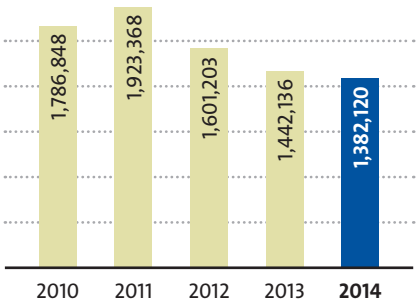


See you at Pelikan Hubs 2015 on September 25!

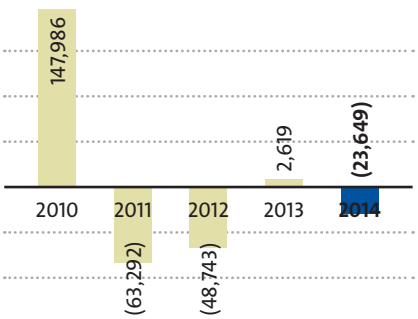
FINANCIAL HIGHLIGHTS

		2014	2013	2012 RESTATED	2011 RESTATED	2010 RESTATED
Revenue	RM'000	1,382,120	1,442,136	1,601,203	1,923,368	1,786,848
(Loss)/Profit before tax	RM'000	(23,649)	2,619	(48,743)	(63,292)	147,986
(Loss)/Profit for the financial year	RM'000	(36,572)	(13,660)	(65,116)	(101,302)	130,791
(Loss)/Profit for the financial year attributable to owners of the parent	RM'000	(36,459)	(5,602)	(58,044)	(88,423)	127,808
Equity attributable to owners of the parent	RM'000	486,872	545,244	537,607	656,863	768,763
Basic (loss)/earnings per share	sen	(6.90)	(1.10)	(11.46)	(17.44)	24.90
Fully diluted (loss)/earnings per share	sen	(6.90)	(1.10)	(11.46)	(17.44)	24.90
Net asset per share attributable to owners of the parent	sen	0.88	1.06	1.05	1.28	1.50
Dividend per share – proposed	sen	–	–	–	3.00	2.00

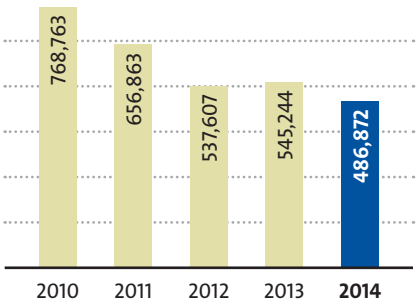
Revenue
(RM'000)



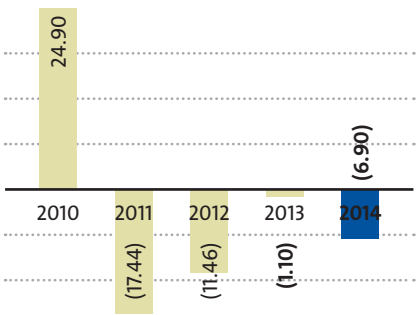
(Loss)/Profit before Tax
(RM'000)



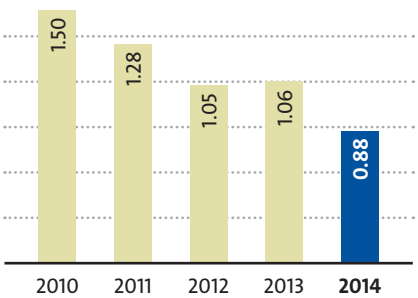
Equity Attributable
(RM'000)



Basic (Loss)/Earnings Per Share
(sen)



Net Asset Per Share
(sen)



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Loo Hooi Keat *President/Chief Executive Officer*

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

Datuk Seri Mohamad Norza bin Zakaria *Independent Non-Executive Director*

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

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

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

1. Datuk Seri Mohamad Norza bin Zakaria *Chairman*
2. Dato' Afifuddin bin Abdul Kadir
3. Dato' Lua Choon Hann

REMUNERATION COMMITTEE

1. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor *Chairman*
2. Datuk Seri Mohamad Norza bin Zakaria
3. Dato' Afifuddin bin Abdul Kadir

EXECUTIVES' SHARE OPTION SCHEME COMMITTEE

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

COMPANY SECRETARIES

Ho Ming Hon
(MICPA 3814)

Chua Siew Chuan
(MAICSA 0777689)

AUDITORS

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

SHARE REGISTRAR

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

REGISTERED OFFICE

No 9 Jalan Pemaju U1/15
Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel: (+603) 5569 5511
Fax: (+603) 5569 5500

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

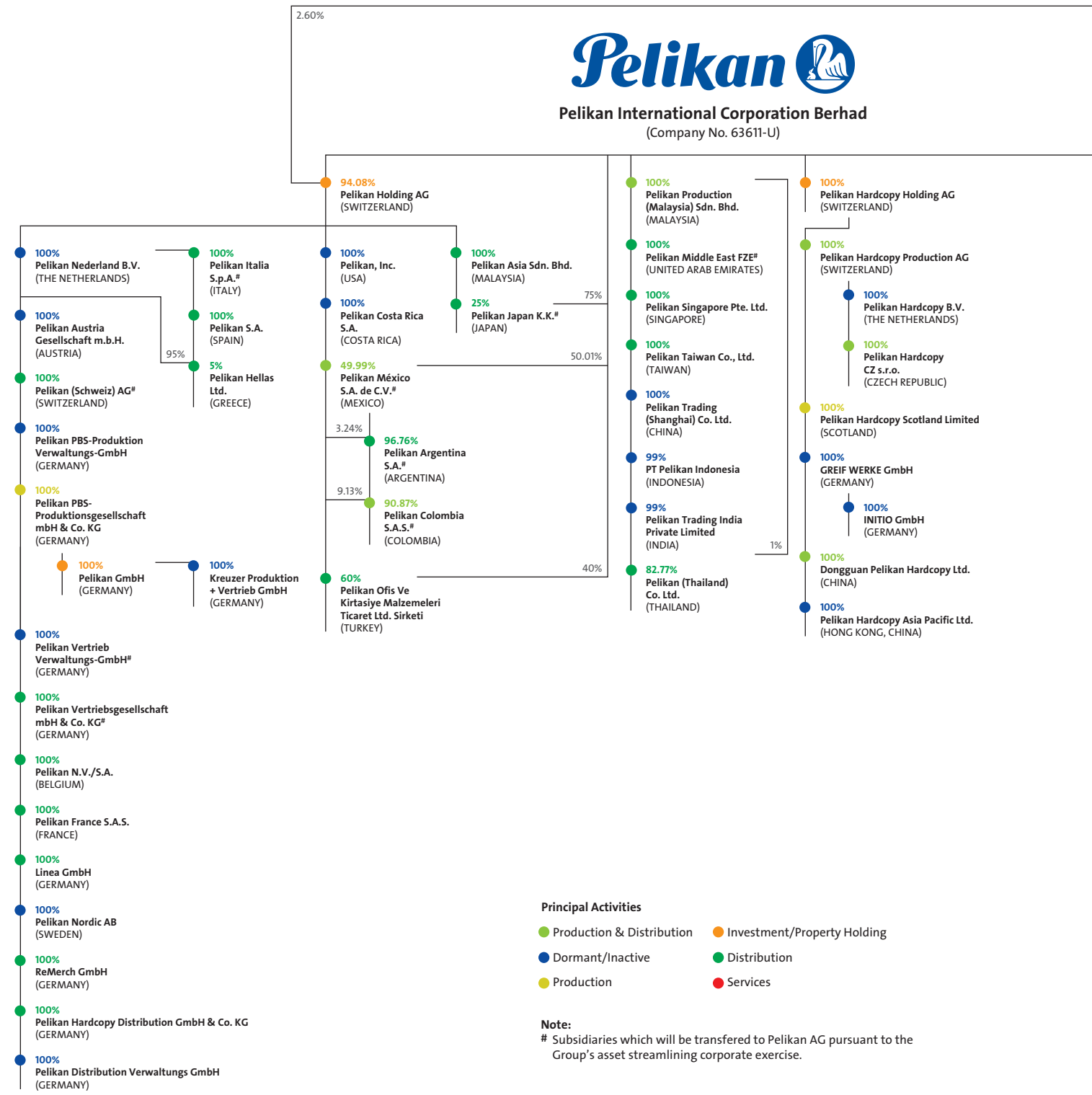
Main Market of
Bursa Malaysia Securities Berhad,
Malaysia
Stock Name : PELIKAN
Stock Code : 5231

WEBSITE

www.pelikan.com

GROUP CORPORATE STRUCTURE

as at 31 December 2014

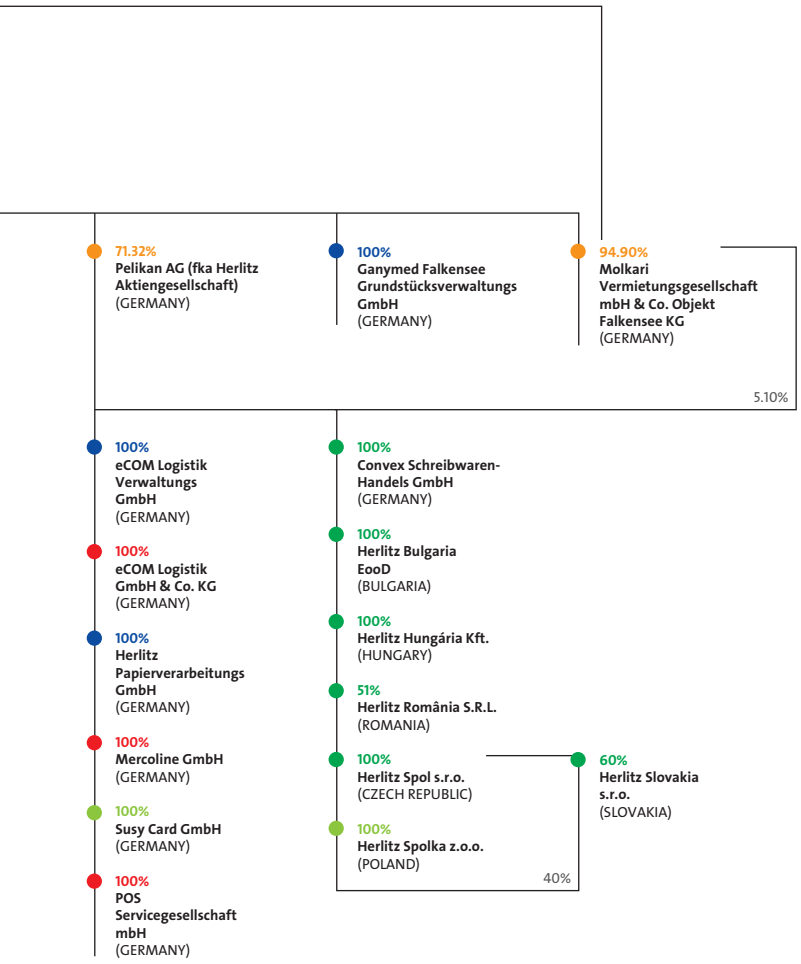


Principal Activities

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

Note:

Subsidiaries which will be transfered to Pelikan AG pursuant to the Group's asset streamlining corporate exercise.



AMERICAS

Sales & marketing organisations in
• Mexico • Colombia • Argentina

Percentage of Group's revenue (2013: 13.7%) 15.1%

Manufacturing facilities 2 plants

Employees (2013: 597) 631

EUROPE

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

Percentage of Group's revenue (2013: 82.1%) 80.4%

Manufacturing facilities 6 plants

Employees (2013: 2,021) 1,891

ASIA, MIDDLE EAST & AFRICA

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

Percentage of Group's revenue (2013: 4.2%) 4.5%

Manufacturing facilities 2 plants

Employees (2013: 234) 223

CHAIRMAN & CEO'S STATEMENT 2014

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the annual report of Pelikan International Corporation Berhad ("Pelikan International") for the financial year ended 31 December 2014.

THE GLOBAL ECONOMY 2014

(statistics sourced from the World Bank)

In 2014, global Gross Domestic Product ("GDP") grew marginally at an estimate of 2.6% (2013: 2.4%). This was slower than expected due to lingering recovery of the high income economies, especially the Euro Area countries and Japan, from the global financial crisis; decelerating growth in China; as well as weak demand and policy tightening in the other developing countries.

The Euro Area countries grew at a GDP rate of 0.8% (2013: -0.4%) attributed to weaker economic activities in France, Germany and Italy. While Spain and Ireland showed improvements, the political and economic uncertainties in Greece continued to dampen investor sentiments. On the other hand, the developing Europe and Central Asia economies recorded a 2.4% growth (2013: 3.4%) due to severe slowdown in Russia exacerbated by lower crude oil prices, sanctions, and depreciation in the rouble against the United States Dollar (USD). As 80.4% of the Pelikan Group's revenue in 2014 was generated from the European countries, the Group's businesses were somewhat affected by the continued economic difficulties across the region, depreciation of the Euro currency, and weakened consumer sentiment.

The Latin America and Caribbean region recorded a 0.8% GDP growth rate (2013: 2.5%) with diverging developments across the region. South America decelerated to 0.2% growth last year (2013: 2.9%) as Argentina, Brazil and Venezuela declined because of lower commodity prices, slowdown in major trading partners and domestic tensions. Central and North America, due to its proximity to the robust USA, grew at a GDP rate of 2.4%. Mexico had a better year in 2014 with a growth of 2.1% (2013: 1.1%). Pelikan Americas, which contributed 15.1% of the Group's revenue last year, has increased its turnover despite the regional challenges faced due to the strong brand presence and recognition in the region.

Growth in the Middle East and Africa region on average picked up in 2014 at a GDP rate of 1.2% (2013: 0.5%). Following years of political turmoil, trade sanctions and domestic uncertainties, some economies appeared to be stable, while the oil-exporting countries continued to be highly volatile. The Japanese economy contracted to a GDP rate of 0.2% (2013:

TAN SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
Chairman & Independent Non-Executive Director

LOO HOOI KEAT
President/Chief Executive Officer

1.5%) due to implementation of higher sales tax and subdued exports despite a weaker Japanese Yen. The East Asia and Pacific countries recorded a GDP growth rate of 6.9% (2013: 7.2%), slower mainly due to the decelerating domestic growth of China despite the government's stimulus measures adopted in 2014 to stem the slowdown.

In March 2014, the Group managed to complete the consolidation of the Pelikan Germany and Herlitz Germany/Austria business and operations under one management following years of efforts undertaken to integrate both these businesses. The German/Austria business integration between the Pelikan and Pelikan AG (formerly known as Herlitz AG) organisations are expected to strengthen the Group's business in Europe, in particular Germany where the Group can better deploy resources and serve its customers more effectively under the new merged organisation.

The ongoing corporate exercise to streamline the Group's key stationery business into Pelikan AG was undertaken to form a cohesive and focussed core organisation with a clear business structure to further develop its stationery businesses and improve sales performance going forward. The Group continues to implement measures that will improve sales within Europe and enhance sales in developing markets by introducing new products, building brand awareness through advertising and promotional activities, and strengthening distribution channels. With the core developing stationery business under the helm of Pelikan AG, the stationery business can be developed further and grow on its own, and the Group can undertake other measures to groom into health the other production entities/business organisations outside of Pelikan AG.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2014, Pelikan Group recorded total revenue of RM1.38 billion, a decline of 4.1% from the previous year (2013: RM1.44 billion). Albeit improvements in cost structures and operating performance of key operating units, the Group closed its financial year with a loss before tax of RM24.0 million mainly due to the negative developments of the foreign exchanges against Ringgit Malaysia ("RM") and the weaker than anticipated sales in the last quarter of the year.

CHAIRMAN & CEO'S STATEMENT 2014
CONT'D

The weaker RM at end of 2014 in particular against United States Dollar ("USD") and Euro ("EUR"), resulted in the requirement to provide an additional translation loss of approximately RM17.2 million and slower demand in the last quarter of approximately RM39.7 million contributed to the loss margin. Besides that, the Group had in the last quarter of 2014 spent on redundancies and restructuring cost for the closure of certain production, and assembly lines in Scotland and the toner powder plant in Switzerland was scaled down to only contract manufacturing.

The Group's revenue for the first financial quarter was RM312.6 million (2013: RM328.8 million), a decline of 4.9% from the preceding year's corresponding quarter mainly attributable to sales and delivery delays resulted from the operational changes in the merged Pelikan and Herlitz organisation and the weak sales performance of the printer consumables business. Despite the decline in sales, the Group recorded a lower loss before tax as compared to the previous year's corresponding quarter due to the restructuring and product rationalisation measures undertaken with better product margins as a result.

In the second financial quarter, the Group's revenue improved by 0.4 million (2013: RM383.9 million) to RM384.3 million. Pelikan Americas achieved higher revenue by 17.1% compared to the previous year's corresponding quarter because of increased demand for new products and special customer promotions. The profit before tax doubled compared to the previous year's corresponding quarter (2013: RM10.1 million), hence indicating continued improvements in contribution from the better sales, product mix and lower cost base arising from the reorganisation measure previously taken.

The Group achieved revenue of RM401.5 million in the third financial quarter (2013: RM406.0 million), a decline of RM4.5 million due to the decrease in sales by certain wholesalers and printer consumables customers. Efforts are being made to realign the sales channels and products mix which provides better contribution to the Group. The Americas region, however, achieved a steady increase in revenue in the current quarter by 13.5% as compared to the previous year's corresponding quarter.

Due to the slowdown of sales in the European markets subsequent to the 'Back to School' season, the Group's revenue for the fourth financial quarter was RM283.8 million (2013: RM323.5 million). The Group recorded a loss before tax of RM47.1 million in the fourth financial quarter, mainly attributable to the lower margin contribution due to the lower sales value. The impact of weakened RM against USD and also the plant reorganisation undertaken for the printer consumable plants in the last quarter further negatively impacted the results.

REALIGNING STRENGTHS

2014 proved to be another tough year for the Pelikan Group to implement its business strategies and realign its strengths by focusing on its core competencies. Still shrouded with the economic and political challenges faced by major economies in which the Group operates in, particularly in Europe and Latin Americas, the Group continued to grapple with external factors beyond our control, which resulted in delays and negative development of the merged and streamlined operations to achieve higher turnover and profitability.

Nonetheless, the Group continued to push forward its business strategies and as before, to concentrate on the brands, the research and development ("R&D") for new products, and the distribution channels. The Group believes our strengths lie in these three key areas, and while in certain markets the Group's brands, products and distribution network are vastly established and growing, there are many markets that struggle to elevate the Group's brands and market position to new heights as there are stiff product competition and price wars faced. There are also many untapped markets whereby not all brands and products are present in all the distribution channels available. Therefore, the Group sees huge potential in these markets and with careful planning and the right strategies to approach the market, the Group believes that consumer demand would be able to grow as the brand awareness and promotional activities build up over time.

OUR BRAND, PRODUCTS AND DISTRIBUTION

The Group has four major brands under its umbrella: Pelikan, Herlitz, Geha and Susycard. Whilst the Pelikan brand is strong in Western European countries as well as Latin America, Middle East and Asian markets, Herlitz has a strong market share in the Eastern European countries. The Group intensified its efforts to build up the Herlitz brand in its key markets in Latin America, Middle East and Asia with selective products such as the schoolbags and accessories, design series of stationery, filing and notebook assortment to begin with before expanding with more product lines into more channels. In Germany, both brands are equally recognised and the products complement each other. Hence under the merged organisation, Pelikan and Herlitz products are marketed together but targeted differently to fulfil market requirements and consumer preferences, as well as distributed in same channels to maximise sales with minimised costs. The Group has also streamlined its product assortment to remove duplicate and underperforming products of both brands such that the portfolio is leaner and more focused without compromising the quality, design and value. Geha continues to be an important brand for the Group as an office equipment product line. The products are well accepted in all the regions as the design, function and price points are competitive with other major players in the market. Susycard, which

CHAIRMAN & CEO'S STATEMENT 2014
CONT'D

comprises of papetrie, party supplies, gift wrap and bags, table decoration, and greeting cards, is a small but interesting product line for the Group which has a huge potential to grow in developing markets. Provided that Susycard produces products with attractive designs at appealing prices, the consumer demand for these products remain strong in a growing product segment. The Group plans to strengthen each brand's presence and awareness in the markets and channels distributed presently, as well as invest in new markets and channels to build up the brands through more advertising and promotional activities. While school products and the 'Back to School' season continue to be the focus of the Group's marketing activities, the Group also focuses on the corporate gift business and corporate tenders for office supplies to further boost brand and product awareness.

Innovation of new products and concepts for writing instruments, school and office stationery has always driven the Group's aspirations as we are constantly looking at better product solutions, designs and functionality to improve our product offerings. In markets such as Germany, Switzerland, rest of Western Europe and Latin America where the Pelikan brand presence is strong, the product lifecycles are longer with minimal product improvements and changes required to sustain the market share and sales. However, in developing markets where the brands are yet to be strongly established, more product offerings in terms of diversity, packaging, and price points are required to cater to all the consumer groups and channels. The brands have to respond quickly to changes in the industry, market trends and consumer preferences; and hence generate products that can capture the market and fulfil consumers' requirements. Annually, the Group spends a significant amount of resources in R&D for product innovation and development of new packaging, concepts and point of sales materials. As such, the Group continuously receives recognition in terms of awards and accolades in the writing instruments and stationery fields from renowned institutions globally. Last year, Pelikan was honoured with the 'Red Dot Design Awards Honourable Mention' for the *Twist* writing instruments and a Finalist Certificate in the prestigious World Luxury Award of Monaco for the Fine Writing Instruments ("FWI") Wall Calendar 2015, which features stunning pictures of our FWI, that classified Pelikan into the same group as brands such as *Hermés, Gucci, Rolex* and others who have won the same award previously. Pelikan's FWI also topped several Best lists in Japan where the Pelikan brand is one of the favourite FWI among the trade and consumers. The Group is proud of these awards and it gives confidence and assurance to our team of talented employees who worked relentlessly to create wonderful products.

Consumer buying behaviours for stationery are dependent upon the structure of the stationery industry which varies between regions. Based on the types of distribution available in the market, consumers will purchase stationery where it is convenient with the best price and promotions

offered. While traditional stationery stores and bookshops remain the main source of stationery purchase for most consumers, the modern trade or key account customers such as hypermarkets and pharmacy chain stores have been aggressive in increasing its market share by offering huge discounts and product assortment particularly during the 'Back to School' seasons. There is also a major increase in sales for online shopping of stationery products through dealers with online presence, or huge online shopping websites that offer everything from fashion to furniture to stationery. Consumers today have many options for stationery brands, products, price points and places to purchase stationery, hence it is a challenging task for the Group to ensure that we have the right products in the right distribution channels at the right prices. The Group is constantly looking for suitable distributors and business partners to carry our brands in their channels and build up consumer demand. The Group also invests in trade marketing and promotional activities to encourage sales at the outlets itself as well as create pull through advertising and branding exercises by conveying the brand image and product information to end consumers. While the brands face stiff competition from other stationery brands and private labels, the Group believes in the importance of the brand and that consumers would purchase products with quality and value particularly for school stationery products. Therefore, the Group has devoted huge resources in branding and marketing activities to support our distributors and business partners in promoting our branded products to end consumers.

IN APPRECIATION

The Group was saddened by the passing of our Independent Non-Executive Director, late Mr Yap Kim Swee, on 11 July 2014. On behalf the Board of Directors, management and staff of the Pelikan Group, we would like to extend our deepest condolences to the family and friends of the late Mr Yap Kim Swee, who served as an Independent

CHAIRMAN & CEO'S STATEMENT 2014
CONT'D

Non-Executive Director of Pelikan International Corporation Berhad since May 2006. As a Chartered Accountant and Audit Committee Chairman, the late Mr Yap's contributions to the Group were immeasurable and as the Audit Committee Chairman, he further contributed to the development and strengthening of the risk management and internal audit function of the Group. His suggestions and advices particularly on financial issues and solutions were greatly valuable to the Group, and he will be missed by all.

With a brand presence in over 170 countries spanning over four major continents, managing the operations and businesses throughout the supply chain on a global scale requires a dedicated and enthusiastic team of managers, employees and business partners to carry out their functions effectively in order to achieve the Group's long term goals. As of 31 December 2014, the Pelikan Group had a total workforce of 2,745 employees. On behalf of the Board of Directors, we thank the management and all employees for their endless commitment and hard work towards the Group in driving the brands, products, promotional activities and customer service forward. We also extend our sincere thanks and gratitude to our fellow shareholders, investors, business associates and all other stakeholders who continue to support the Group no matter the circumstances and outcomes.

2015 HIGHLIGHTS
(statistics sourced from World Bank)

The world GDP is projected to grow moderately at 3.0% in 2015 and 3.3% in 2016, supported by gradual recovery of high income countries, low oil prices and stronger demand in developing countries. High income economies are expected to grow 2.2% in 2015 – 2017, while the Euro Area countries are likely to see growth of 1.1% and 1.6% in 2015 and 2016 – 2017 respectively. GDP growth in developing countries should increase to 4.8% this year, followed by 5.3% in 2016. The developing East Asia and Pacific countries' growth is expected to ease slightly at 6.7% in 2015 while growth in developing Europe and Central Asia is expected to rebound to 3.0% in 2015 and 3.8% in 2016 – 2017 but with considerable divergence across the region. Growth in Latin America region should improve to 2.6% in 2015 – 2017 due to strengthening exports on the back of recovery of the high income economies and increased capital flows. The Group remains optimistic on its financial performance despite anticipating moderate revenue growth in line with global economic activities. The Group believes that the restructuring exercises and product reorganisations along with the business strategies focused on the Group's key strengths will contribute positively to overall performance as the Group has leaner cost structures and better product margins moving forward.

In 2015, the Group continues to launch many new products and marketing campaigns to support the brands. For the school segment, Pelikan has many interesting products lined up such as the Space+ opaque paint boxes in pink and blue, new *Twist* writing instruments in Lime and Pearl, new colours for school writing instruments *Style* and *Pelikano*, as well as the griffix® Stylus pen to compliment the new griffix® range launched last year. In the office supplies range, new ergonomical blanco® correction roller designs will

be introduced to the market, as well as various blister packaged products for key account channels. Geha will also launch eight new shredder models, which have modern designs, better quality, functionality and reliability, in the European markets, followed by rest of the world. New models of toner modules, inkjet cartridges and inkjet refills are expected to be produced by the plants and launched for the European markets. Subsequently, Herlitz brand has continued to launch new products and designs to its existing assortment of license/design series such as 'SmileyWorld Fancy' range of stationery and schoolbags, 'Pastels' filing and notebooks, seasonal design series 'Happy' and 'Sunny Day', new colours of my.pen style writing instruments, my.book flex and classic range, and new 2015 schoolbags, be.bags and accessories, among others. Last but not least, Susycard will introduce new designs to its party supplies, greeting cards, gift wraps, table decorations as well as festive collections such as Easter and Christmas. In the Fine Writing Instruments segment, exciting new FWI models such as the Special Editions M200 Café Crème, M800 Demonstrator, and M805 Stresemann series launched since February this year have received tremendous response

from consumers and achieved higher sales than projected. The Group hopes that the new FWI launches for Pelikan and Porsche Design, supported with interesting marketing activities such as the Wanderlust and Pelikan Hub projects, will delight fountain pen enthusiasts all over the world and generate strong publicity and image for the brand.

Following the success of previous years, the Group continues to focus on the school and education channels by advocating a strong 'Back to School' campaign targeted at school pupils, teachers and parents. The theme for 2015 is 'For Real Adventurers' and will be rolled out across Europe, Latin Americas, Middle East and Asia countries during the 'Back to School' season highlighting the core school products used in each region. Over the years, the Group has utilised the growing influence of social media networks such as Facebook and Instagram as well as the Pelikan and Herlitz websites to promote the 'Back to School' campaigns targeted at students and teachers. Online advertising and marketing activities such as colouring contests have proved to be an essential and successful medium to generate awareness of the brand and products among the targeted consumer groups. Not only for school products, but FWI marketing campaigns have also gone digital despite promoting a traditional tool for communication.

The Group believes that moving forward, we need to engage with discerning consumers who continuously seek good value, quality and innovative products. The Group would need to fulfill these

attributes within a competitive and sound and robust business structure and distribution network. We hope that launching these new products, supported by strong branding and marketing activities for 2015, will improve market shares and increase the Group's turnover and profitabilty. Although 2015 will be a challenging year for growth, by realigning the strengths of our business with improved structure in operations and management, the Group believes that we can achieve greater results and better performance this year and beyond.

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

LOO HOOI KEAT
Chief Executive Officer

Selangor Darul Ehsan
Malaysia

BOARD OF DIRECTORS' PROFILE

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

Chairman & Independent Non-Executive Director

Chairman of Remuneration Committee
Chairman of ESOS Committee

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor, a Malaysian aged 65, was appointed as a Non-Independent Non-Executive Chairman of Pelikan on 27 July 2012 and re-designated to Independent Non-Executive Chairman on 30 July 2013.

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

He also served as Deputy Director of Budget in the Ministry of Finance from 1995 to 1998, following which he was appointed Director General of FAMA in the Ministry of Agriculture. In 2001, he was appointed Secretary General of the Ministry of Agriculture and Agrobased Industry, a post he held until his retirement in 2006.

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

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

LOO HOOI KEAT

President/Chief Executive Officer

Member of ESOS Committee

Loo Hooi Keat, a Malaysian aged 60, was appointed as an Executive Director of Pelikan on 22 April 2005 and thereafter as an Executive Chairman on 26 April 2005. Subsequently, he was re-designated as President/Chief Executive Officer of Pelikan on 14 November 2007.

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

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

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

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

DATUK ROZAIDA BINTI OMAR

Non-Independent Non-Executive Director

Member of Audit Committee
Member of ESOS Committee

Datuk Rozaida binti Omar, a Malaysian aged 52, was appointed as a Non-Independent Non-Executive Director of Pelikan on 21 November 2008.

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

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

Currently, she sits on the Board of BIMB Holdings Berhad and Syarikat Takaful Malaysia Berhad, public companies listed on the Main Market of Bursa Malaysia Securities Berhad. She is also the Group Chief Financial Officer of Lembaga Tabung Haji.

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

BOARD OF DIRECTORS' PROFILE
CONT'D

DATO' AFIFUDDIN BIN ABDUL KADIR
Independent Non-Executive Director

Member of Audit Committee
Member of Nomination Committee
Member of Remuneration Committee

Dato' Afifuddin bin Abdul Kadir, a Malaysian aged 61, was appointed as an Independent Non-Executive Director of Pelikan on 1 August 2012.

He joined the Malaysian Industrial Development Authority ("MIDA") in 1979 as a Technical Professional Officer in the Industrial Studies Division. He was attached to MIDA Sabah from 1982 to 1985.

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

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

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

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

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

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

NORMIMY BINTI MOHAMED NOOR

Non-Independent Non-Executive Director

Normimy binti Mohamed Noor, a Malaysian aged 45, was appointed as a Non-Independent Non-Executive Director of Pelikan on 12 September 2011.

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

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

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

DATO' LUA CHOON HANN

Independent Non-Executive Director

Chairman of Audit Committee
Member of Nomination Committee

Dato' Lua Choon Hann, a Malaysian aged 38, was appointed as an Independent Non-Executive Director of Pelikan on 1 April 2013.

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

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

Currently, he is a Director of Furniweb Industrial Products Berhad, a public listed company on the Main Market of Bursa Malaysia Securities Berhad.

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

BOARD OF DIRECTORS' PROFILE
CONT'D

DATUK SERI MOHAMAD NORZA BIN ZAKARIA
Independent Non-Executive Director

Chairman of Nomination Committee
Member of Remuneration Committee

Datuk Seri Mohamad Norza bin Zakaria, a Malaysian aged 48, was appointed as an Independent Non-Executive Director of Pelikan on 1 April 2013.

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

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

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

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

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

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

Maki-e 2014

For the second time, Pelikan offered pen collectors all over the world the opportunity to bid for one-of-a-kind Maki-e fountain pens. Seventeen individual Maki-e fountain pens belong to the Maki-e Unique collection 2014. The auctions took place on consecutive days in November 2014 during weekdays. Each Auction lasted one week.

The Maki-e Unique fountain pens are unique pieces, created by renowned Maki-e artists in Japan. Pelikan guarantees that these precise fountain pens have never been part of a Pelikan collection and will never become one. As a sign that this pen belongs to the Unique Collection, the artist has drawn the special "Kao" sign in red below the signature of the artist on the barrel of the fountain pen.

Maki-e is the art of Japanese lacquer painting and is renowned for its beauty and artistry. In the process, the artist decorates the fountain pen with a multitude of lacquer layers as well as silver and gold dust. Each step is followed by polishing, until, step-by-step, the piece of art is completed.

It takes decades of intensive training before an artist can accomplish a perfect Maki-e painting. That's why there are only very few masters of this art. On our website, you can find a movie that explains the Maki-e technique in more detail: www.pelikan.com/movie

You can also find detailed pictures and more information about the seventeen unique fountain pens (and the elaborate Maki-e techniques that were used to realise them) on our special auction website www.pelikan.com/auction

SPECIAL FEATURE 2014

For 2014, we exhibited the complete Unique Collection at major retailers in Japan before the auctions started. Everyone had the chance to see these amazing fountain pens life and in person in Tokyo, Kobe, and Osaka.

GROUP MANAGEMENT TEAM

PELIKAN INTERNATIONAL CORPORATION BERHAD

1. LOO HOOI KEAT
Malaysian, 60
President/Chief Executive Officer

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

2. HO MING HON
Malaysian, 40
Senior Vice President, Head of Group Finance and Corporate Services/ Company Secretary

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

3. LOO SEOW BENG
Malaysian, 57
Head of Procurement

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

4. FLAVIO MONTI (PRINTER CONSUMABLES)
Swiss, 55
Managing Director, Pelikan Hardcopy Production AG (PHPAG)

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

5. WILLIAM LIU (CHINA & TAIWAN)
Chinese, 57
Head of Sales and Marketing People's Republic of China, Hong Kong and Taiwan

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

PELIKAN AG MANAGEMENT

6. FRAUKE WANDREY
German, 46
Board Member of Pelikan AG

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

- Appointed Board Member of Pelikan Holding AG/Managing Director of Pelikan PBS-Produktionsgesellschaft mbH & Co KG and Pelikan GmbH in June 2011
- Appointed Board Member of Pelikan AG in January 2014

7. CLAUDIO ESTEBAN SELEGUAN

Argentinean, 52
Board Member of Pelikan AG
CEO Pelikan Americas
Managing Director, Pelikan Mexico

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

8. TORSTEN JAHN

German, 40
Board Member of Pelikan AG

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

9. JENS KOLLECKER

German, 39
Finance Director of Pelikan AG

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

10. SVEN VERGAUWEN

Belgian, 43
European Sales Director
(ex Germany & Austria)

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

11. ELISABETH GEBLER

German, 47
Head of European Marketing

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

12. MATHIAS SHAW

Argentinean,39
Senior Vice President, Sales and Marketing, Latin America
Managing Director, Pelikan Argentina

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

13. YAMIL VALENCIA

Colombian, 46
Managing Director, Pelikan Colombia SAS

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

14. AZUMA IKEDA

Japanese, 61
Head of Sales and Marketing Japan and South Korea

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

15. NASSER AL ATRASH

Jordanian, 48
Head of Sales and Marketing Middle East and Africa

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

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GROUP OPERATIONS REVIEW 2014

REALIGNING STRENGTHS

Now that the restructuring exercises and product rationalisations have come to a completion with the consolidation of Pelikan and Herlitz businesses under one management for European operations in March 2014, the Group managed to focus on its core businesses and realigned its key strengths backed by leaner cost structures and operations for the Group's largest market. Thereafter, the Group further streamlined all the key stationery organisations and assets worldwide to create a focused stationery organisation under the helm of Pelikan AG (formerly known as Herlitz AG) as a next step to further realign its strengths to meet the market challenges, improve sales and profitability going forward.

The Group further believes that by focusing on building up the brands, the R&D and innovation of new products; and developing more distribution channels, the Group will be able to achieve better sales performance, higher product margin contributions, stronger brand awareness and reach to consumers, and most importantly delivering high quality writing instruments and stationery for school, office and home consumption for all generations of end consumers.

GROUP CORPORATE SERVICES

Corporate Planning

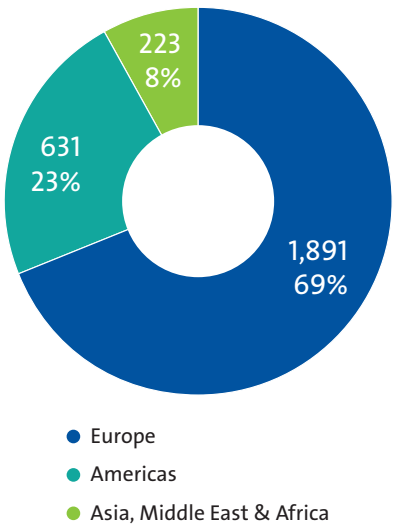
On 4 February 2014, the Group disposed off HCZ Real Estate s.r.o, a wholly owned subsidiary of Pelikan AG. In addition, Pelikan Distribution Verwaltungs GmbH and Pelikan Hardcopy Distribution GmbH & Co. KG were incorporated on 19 February 2014 and 26 February 2014 respectively. These subsidiaries are the wholly owned subsidiaries of Pelikan Holding AG. On 8 April 2014, Pelikan Hardcopy B.V., a wholly owned subsidiary of Pelikan Hardcopy Production AG was incorporated. The printer consumables business was carved out of the existing sales organisations to deliver a clear organisation each focused on stationery division and printer consumable division as there were many market changes over the years which now require the businesses to be managed separately and for further business growth going forward.

On 23 May 2014, the Company announced a proposed private placement and on 8 July 2014, 40,500,000 new ordinary shares of RM1.00 each in the Company was issued at RM1.33 per share, raising a total of RM53,865,000 for the Group's working capital, repayment of bank borrowings and defray expenses related to the exercise.

In March 2014, the Group completed the integration of the Herlitz Germany/ Austria stationery business into Pelikan Germany. On 10 November 2014, the Group further initiated a Heads of Agreement to streamline the worldwide key stationery organisations and assets under Pelikan AG. The streamlining exercise was approved by the relevant shareholders in December 2014, and on 5 March 2015, the parties entered into a contribution agreement to effect the transaction and the transactions are being implemented therefrom.

Human Resource and Employees

As of 31 December 2014, the Group had a total headcount of 2,745 employees (2013: 2,852), a decline of 3.8% from 2013. Out of the total workforce, 1,891 (68.9%) of the Group's employees were based in Europe, 631 (23.0%) from offices in Latin America, and 223 (8.1%) were based in Asia and Middle East regions. The breakdown by department of employees were as follows: 60 employees in R&D and product development, 866 employees in production facilities, 321 employees in warehousing, 503 employees in sales and 194 employees in marketing. The lower headcount for the Group was brought about by the consolidation exercise between Pelikan and Herlitz businesses in Europe as well as the downsizing of the production facilities in Scotland and Switzerland. The reduction in headcount was necessary to ensure higher productivity and efficiency with the lower cost structure post-consolidation. Nonetheless, the Group strives to train and retain its best talents by ensuring a healthy and stimulating work environment for employees to excel in as well as favourable rewards for good performing staff.

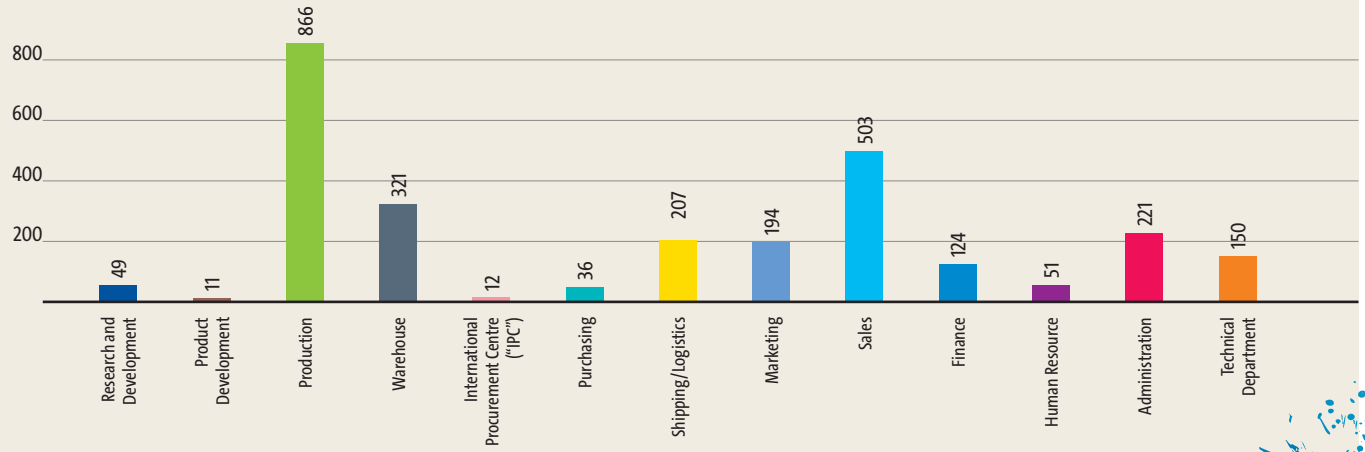


Group Production, Product Development and Research and Development ("R&D")

In 2014, Group Production continued to focus on reducing the production complexities, concentrating on core competencies and production units that will bring about profitability, and elevating competitiveness in order to set up an economical and sustainable manufacturing process. The Group Production shifted focus to R&D strategies as the production facilities have more capacity to facilitate expansion and more production lines to come up with stronger product offerings.

In Vöhrum, Germany, Group Production initiated the manufacturing of the rollerball cartridge, a product that we have been dependent on a competitor for supplies. A production process was developed with a special machinery manufacturer and a leading company in the field of laser technology to assist with the manufacturing of writing instruments and this has secured the Group significant quality advantage vis-à-vis our competitors. To further improve the utilisation of production capacity, the first steps taken were to offer specific services within the industry for external markets. The Group managed to do so with the construction of injection moulding tools and a supply contract for plastic injection parts. The Vöhrum, Germany plant managed to record

Total Headcount by Departments



GROUP OPERATIONS REVIEW 2014

CONT'D

improvements in production costs with the reduction in labour costs as a result of successful labour union negotiations which began in 2013.

Pelikan Hardcopy Production AG ("PHPAG"), which is responsible for the manufacture and distribution of printer consumables, focused on implementing the planned Hardcopy (printer consumables) business unit in Europe wherein all the printer consumable businesses are carved out into separate operating units. The transition from production and technical driven organisation to a market and sales related company with technical know-how has proved to be very challenging but PHPAG managed to do so with much success. In order to strengthen the printer consumables business unit, PHPAG decided to withdraw from the industrial sales business of toner powder and started the disinvestment of the toner plant in Switzerland. The industrial toner formulations and business have been sold by end of 2014 and the plant is currently producing under contract for an OEM customer. The final closure of all toner powder operations are planned for the first quarter of 2016.

Last year, PHPAG worked mainly on stabilising the R&D for inkjet cartridges which has to concentrate on the qualification of third party goods and the development of a selected quantity of IP ("Intellectual Property")-free compatible cartridges till the prototype phase. In this aspect, the project for Canon PGI-550/ CLI-551 and the Epson T128 were launched as new products. In 2014, there were 102 projects launched which increased compared to 2013. The development of new compatible inkjet cartridges, which includes patents, technical know-how and equipment, takes place in the Czech Republic plant but the manufacturing is executed at the Glenmarie, Malaysia plant. Therefore a close collaboration between both plants is essential and is implemented via constant communications. PHPAG expects the market environment in Europe for printer consumable products to shift rapidly from traditional sales channels into business-2-business, corporate and e-commerce structures. The classic retail model will be replaced more and more by digital marketplaces. Therefore the main focus is to identify and select business partners and customers that have transpired successfully within the new market spheres and to fulfil their requirements and needs.

All of the Group's production plants and locations were recertified as ISO 9001 and ISO 14001 management systems by the Swiss Certification Institute ("SGS" SOCIETE GENERALE DE SURVEILLANCE SA)

The Group Production conducts annual risk assessment and instructions for all workplaces and continuously promotes health, safety and environmental initiatives such as flu shots for employees, skin protection awareness for production workers, waste separation and recycling of reusable materials, reduction of power and water consumption, usage of renewable energy for plant heating, usage of energy-efficient printing and copying machines, investments in energy-efficient LED lighting for the injection moulding department, and gymnasium classes for staff in Switzerland.

during a multisite assessment in November 2014. For the product groups containing wood and paper elements, the Group has extended the FSC Certification to include the other organisations such as Pelikan International, Pelikan Germany, Pelikan AG, Susycard, and Herlitz Spolka under one registration. Additionally Susy Card GmbH was certified for the PEFC standard, another international certification for wood and paper products. With regards to the new European timber regulation (EU 995/2010), the Group implemented an internal procedure to ensure only wood and paper products sourced through legal means and qualified companies are imported.

The Group anticipates a change in the biocide legislation in September 2015 and is aware that CLP/GHS regulations for mixtures will be in place by June. Hence, PHPAG has prepared to review the inkjet formulations and the labelling of all printer consumables products in order to generate new MSDS documents for all the printer consumables available in the market.

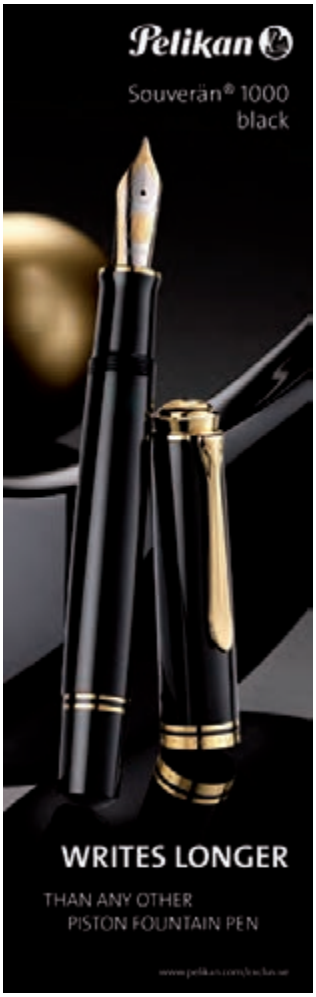
PRODUCT DEVELOPMENT AND R&D

In 2014, the Group invested a total of RM17.8 million (2013: RM21.1 million) in fixed assets for the R&D of new products, production machinery, and sales and marketing divisions. As with previous years, the R&D strategy remained focused on strengthening the market share of Pelikan's product lines particularly in the school segment. The R&D for the chemical department was to develop new inks and ink formulations to continuously improve the products and adhere to strict chemical regulations imposed in the region.

The total investment in fixed assets last year in Vöhrum, Germany amounted to €2.1 million for the manufacturing of new products such as the Edelstein ink cartridges, P200 fountain pens, Porsche Design Shake Pen Big, writing instruments range griffix® and *Pelikano*, erasable highlighter and Space+ paintbox. In addition, the Group also invested in tools and machines to manufacture roller pen cartridges, machine for laser treatment, injection moulding tool for cap ink bottles and central cooling machine for the injection moulding department. Other investments for sales and marketing activities included new shop furniture and website expansion.

GROUP OPERATIONS REVIEW 2014

CONT'D



Fine Writing Instruments

In 2014, Pelikan launched the P200 and P205 series of Classic fountain pens with ink cartridge mechanism, supported by the beautiful Edelstein Ink Cartridge range sold in embossed metal boxes. The M101N tortoiseshell red, a traditional piston fountain pen, was also a star product as it came with a beautiful historic gift box with a matching historic ink bottle. Apart from the successful products launched, the Group also presented the Maki-e Unique auction, featuring seventeen individual Maki-e fountain pens for auction and sixteen pens were sold for a total value of over €100,000. Bidders were mainly from Germany, Spain and Japan, and the event significantly generated good publicity and enhanced brand image for Pelikan. **More can be read at www.pelikan.com/auction.** Another highlight in 2014 was the global Pelikan Hub meetings held in June – a new concept combining online and offline marketing – which gathered Pelikan fans all over the world in their respective cities and created buzz in the pen communities. The Hub gave us a better understanding of our consumers. The Group also initiated the "Make A Wish Nib" programme which was to open the Vöhrum, Germany production to consumers for guided tours. Though the targeted group is extremely selective and niche, the Group has had overwhelming response to the programme and the guided tours are always almost fully booked. The consumers on these guided tours are shown the making of our FWI and at the end of the tour, they are given the chance to purchase personalised nibs. This programme has allowed Pelikan to gain more recognition for handmade quality products that are made in Germany through the hype created by our fans. The social media project launched last year, Wanderlust, is still ongoing with constant interaction between the fans and the company with visibility and write ups on several social media platforms such as Facebook and Instagram. The Group is thrilled that our pen enthusiasts have responded positively to all our marketing efforts worldwide and we hope to bring more exciting marketing activities to our fans via online and offline mediums as well as launch new products this year and beyond.

New Products

- P200/205 Classic fountain pens in four nib sizes
- Edelstein Ink Cartridges in six colours
- Special Edition M101N tortoiseshell red in historic gift box with historic ink
- Special Edition M600 Souverän vibrant green fountain pen and ball pen
- Edelstein Ink of the Year: Garnet
- Special Edition M200 Cognac fountain pen
- Limited Edition Maki-e Seaside
- Limited Edition Raden Starlight
- Leather pouch nappa for two writing instruments
- Leather pouch engrained for two writing instruments

Pelikan School and Office

In 2014, the re-launch of the griffix® learn to write concept in four steps was successfully implemented in Germany, Austria, Italy, Belgium and Switzerland. The optimised quality and handling, improved grip zone fit and colourful designs were the key factors of success. The launch was also supported by marketing activities such as a highly attractive television spot with the key message 'With griffix® learning to write is fun!' that was communicated in Germany and accompanied by various point of sales materials. Another highlight product was the erasable highlighter under the office product range. The erasable highlighter was the invention of own production and R&D capabilities, with technical details from the chemical and technical departments. This product targets mainly the pupils and students who use a lot of textmarkers for their studies. The erasable highlighter offers the option to correct mistakes made in highlighting by using the second tip of the pen and deleting the yellow highlights. The launch of the erasable highlighter was supported by marketing activities and promotions such as sampling cards, online banners and advertisements, as well as social media activities. A short promotional video was created to explain the benefits of the product in a witty way which garnered up to 1.5 million views in total through YouTube, Facebook and popular German blogs.

New Products

- New colours of *Twist* writing instruments – petrol, silver, black
- Style writing instrument in Neon griffix® step 1 – 4 relaunch
- Ink eradicators – new motifs for Super Pirate and Super Sheriff
- Design erasers
- Erasable highlighter – Yellow

GROUP OPERATIONS REVIEW 2014

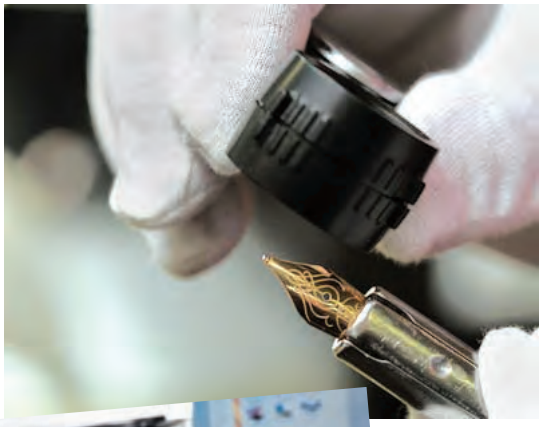
CONT'D

Herlitz

Herlitz launched over 800 new SKUs throughout its product range last year with star products such as the new 2014 schoolbag, be.bag and accessories range with colourful designs and improved features; additional stationery part of the my.pen family such as geometrical sets, ruler, sharpener and more; new my.book flex range with modern designs; my.pen style writing instruments; and the new designs for license series 'SmileyWorld'. Many of these products were received with positive feedback from the trade and consumers, and distributed in more markets than previous years. To support the launch of these new products, Herlitz participated in trade fairs and exhibitions as well as the Mercedes-Benz Fashion Week in Berlin events held in January and July 2014 to promote the my.pen style and my.book flex range of products. Herlitz also carried out its 'Back to School'campaign through promotions and active communications at point of sales via online and offline media in Germany.

New Products

- Schoolbags, be.bag backpacks, accessories – 2014 new designs and improved features
- Licensed series – SmileyWorld, Transformers, The Hobbit
- Designer series – Color Blocking, Kiss, Alia, Ladylike, Into the Blue, Enjoy the Silence
- New my.pen and my.pen style writing instruments, stationery
- My.book flex and classic range



Printer Consumables

The strategy for printer consumables remains focused on offering printer supplies that have the same or even better quality and yield as the OEMs, but at a better price for the end users and higher margins for the distributors. In 2014, Pelikan launched 102 new products with over 60 new remanufactured toner cartridge modules for use in Brother, HP, Lexmark, Kyocera, Dell and Samsung laser printers of which many are coloured toner cartridges, a growing market.

New Products

- 63 toner modules for Brother, Epson, Dell, HP, Kyocera, Lexmark, OKI, and Samsung printers
- 9 compatible inkjet cartridges
- 7 inkjet refills

For 2015, Vöhrum, Germany will continue to focus on pursuing a meaningful product pipeline for launches in 2016 and beyond. The R&D will also focus on the developent of remanufactured toner modules and inkjet cartridges, as well as the necessary chemicals such as toner powder and ink.

GROUP PROCUREMENT

The strategies for International Procurement Centre ("IPC") in 2014 were to enhance product knowledge and shorten overall turnaround time for sourcing activities, to consolidate global demand of the Pelikan subsidiaries to mitigate cost impact, and to expedite customers' orders pro-actively. IPC handled a total of 88 projects (2013: 84) in different product categories and sales regions. Due to challenges faced, such as more projects to handle in the midst of global economic uncertainties, huge costs volatility and the weakening of the Euro currency; overall costs increased for certain products, but IPC managed to achieve cost down for several projects through consolidation of global order quantities. IPC achieved total sales of USD30.8 million in 2014.

In terms of suppliers, IPC managed a total of 112 active suppliers (2013: 99 suppliers), an increase of 13.13% due to the management of huge orders for the Herlitz branded products. As with every year, suppliers are audited through the Group's Supplier Assessment and Survey Form and factory audits are conducted by IPC. To the best of the Group's knowledge, IPC enforces its "Code of Ethics" where audited suppliers must adhere to the strict policies stipulated as the Group does not tolerate forced or child labour involved or any other violation towards human rights. IPC also enforces suppliers to agree to the "Declaration of Conformity" to ensure that materials purchased and used do not contravene any European protection laws.

IPC expects frequent changes and updates in the EU legal and safety requirements, and more stringent requirements and documentations across the regions for this year and beyond. Nonetheless, IPC will continue to work together with current suppliers to attain the right quality products for the right price, and look at low cost countries such as India and ASEAN countries for sourcing and procurement of required goods.

MARKETING EVENTS

Germany

GRIFFIX® RELAUNCH

The successful relaunch of the product griffix® learn-to-write system. The promotion was done via television advert with the tagline 'With griffix® learning to write is fun!'

BACK TO SCHOOL

The annual 'Back to School' campaign with the theme 'Experience New Worlds'. School products were promoted for the new school term via various channels supported by promotions at the points of sale.

ERASABLE HIGHLIGHTER LAUNCH

The successful launch of a unique product through social media such as Youtube and Facebook. The attractive promotion video managed to garner nearly 1.5 million viewers!

MAKI-E AUCTION

The second Maki-e online auction from October to December. A total of 16 exclusive Maki-e pens were sold, making it a successful event that enhanced the Pelikan image.

MAKE A WISH NIB

Pelikan Germany opened up the production facility of Fine Writing Instruments on one chosen day per month to the public for guided tours. Those who joined the tours were shown the production of Pelikan's premium writing instruments and were offered the chance to buy personalised nibs, an offer exclusive for those on tour.

PELIKAN HUB

In June, the Pelikan Hub project kicked off. The project gathered Pelikan fans in cities around the world to share their passion towards Pelikan's Fine Writing Instruments. The fans who took part posted photos and news of their respective gatherings on their social networks such us Instagram and Facebook.

MERCEDES-BENZ FASHION WEEK BERLIN

Herlitz Germany participated in the Mercedes-Benz Fashion Week Berlin in January and July 2014 to promote the my.pen style and my.book flex products.

Italy

BACK TO SCHOOL

Pelikan Italy promoted their 'Back to School' products for the new school term.

BIG BUYER TRADE FAIR

In November, Pelikan Italy participated in the Big Buyer Trade Show, a fair for stationery and office supplies. The fair was held at the Bologna Exhibition Center.

CALLIGRAPHY DAY

Pelikan Italy, together with the Italian Calligraphy Association, organised a 'Calligraphy Day'. This event was to promote the pleasure of writing and teaching children to write the correct way.

Spain

FINE WRITING INSTRUMENT CHRISTMAS CAMPAIGN

Pelikan Spain focused on fine writing instruments promotion for the Christmas celebration. The promotion included advertisement on buses and postal card redemption.

Belgium

PAPER SHOW 2014

Following up on 2013's success, Pelikan Belgium once again participated in Paper Show Fair that was held in January at Brabanthal, Leuven. At the fair, Pelikan Belgium promoted the school products from both Pelikan and Herlitz brands.

TEACHER'S FAIR COV

Pelikan Belgium participated in the Teacher's Fair COV, organised by the Christian Educational Institutions. The fair was held at six different locations across the country.

MARKETING EVENTS
CONT'D

Greece

PELIKAN SHOWROOM
Pelikan Greece opened up its showroom to the public during the School & Office exhibition that was held in April. The showroom was opened daily and they received many visitors from all over the country.

TOP BUSINESS MEETING
Pelikan Greece took part in the Top Business Meeting Exhibition that was held in the city of Thessaloniki. At the exhibition, Pelikan Greece displayed its total product range to the public.

GIFT & WRAP EXHIBITION
Pelikan Greece promoted the Susy Card range of products in the Gift & Wrap Exhibition that was held in January.

Romania

ROYAL OFFICIAL SUPPLIER
Herlitz Romania was appointed the Official Supplier of Romanian Royal House from 2014 until 2017.

POS PROMOTION AT LEH
At LEH, Herlitz Romania promoted its range of products that includes schoolbags and the Smiley stationery range. Herlitz promoters were on hand to show customers the Herlitz products up close.

Hungary

BACK TO SCHOOL CONTEST

Herlitz Hungary organised a contest as part of the promotion for its 'Back to School' season which ran for six weeks.

Japan

PELIKAN FAIR

Pelikan Japan organised a Pelikan Fair showcasing the Maki-e Unique Colllection from 12 to 27 August 2014.

MITSUKOSHI FOUNTAIN PEN FESTIVAL

Due to the great feedback received last year, Pelikan Japan once again took part in the Mitsukoshi Fountain Pen Festival that was held at Mitsukoshi Department Store on 12 to 17 March 2014. It was the 16th edition of the festival.

HEART LINE PROJECTS 2014

Pelikan Japan again joined the Heart Line Project 2014, organised by the Japan Imported Pen Association. In the event, local celebrities were honoured for their contributions and received exclusive gifts including Pelikan fountain pens.

WORLD FOUNTAIN PEN FAIR AT MARUZEN BOOKS

Pelikan Japan participated in the 6th World Fountain Pen fair organised by Maruzen books. The fair was held in March and attracted many fountain pens enthusiasts.

UAE

6TH ANNUAL LEADERSHIP & MANAGEMENT CONGRESS

PMEA sponsored stationery packs for Alleem Business Congress' 6th Annual Leadership & Management Congress that was held in UAE from 20 to 24 April 2014. Around 300 delegates and speakers received the stationery pack that includes Pelikan stick pro ball pens, HB pencils and textmarkers.

PERIWINKLE COLOURING CONTEST @ SHARJAH FESTIVAL

PMEA sponsored Periwinkle Interschool Colouring Competition that was held on 16 April during the Sharjah Children's Reading Festival. The event was held at the Sharjah Expo Centre.

SAIF ZONE'S INVESTOR MEET

PMEA participated in SAIF Zone's Investor Meet held at Jawaher Reception and Convention Centre on 26 May 2014. Amongst the products promoted were textmarkers and stick pro ball pens.

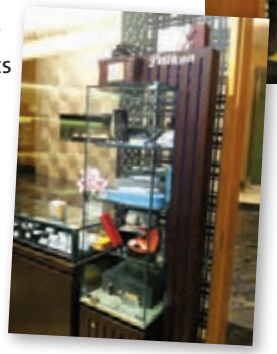
MARKETING EVENTS
CONT'D

GRIPSTER LAUNCH @ AEON BIG

Gripster was successfully launched at 3 AEON BIG outlets – Subang Jaya, Wangsa Maju and Mid Valley in March 2014. The launch was done by playing a simple game whereby customers have to remove the grip out of the Gripster and assemble it back on in less than 30 seconds. Customers who managed to do this were given a Gripster pen as a prize. Flyers were also given away to highlight the special features of Gripster.

MANDARIN ORIENTAL SHOP KUALA LUMPUR

A new channel for Pelikan Fine Writing Instrument – Mandarin Oriental Shop, Kuala Lumpur ("MO Shop"). Launched on 18 March 2014, the MO Shop, located at the lobby of the Mandarin Oriental Kuala Lumpur hotel, offers a variety of Pelikan's Fine Writing Instruments products.



ECO BAG DESIGN CONTEST

Pelikan Malaysia was the sponsor for the Eco Bag Design contest at the 'Baby & Kidz Fair' held in Penang on 31 May 2014. The sponsorship included prizes and materials used in the contest.

HERLITZ SCHOOL BAG LAUNCH AT TIMES BOOKSTORES

Pelikan Malaysia launched the 2014 range of Herlitz schoolbags and accessories on 1 June 2014 at Times bookstores outlet, Pavilion Mall KL. At the launch, the schoolbags were displayed and brochures highlighting the bags' special features were handed out to the crowd. As a crowd puller, the Pelikan mascot made a special appearance and held a photo session with its adoring fans, who received a copy of the photo and an exclusive Pelikan soft toy.

PELIKAN MEGA SALE!

Pelikan Mega Sale took place from 5 to 7 September 2014 at Pelikan Malaysia's office in Glenmarie. The 3 day sale attracted many customers who were anticipating the sale.

AGM – ANNUAL GENERAL MEETING

Pelikan International's 32nd Annual General Meeting was held on 18 June 2014 at Saujana Hotel & Resort. Pelikan Malaysia displayed newly launched products such as the Limited Edition Maki-e 'Fantasia' and 'Seaside' fountain pens, erasable highlighter, schoolbags and accessories, gel crayons, Geha shredders and laminators for the shareholders to view. Some products were also sold during the display.

Malaysia

MARKETING EVENTS
CONT'D

COLOURING CONTEST FOR KIDS

Pelikan Malaysia sponsored a colouring contest in Sibu, Sarawak, which was organised by a wholesaler, Hiep Lee Trading. The contest, held in June, was opened to kindergarten children aged 4 to 6 years old and a total of 255 children took part in the successful event. Pelikan Malaysia sponsored the prizes and the colouring materials used in the contest.

OBAIBI KIDS 'EASTER EGG' COLOURING CONTEST

Okaidi Obaibi, a French clothing brand for kids, held an 'Easter Egg Contest' event with OneCard customers in 1Utama shopping mall on 19 April 2014. Pelikan Malaysia was one of the sponsors for the 'Easter Egg Contest', where the kids designed their Easter eggs using Pelikan's watercolours.

CREATIVE COLOURING & DRAWING CONTEST IN SIBU, SARAWAK

Pelikan Malaysia was one of the sponsors for 'Creative Colouring & Drawing' contest that was held on 20 September 2014. The sponsorship included door gifts and consolation prizes. Held at the RH Hotel, an impressive total of 3,000 children took part in the contest which was organised by Sarawak Stationers & Book Sellers Association.

EXPERIENCE NEW WORLDS CONTEST

Pelikan Malaysia organised the 'Experience New Worlds' contest as part of its 'Back to School' season promotion. It was an online colouring contest via Pelikan Malaysia's Facebook page and offered prizes worth RM7,000 in cash and products.

PRIVATE & INTERNATIONAL SCHOOL FAIR

Pelikan Malaysia participated in the '4th Private & International School Fair' ("PISF") that was held at Mid Valley Exhibition Centre on 8 to 9 November 2014. More than 50 exhibitors took part in the fair that attracted almost 20,000 visitors over the two days. It was a good branding exercise for Pelikan as visitors flooded our booth and showed keen interest on our products especially the 'Back to School' stationery as well as the Herlitz schoolbag and accessories range.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of Pelikan International Corporation Berhad ("Pelikan" or "the Company") is pleased to report to shareholders on the manner in which the Pelikan group of companies ("the Group") applies the principles as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") and the extent to which the Group has complied with the best practices of the Code and also complies with relevant chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") throughout the financial year ended 31 December 2014.

THE BOARD OF DIRECTORS

1. Composition

The Group is led by an experienced Board under the leadership of Independent Non-Executive Chairman, Tan Sri Abi Musa Asa'ari bin Mohamed Nor and President/ Chief Executive Officer, Loo Hooi Keat, supported by four (4) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. One of the Non-Executive Directors passed away on 11 July 2014 and there was no replacement for the vacancy. However, the company is still in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities ("the Listing Requirements") which requires at least one-third (1/3) of the Board to comprise of Independent Directors.

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

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

2. Independence

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

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

3. Board Charter and Responsibilities

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

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

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

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

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

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

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

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

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

4. Board Meetings

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

During the financial year ended 31 December 2014, the Board met six (6) times, where it deliberated and considered a variety of matters affecting the Company's operations including the Group's financial results, business plan and the direction of the Group.

The Directors' attendance for the Board meetings held in 2014 was as follows:

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED	TOTAL ATTENDANCE (%)
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	5 out of 6	83
Loo Hooi Keat	6 out of 6	100
Yap Kim Swee *(Demised on 11 July 2014)*	3 out of 3	100
Dato' Afifuddin bin Abdul Kadir	6 out of 6	100
Datuk Rozaida binti Omar	6 out of 6	100
Normimy Binti Mohamed Noor	6 out of 6	100
Dato' Lua Choon Hann	6 out of 6	100
Datuk Seri Mohamad Norza bin Zakaria	3 out of 6	50

5. Supply of Information

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

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

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

6. Appointments to the Board

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

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

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

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

7. Re-election of Directors

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

At the forthcoming AGM, Datuk Seri Mohamad Norza bin Zakaria ("Datuk Seri Mohamad Norza") and Dato' Afifuddin bin Abdul Kadir ("Dato' Afifuddin") are due to retire pursuant to Article 127 of the Articles. Dato' Afifuddin has offered himself for re-election but Datuk Seri Mohamad Norza has indicated to the Company that he does not wish to seek for re-election at the forthcoming AGM.

8. Directors' Training

All the existing Directors have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. During the year, the respective Directors participated in trainings on various topics that were relevant in keeping abreast with general economic, industry, regulatory and technical developments. These include the GST Briefing and workshops, "Personal Data Protection Act", "Board Risk Intelligence 2014" and "MIA Conference".

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

9. Board Committees

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

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

(A) Audit Committee

The terms of reference of the Audit Committee are in compliance with the Listing Requirements and the best practices as set out in the Code. The report of the Audit Committee for the financial year ended 31 December 2014 are presented on pages 54 to 56 of this Annual Report.

(B) Nomination Committee

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

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

NAME OF NOMINATION COMMITTEE MEMBERS	
Yap Kim Swee *(Demised on 11 July 2014)*	Chairman Independent Non-Executive Director
Datuk Seri Mohamad Norza bin Zakaria *(Appointed on 27 August 2014)*	Chairman Independent Non-Executive Director
Dato' Afifuddin bin Abdul Kadir	Member Independent Non-Executive Director
Dato' Lua Choon Hann	Member Independent Non-Executive Director

The Nomination Committee met twice during the financial year ended 31 December 2014 and the meeting was attended by all the members of the Nomination Committee, during which the Nomination Committee assessed the effectiveness of the Board as a whole and discussed on training requirements of the directors.

During the financial year, the Nomination Committee did an assessment programme to assess, the committees of the Board and the individual director. The Nomination Committee also recommends relevant programs and training to the directors on an on-going basis.

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

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

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

c) to do an annual assessment on all Directors;

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

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

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

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

(C) Remuneration Committee

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

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

NAME OF REMUNERATION COMMITTEE MEMBERS	
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Chairman Independent Non-Executive Director
Datuk Seri Mohamad Norza bin Zakaria	Member Independent Non-Executive Director
Yap Kim Swee *(Demised on 11 July 2014)*	Member Independent Non-Executive Director
Dato' Afifuddin bin Abdul Kadir *(Appointed on 27 August 2014)*	Member Independent Non-Executive Director

The Remuneration Committee met twice during the financial year ended 31 December 2014 and the meeting was attended by all the members of the Remuneration Committee.

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

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

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

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

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

(D) ESOS Committee

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

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

NAME OF ESOS COMMITTEE MEMBERS	
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Chairman Independent Non-Executive Director
Loo Hooi Keat	Member President/Chief Executive Officer
Yap Kim Swee *(Demised on 11 July 2014)*	Member Independent Non-Executive Director
Datuk Rozaida binti Omar *(Appointed on 27 August 2014)*	Member Non-Independent Non-Executive Director

The ESOS Committee met once during the financial year ended 31 December 2014 and the meeting was attended by all the members of the ESOS Committee.

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

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

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

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

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

DIRECTORS' REMUNERATION

The Directors' remuneration is linked to experience, scope of responsibility, seniority, performance and industry information. Directors' fees are paid to Non-Executive Directors and these are approved by shareholders at the AGM. The details of the Directors' remuneration for the financial year ended 31 December 2014 are as follows:

NAME OF DIRECTORS	FEES (RM)	SALARIES (RM)	DEFINED CONTRIBUTION PLAN (RM)	BENEFIT-IN-KIND (RM)	TOTAL (RM)
Executive Director					
Loo Hooi Keat	–	1,550,000	186,000	35,200	1,771,200
Non-Executive Directors					
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	120,000	–	–	–	120,000
Dato' Afifuddin bin Abdul Kadir	60,000	–	–	–	60,000
Yap Kim Swee *(Demised on 11 July 2014)*	36,882	–	–	–	36,882
Datuk Rozaida binti Omar	60,000	–	–	–	60,000
Datuk Seri Mohamad Norza bin Zakaria	60,000	–	–	–	60,000
Dato' Lua Choon Hann	60,000	–	–	–	60,000
Normimy Binti Mohamed Noor	60,000	–	–	–	60,000
Total	**456,882**	**1,550,000**	**186,000**	**35,200**	**2,228,082**

RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

1. The Annual General Meeting and Communication with Stakeholders

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

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

The contact details of the Company Secretary are as follows:

COMPANY SECRETARY

Pelikan International Corporation Berhad
c/o Mr Ho Ming Hon
9, Jalan Pemaju U1/15, Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam, Selangor Darul Ehsan
Tel: +603 5569 5511 ext 205
Fax: +603 5569 2299

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

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

2. Dialogue between the Company and Investors

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

ACCOUNTABILITY AND AUDIT

1. Financial reporting

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

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

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

i) Provision of the Companies Act, 1965;

ii) Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

iii) Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia; and

iv) Other legal and regulatory requirements.

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

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

In preparing the financial statements, the Directors have:

a) selected suitable accounting policies and applied them consistently;

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

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

d) prepared financial statements on a going concern basis as the Directors have a reasonable expectation having made appropriate enquiries that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

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

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

3. Internal Audit Function

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

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

a) appraising the adequacy and integrity of the internal control and management information system of the Group;

b) ascertaining the effectiveness of operating management in identifying principal risks and to manage such risks through appropriate system of internal control set up by the Group;

c) ascertaining the level of compliance with the Group's plan, policies, procedures and adherence to laws and regulations;

d) appraising the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;

e) ascertaining the adequacy of controls for safeguarding the Group's assets;

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

g) consultation with management, reviewing operations as a whole from the viewpoint of economy and productivity with which resources are employed and making cost effective recommendations to management.

4. External Audit Function

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

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

In doing so, the Group and the Company have established a transparent arrangement with the external auditors to meet their professional requirements. As an independent measure, the external auditors meet with the Audit Committee at least twice a year to discuss the audit plan findings and audited accounts.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD RESPONSIBILITY

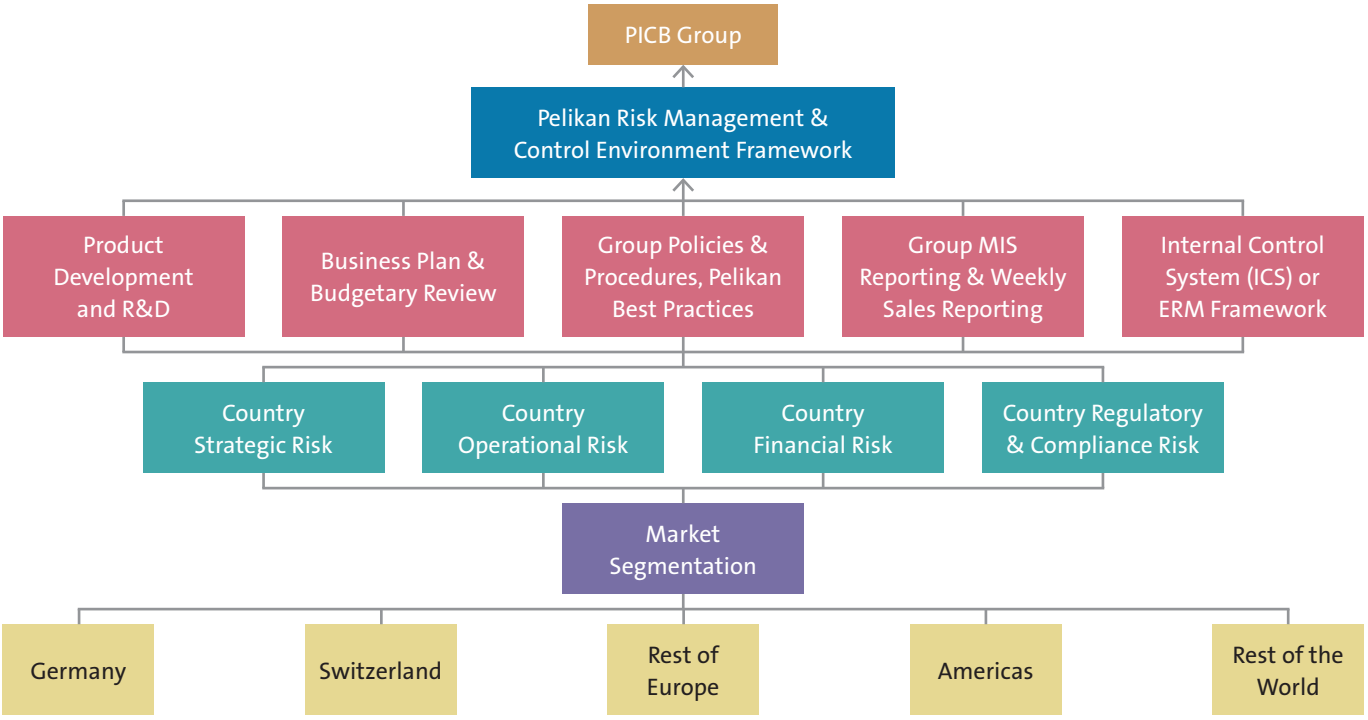
The Board of Directors ("Board") of Pelikan International Corporation Berhad ("Pelikan" or "the Company") is responsible for maintaining a sound and effective system of risk management and internal controls of Pelikan group of companies ("the Group") and for reviewing its effectiveness. Such system is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

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

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

RISK MANAGEMENT FRAMEWORK

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



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

(a) Strategic Risks;

(b) Operational Risks;

(c) Financial Risks; and

(d) Regulatory and Compliance Risks.

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

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

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

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

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

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

ADEQUACY OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

This Statement is made in accordance with a resolution of the Board dated 22 April 2015.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants, which does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on the procedures performed, nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control has not been prepared, in all material respects, in accordance with the disclosures as required pursuant to the "Statement on Risk Management and Internal Control – Guidelines for Directors of Public Listed Issuers".

STATEMENT ON INTERNAL AUDIT FUNCTION

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

1. PURPOSE

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

2. TERMS OF REFERENCE

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

3. POLICY GUIDELINE

3.1 Organisational Status

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

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

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

3.2 Objectivity

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

3.3 Scope

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

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

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

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

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

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

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

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

4. ADDITIONAL INFORMATION RELATING TO THE INTERNAL AUDIT FUNCTION

4.1 Internal Audit Administration

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

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

4.2 Internal Audit Function Costs

The total costs incurred by the Group internal audit function in respect of the financial year 2014 amounted to RM475,904.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Pelikan International Corporation Berhad ("the Company") is pleased to present the following report of the Audit Committee for the financial year ended 31 December 2014.

MEMBERSHIP AND MEETINGS OF AUDIT COMMITTEE

The Audit Committee comprises two (2) members who are Independent Non-Executive Directors and one (1) member who is Non-Independent Non-Executive Director. The Chairman of the Audit Committee is an Independent Non-Executive Director, and one (1) member who is Non-Independent Non-Executive Director is a member of the Malaysian Institute of Accountants. The representative of the Internal Audit and Risk Management was invited to all the Audit Committee meetings to present the Internal Audit and Risk Management reports. The representatives from the external auditors of the Company were also invited to attend the Audit Committee meetings in three (3) meetings out of five (5) held.

The Audit Committee members' attendance record is as follows:

NAME OF AUDIT COMMITTEE MEMBERS	NO. OF MEETINGS ATTENDED	TOTAL ATTENDANCE (%)
Yap Kim Swee *(Chairman)* Independent Non-Executive Director *(Demised on 11 July 2014)*	3 out of 3	100
Dato' Lua Choon Hann *(Chairman)* Independent Non-Executive Director *(Appointed on 27 August 2014)*	2 out of 2	100
Dato' Afifuddin bin Abdul Kadir Independent Non-Executive Director	5 out of 5	100
Datuk Rozaida binti Omar Non-Independent Non-Executive Director	5 out of 5	100

AUTHORITY

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

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

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

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

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

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

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

DUTIES AND RESPONSIBILITIES

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

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

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

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

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

   i) any change in accounting policies and practices;

   ii) significant adjustments arising from the audit;

   iii) the going concern assumption; and

   iv) compliance with accounting standards and other legal requirements;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year 2014, the Audit Committee carried out its duties as set out in the terms of reference. Other main activities carried out by the Audit Committee during the financial year included the following:

1. Financial Results

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

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

i) Provision of the Companies Act, 1965;

ii) Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

iii) Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia; and

iv) Other legal and regulatory requirements.

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

2. External Audit

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

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

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

3. Internal Audit

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

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

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

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

4. Executives' Share Option Scheme

During the year, the Company had granted 7,983,750 share options to the executives of the Company. The Audit Committee had verified the allotment of shares under ESOS is in compliance with the basis set out in the Bursa Malaysia Listing Requirements and ESOS by-laws.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY 2014

Pelikan Group respects the environment in which it operates in by being a responsible member of the society. Always looking for ways to give back to the communities, the Group vows to leave positive footprints wherever we are present and strives to strengthen our relationships with our stakeholders.

COMMUNITY

The employees of Pelikan Group have always been encouraged to make their contributions towards children's development and education causes – the heart of Pelikan's corporate social responsibility ("CSR") initiatives. In January 2014, Pelikan Malaysia employees came together to contribute to the children of 'Shelter 1' through the 'Discover Your Wishlist' Christmas sale that was held in December 2013. The sale was exclusive to Pelikan Malaysia employees and part of the proceeds from the sale were donated to the shelter, which is a home for under privileged children. The contribution was handed to the caretaker of 'Shelter 1', Brother GP Joseph, in a simple ceremony during Pelikan Malaysia's team visit to the shelter on 22 January 2014. The contribution included cash and Pelikan products for the children and the home.

As with previous years, University Malaya Medical Centre's ("UMMC") annual party for children with cancer received contributions from Pelikan Malaysia. The party, held on 17 May 2014, has become one of the most awaited events in the calendar year and it brought together the current and ex-patients of the pediatric cancer unit so they can share their invaluable experiences in fighting cancer. It is an event designed to bring joy to the patients and their family members via fun activities such as stage performances and singing, fancy dress and a colouring competition. Pelikan Malaysia sponsored oil pastels and coloured pencils for the colouring competition.

Pelikan Malaysia also sponsored the 'Charity Carnival – Engaging Our Community', an event that was supported by the Minister of Youth. It was held on 14 June 2014 at Bukit Damansara. The sponsorship included prizes and materials for the carnival's art competition.

As the official supplier of the Romanian Royal House, Herlitz Romania is involved in the 'Books of Childhood', a CSR project coordinated by HRH Prince Nicholas of Romania. The project aims to introduce a national alternative reading programme for children aged 8 to 14 years. Under the project, donations of books and stationery were made to orphanages and schools in rural communities.

In Hungary, Herlitz supported Hungarian Interchurch Aid ("HIA"), one of Hungary's largest charity organisations. The collaboration has been going on for three years now, with Herlitz making contributions to underprivileged children in the country through HIA. Last year, they donated 1,000 sets of basic school items to the children. To raise awareness for this good cause, the packing of the stationery sets were done together in an event by Herlitz staff and three local celebrities – Kati Wolf (singer), Attila Katus (fitness champion) and Ildikó Lévai (the ambassador of HIA and the wife of the Prime Minister).

In UAE, Pelikan Middle East & Africa ("PMEA") continued its contribution to the Red Crescent Dubai. The contribution, which includes school bags filled with Pelikan products, were given to underprivileged children in Dubai.

Pelikan America has been continuously running social projects to contribute to the community. The focalisation of their CSR initiative is to support and give donations to schools or to foundations which support education.

AIDING GOOD CAUSES

Pelikan Malaysia supported the initiative of Zubedy (M) Sdn Bhd, together with Sri KDU Primary School, to organise the #PaintSomethingNice campaign where more than 400 students from the school took part in painting the Malaysia flag. The painting of the giant flag took place on 27 September 2014 to mark Malaysia Day. Pelikan Malaysia sponsored around 50 litres of red, blue and yellow Plaka paints as well as brushes for the students.

Pelikan Malaysia also participated in Zubedy's #SaySomethingNice initiative – a unity campaign for Malaysians to share positive words or inspirational messages for each other. Pelikan Malaysia employees were encouraged to leave their own words and messages on #SaySomethingNice posters provided for all to see.

In October 2014, PMEA supported Queen International School's 'Fit in Body, Fit in Mind, Obesity' awareness programme in Dubai. The programme was organised to raise awareness on healthy living. Dietitians and Health Specialists were invited to facilitate. Part of the programme involved colouring activities with a 'healthy living' theme, and PMEA contributed the colouring tools to be used.

FOR OUR PEOPLE

Pelikan Group views its employees as one of the company's most valuable assets. We believe strongly that a company grows and performs together with its employees. Therefore, their development is a priority to the Group. Employees are given regular training to improve their skills and knowledge in their respective fields and ensure they stay relevant, updated and competent in this fast changing world. Pelikan Group encourages employees to achieve their potential and awards those who constantly strive and perform beyond expectations.

Pelikan Group also takes the health and safety issues of its employees very seriously. Other than work-related training, safety training sessions are conducted annually, such as the Fire Aid Course + Fire Fighting Training given to the staff of Pelikan Production (M) Sdn Bhd from 6 to 8 June 2014. The training was conducted by St John Ambulance Malaysia. These types of training go a long way to ensure Pelikan Group provides safe workplaces for all to perform.

Pelikan Hardcopy Production AG ("PHPAG") in Switzerland achieved the OHSAS 18001 certificate for 2014, which meant that PHPAG has a clearly defined management system in place to identify and control health and safety risks, and is able to minimise risks to their workforce and visitors or external contractors on their premises. In line with that, a weekly gymnastic class is offered to the staff every Tuesday, from 5pm – 6pm. This is to promote healthy lifestyles and to ensure the physical and mental wellbeing of its employees.

Pelikan's plant in Vohrum, Germany and Herlitz's in Spolka, Poland adopt preventive measures in handling health and safety issues. Last year, the plants organised a risk assessment exercise including a health & safety inspection, and held a preventive medical checkup for vision and hearing for its employees. A flu shot programme for every employee was also provided.

GREENER SURROUNDINGS

One of our aims has always been to be a responsible player in the industry. Adhering to rules and regulations is a priority we set for ourselves and this has guided us in moving forward without neglecting the need to stay within set boundaries to safeguard the surroundings we operate in.

The Group's production plants have passed the certification for ISO 9001 and ISO 14001. These certifications ensure the Group maintains its quality system, ensures the need to systematise and improve environmental management efforts. PHPAG did an analysis of energy-consumption and waste quantity for their plants to conserve energy and reduce waste. To further reduce waste, PHPAG started to send non-usable empties to material re-use instead of disposal. They also opened a new recycling centre in Germany to help improve their recycling initiatives.

Pelikan's plant in Vohrum, Germany reduced energy consumption by investing in energy-efficient LED-lightning for indoor and outdoor areas. They also reduced compressed air consumption by using more efficient new technology for air guns.

Herlitz' plant managed to prolong its FSC Certificate for its product groups containing wood and paper. Additionally, the Susy Card GmbH was certified with the PEFC standard, another certification for wood and paper products. A new procedure to import only legal wood and paper products was implemented in response to the new European timber regulation that was enforced last year.

FINANCIAL CALENDAR

2014

25 FEB	Board Audit	Reviewed and approved the financial results for the 4th quarter ended 31-12-2013
	Remuneration	Reviewed the remuneration package of Executive Director for year 2014
	Nomination	Reviewed the composition of the Board of Directors
19 MAR	Remuneration	Reviewed the Executive Director's remuneration package in the new contract
	Nomination	Reviewed the Executive Director's new contract
23 APR	Board	Approved the Audited Financial Statements for the financial year ended 31-12-2013
	Audit	Reviewed the statements and reports to be included in the Annual Report 2013
29 MAY	Board Audit	Reviewed and approved the financial results for the 1st quarter ended 31-03-2014
18 JUN	32nd AGM	Received the Audited Financial Statements for the financial year ended 31-12-2013 Approved the Directors' fees and re-appointment of External Auditors
8 JUL	Board	Reviewed and approved the Assets Streamlining Corporate Exercise
27 AUG	Board Audit	Reviewed and approved the financial results for the 2nd quarter ended 30-06-2014
21 NOV	Board Audit	Reviewed and approved the financial results for the 3rd quarter ended 30-09-2014 Presentation of Audit Plan for year 2015 Discussion of Proposed Meetings Calendar for year 2015

2015

27 FEB	Board Audit	Reviewed and approved the financial results for the 4th quarter ended 31-12-2014
	Remuneration	Reviewed the remuneration package of Executive Director for year 2015
	Nomination	Reviewed the composition of the Board of Directors Reviewed the Executive Director's new contract
22 APR	Board	Approved the Audited Financial Statements for the financial year ended 31-12-2014
	Audit	Reviewed the statements and reports to be included in the Annual Report 2014
27 MAY	Board Audit	Review and approve the financial results for the 1st quarter ended 31-03-2015
17 JUN	33rd AGM	Receive the Audited Financial Statements for the financial year ended 31-12-2014 Approve the Directors' fees and re-appointment of External Auditors
27 AUG	Board Audit	Review and approve the financial results for the 2nd quarter ended 30-06-2015
26 NOV	Board Audit	Review and approve the financial results for the 3rd quarter ended 30-09-2015 Presentation of Audit Plan for year 2016 Discussion of Proposed Meetings Calendar for year 2016

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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 2014.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Loss for the financial year	(36,572)	(25,238)
Attributable to:		
Owners of the parent	(36,459)	(25,238)
Non-controlling interests	(113)	–
	(36,572)	(25,238)

DIVIDENDS

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:

Loo Hooi Keat
Datuk Hajah Rozaida binti Omar
Normimy binti Mohamed Noor
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor
Dato' Afifuddin bin Abdul Kadir
Datuk Seri Mohamad Norza bin Zakaria
Dato' Lua Choon Hann
Yap Kim Swee (deceased on 11 July 2014)

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS

Issue of shares and debentures

During the current financial year, the Company increased its issued and paid-up capital from RM512,796,061 to RM553,296,061 via issuance of 40,500,000 new ordinary shares of RM1.00 each at an issue price of RM1.33 per share arising from a private placement undertaken pursuant to the shareholders' mandate obtained under Section 132D of the Companies Act, 1965 at the Annual General Meeting held on 18 June 2014. The net proceeds of the private placement after deducting expenses amounted to RM48,572,000.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There were no new issues of 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 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 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.

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS (continued)

Executives' Share Option Scheme (continued)

(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.

During the financial year, 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, whereby 7,533,750 shares were accepted by the eligible employees and Directors. 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 during the financial year, other than directors whose details are disclosed in the section on Directors' Interests in this report, are as follows:

	NUMBER OF SHARE OPTIONS		
NAME	GRANTED	EXERCISED	BALANCE AS AT 31.12.2014
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 emoluments received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 34 to the financial statements.

DIRECTORS' INTERESTS

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

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
SHARES IN THE COMPANY	BALANCE AS AT 1.1.2014	ADDITIONS	DISPOSALS	BALANCE AS AT 31.12.2014
Loo Hooi Keat				
- Direct	49,494,723	6,013,300	–	**55,508,023**
- Indirect	17,545,985	25,162,867	–	**42,708,852**

	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1 EACH			
OPTION GRANTED PURSUANT TO THE ESOS OF THE COMPANY	BALANCE AS AT 1.1.2014	GRANTED	EXERCISED	BALANCE AS AT 31.12.2014
Loo Hooi Keat	–	500,000	–	**500,000**
Datuk Hajah 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 Hajah 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.

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

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

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year other than the contingent liabilities as disclosed in Note 32 to the financial statements.

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

In the opinion of the Directors:

(i) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; 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

On 10 November 2014, Pelikan Holding AG ("PHAG"), a 96.64% subsidiary of the Company, Pelikan Netherlands B.V., a 100% subsidiary of PHAG ("PNBV"), MOLKARI Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG, a 98.54% subsidiary of the Company ("Molkari") and the Company entered into a Heads of Agreement ("HoA") with Herlitz Aktiengesellschaft ("Herlitz"), a 71.32% subsidiary of the Company to contribute 100% equity interest of Pelikan México S.A. de C.V., 100% equity interest of Pelikan Japan K.K., 100% equity interest of Pelikan Middle East FZE, 100% equity interest of Pelikan Vertriebsgesellschaft mbH & Co. KG, 100% equity interest of Pelikan Vertrieb-Verwaltungs-GmbH, 100% equity interest of Pelikan N.V./S.A., 100% equity interest of Pelikan (Schweiz) AG, 100% equity interest of Pelikan Colombia S.A.S, 100% equity interest of Pelikan Argentina S.A., 100% equity interest of Pelikan Italia S.p.A. and a logistic property into Herlitz for a total consideration of EUR231.22 million to be paid via issuance of 231.22 million Herlitz shares of EUR1.00 each. Subsequent to the financial year, on 5 March 2015, the parties entered into a contribution agreement to effect the transaction and the transactions are being implemented therefrom.

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 22 April 2015.

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

LOO HOOI KEAT
Director

Selangor Darul Ehsan
22 April 2015

STATEMENT BY DIRECTORS

pursuant 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 72 to 150 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 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 22 April 2015.

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 72 to 150 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 22 April 2015 at Petaling Jaya, Selangor.

Before me

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Pelikan International Corporation Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pelikan International Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 72 to 149.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

BDO
AF: 0206
Chartered Accountants

OOI THIAM POH
2495/01/16 (J)
Chartered Accountant

Kuala Lumpur
22 April 2015

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2014

	NOTE	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Revenue	6	**1,382,120**	1,442,136	**100,367**	55,202
Other operating income		**21,929**	27,553	**9,725**	26,135
Materials used		**(646,235)**	(679,421)	**(96,055)**	(51,901)
Staff costs	7	**(402,219)**	(414,049)	**(4,805)**	(4,971)
Depreciation of property, plant and equipment		**(37,708)**	(39,264)	**(500)**	(523)
Amortisation of intangible assets		**(5,277)**	(5,379)	**–**	–
Other operating expenses		**(313,946)**	(306,685)	**(19,296)**	(7,789)
(Loss)/Profit from operations	10	**(1,336)**	24,891	**(10,564)**	16,153
Finance costs	11	**(22,313)**	(22,272)	**(14,674)**	(14,631)
(Loss)/Profit before taxation		**(23,649)**	2,619	**(25,238)**	1,522
Taxation	12	**(12,923)**	(16,279)	**–**	–
(Loss)/Profit for the financial year		**(36,572)**	(13,660)	**(25,238)**	1,522
Other comprehensive (loss)/income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		**(32,086)**	10,589	**–**	–
Item that will not be reclassified subsequently to profit or loss:					
Actuarial (loss)/gain on defined benefit plans	26	**(43,238)**	5,811	**–**	–
Others		**112**	(106)	**–**	–
Income tax	12	**1,728**	21	**–**	–
		(73,484)	16,315	**–**	–
Total comprehensive (loss)/income		**(110,056)**	2,655	**(25,238)**	1,522
(Loss)/Profit attributable to:					
Owners of the parent		**(36,459)**	(5,602)	**(25,238)**	1,522
Non-controlling interests		**(113)**	(8,058)	**–**	–
		(36,572)	(13,660)	**(25,238)**	1,522
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(107,170)**	8,934	**(25,238)**	1,522
Non-controlling interests		**(2,886)**	(6,279)	**–**	–
		(110,056)	2,655	**(25,238)**	1,522
Basic and diluted loss per ordinary share attributable to equity holders of the Company (sen):	13	**(6.90)**	(1.10)	**–**	–

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	NOTE	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**433,650**	481,655	**861**	1,331
Intangible assets	15	**125,110**	128,080	**–**	–
Investments in subsidiaries	16	**–**	–	**537,160**	445,535
Investments in associates	17	**–**	–	**–**	–
Available-for-sale financial assets	18	**2,615**	3,227	**–**	–
Pension Trust Fund	19	**138,184**	138,184	**138,184**	138,184
Deferred tax assets	20	**43,048**	34,346	**–**	–
		742,607	785,492	**676,205**	585,050
Current assets					
Inventories	21	**272,270**	285,473	**69**	245
Receivables, deposits and prepayments	22	**338,755**	309,458	**226,552**	298,540
Tax recoverable		**3,059**	3,450	**338**	338
Pension Trust Fund	19	**12,680**	12,680	**12,680**	12,680
Deposits, cash and bank balances	23	**73,635**	114,434	**30,070**	20,641
		700,399	725,495	**269,709**	332,444
TOTAL ASSETS		**1,443,006**	1,510,987	**945,914**	917,494
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	24	**553,296**	512,796	**553,296**	512,796
Share premium		**65,591**	57,519	**65,591**	57,519
Foreign currency translation reserves		**(105,986)**	(75,757)	**–**	–
Equity-settled employee benefits	24(c)	**226**	–	**226**	–
(Accumulated losses)/Retained profits	25	**(21,105)**	55,836	**65**	25,303
Treasury shares, at cost	24(b)	**(5,150)**	(5,150)	**(5,150)**	(5,150)
		486,872	545,244	**614,028**	590,468
Non-controlling interests		**3,982**	6,921	**–**	–
Total equity		**490,854**	552,165	**614,028**	590,468

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2014

	NOTE	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Non-current liabilities					
Post employment benefits obligations	26	**273,400**	254,805	**–**	–
Borrowings	28	**87,209**	101,901	**84,245**	92,658
Deferred tax liabilities	20	**18,371**	30,189	**–**	–
		378,980	386,895	**84,245**	92,658
Current liabilities					
Payables	29	**222,516**	236,160	**33,595**	23,134
Post employment benefits obligations	26	**26,450**	28,862	**–**	–
Derivative liabilities	27	**2,989**	3,829	**–**	–
Borrowings	28	**293,507**	289,869	**214,046**	211,234
Current tax liabilities		**27,710**	13,207	**–**	–
		573,172	571,927	**247,641**	234,368
Total liabilities		**952,152**	958,822	**331,886**	327,026
TOTAL EQUITY AND LIABILITIES		**1,443,006**	1,510,987	**945,914**	917,494

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

GROUP	NOTE	NON-DISTRIBUTABLE				DISTRIBUTABLE			
		SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	FOREIGN CURRENCY TRANSLATION RESERVES RM'000	(ACCUMULATED LOSSES)/ RETAINED PROFITS RM'000	ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
At 1 January 2013		512,796	(3,855)	57,521	(84,688)	55,833	537,607	13,773	551,380
Loss for the financial year		–	–	–	–	(5,602)	(5,602)	(8,058)	(13,660)
Other comprehensive income		–	–	–	8,931	5,605	14,536	1,779	16,315
Total comprehensive income/(loss)		–	–	–	8,931	3	8,934	(6,279)	2,655
Treasury shares, at cost	24(b)	–	(1,337)	–	–	–	(1,337)	–	(1,337)
Sale of own shares	24(b)	–	42	(2)	–	–	40	–	40
Dividends		–	–	–	–	–	–	(573)	(573)
Total transactions with owners		–	(1,295)	(2)	–	–	(1,297)	(573)	(1,870)
At 31 December 2013		512,796	(5,150)	57,519	(75,757)	55,836	545,244	6,921	552,165

GROUP	NOTE	NON-DISTRIBUTABLE					DISTRIBUTABLE			
		SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	FOREIGN CURRENCY TRANSLATION RESERVES RM'000	EQUITY-SETTLED EMPLOYEE BENEFITS RM'000	(ACCUMULATED LOSSES)/ RETAINED PROFITS RM'000	ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
At 1 January 2014		**512,796**	**(5,150)**	**57,519**	**(75,757)**	**–**	**55,836**	**545,244**	**6,921**	**552,165**
Loss for the financial year		**–**	**–**	**–**	**–**	**–**	**(36,459)**	**(36,459)**	**(113)**	**(36,572)**
Other comprehensive loss		**–**	**–**	**–**	**(30,229)**	**–**	**(40,482)**	**(70,711)**	**(2,773)**	**(73,484)**
Total comprehensive loss		**–**	**–**	**–**	**(30,229)**	**–**	**(76,941)**	**(107,170)**	**(2,886)**	**(110,056)**
Issue of shares pursuant to private placement	24(a)	**40,500**	**–**	**8,072**	**–**	**–**	**–**	**48,572**	**–**	**48,572**
Share based payment under ESOS	24(c)	**–**	**–**	**–**	**–**	**226**	**–**	**226**	**–**	**226**
Dividends		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(53)**	**(53)**
Total transactions with owners		**40,500**	**–**	**8,072**	**–**	**226**	**–**	**48,798**	**(53)**	**48,745**
At 31 December 2014		**553,296**	**(5,150)**	**65,591**	**(105,986)**	**226**	**(21,105)**	**486,872**	**3,982**	**490,854**

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

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2014

				NON-DISTRIBUTABLE		DISTRIBUTABLE	
COMPANY	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	EQUITY-SETTLED EMPLOYEE BENEFITS RM'000	RETAINED PROFITS RM'000	TOTAL EQUITY RM'000
At 1 January 2013		512,796	(3,855)	57,521	–	23,781	590,243
Profit for the financial year/ Total comprehensive income		–	–	–	–	1,522	1,522
Treasury shares, at cost	24(b)	–	(1,337)	–	–	–	(1,337)
Sale of own shares	24(b)	–	42	(2)	–	–	40
Total transactions with owners		–	(1,295)	(2)	–	–	(1,297)
At 31 December 2013		512,796	(5,150)	57,519	–	25,303	590,468
At 1 January 2014		**512,796**	**(5,150)**	**57,519**	**–**	**25,303**	**590,468**
Loss for the financial year/ Total comprehensive loss		**–**	**–**	**–**	**–**	**(25,238)**	**(25,238)**
Issue of shares pursuant to private placement	24(a)	**40,500**	**–**	**8,072**	**–**	**–**	**48,572**
Share based payment under ESOS	24(c)	**–**	**–**	**–**	**226**	**–**	**226**
Total transactions with owners		**40,500**	**–**	**8,072**	**226**	**–**	**48,798**
At 31 December 2014		**553,296**	**(5,150)**	**65,591**	**226**	**65**	**614,028**

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2014

	NOTE	GROUP 2014 RM'000	GROUP 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**1,346,278**	1,526,337
Cash paid to suppliers and employees		**(1,367,252)**	(1,485,593)
		(20,974)	40,744
Interest received		**1,474**	524
Interest paid		**(14,225)**	(13,382)
Taxation paid		**(17,559)**	(17,994)
Net cash (used in)/from operating activities		**(51,284)**	9,892
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest paid		**(8,135)**	(8,660)
Purchase of property, plant and equipment	14(b)	**(21,586)**	(22,567)
Proceeds from disposal of property, plant and equipment		**5,435**	19,675
Purchase of intangible assets	15	**(3,163)**	(1,009)
Proceeds from disposal of intangible assets		**26**	1,529
Development expenses paid	15	**(784)**	(3,180)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off		**9,020**	–
Purchase of available-for-sale financial assets		**–**	(14)
Proceeds from disposal of available-for-sale financial assets		**585**	–
Net cash used in investing activities		**(18,602)**	(14,226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits (pledged)/uplifted, net		**(2,296)**	18,708
Net proceeds from issue of shares	24(a)	**48,572**	–
Repurchase of shares	24(b)	**–**	(1,337)
Proceeds from sale of own shares		**–**	40
Drawdown of bank borrowings		**246,990**	223,012
Repayment of bank borrowings		**(262,969)**	(264,452)
Repayment of hire purchase and lease payables		**(627)**	(630)
Net cash from/(used in) financing activities		**29,670**	(24,659)
Net decrease in cash and cash equivalents during the financial year		**(40,216)**	(28,993)
Foreign currency translation		**(2,803)**	(1,575)
Cash and cash equivalents at beginning of the financial year		**103,099**	133,667
Cash and cash equivalents at end of the financial year	23	**60,080**	103,099

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

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2014

	NOTE	COMPANY 2014 RM'000	COMPANY 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**85,484**	51,921
Cash paid to suppliers and employees		**(104,017)**	(62,193)
		(18,533)	(10,272)
Interest received		**631**	307
Interest paid		**(7,590)**	(6,926)
Net cash used in operating activities		**(25,492)**	(16,891)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest paid		**(7,084)**	(7,705)
Dividends received		**3,407**	9,299
Purchase of property, plant and equipment	14(b)	**(30)**	(21)
Proceeds from disposal of property, plant and equipment		**–**	4
Repayment from subsidiaries		**5,253**	34,885
Net cash from investing activities		**1,546**	36,462
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits (pledged)/uplifted, net		**(2,296)**	8,425
Net proceeds from issue of shares	24(a)	**48,572**	–
Repurchase of shares	24(b)	**–**	(1,337)
Proceeds from sale of own shares		**–**	40
Drawdown of bank borrowings		**132,393**	106,043
Repayment of bank borrowings		**(147,464)**	(122,874)
Repayment of hire purchase and lease payables		**(126)**	(108)
Net cash from/(used in) financing activities		**31,079**	(9,811)
Net increase in cash and cash equivalents during the financial year		**7,133**	9,760
Cash and cash equivalents at beginning of the financial year		**17,670**	7,910
Cash and cash equivalents at end of the financial year	23	**24,803**	17,670

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

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

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

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

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

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 22 April 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

However, Note 38 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

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

2.2 Basis of accounting

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

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

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

Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

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

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

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

2.4 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the subsequent costs will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

At the end of each reporting period, the Group and Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Impairment assessment on property, plant and equipment is carried out based on the Group and the Company's policies as disclosed in Note 2.11 to the financial statements.

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

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

2.5 Intangible assets

(a) Goodwill

Goodwill includes purchased goodwill and the excess of the fair value of purchase consideration of subsidiaries and associates over the Group's share of the net fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill represents the excess of the Group's share of the fair value of identifiable net assets acquired over the cost of acquisition. Negative goodwill is recognised in the statement of comprehensive income immediately.

(b) Other intangible assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

(b) Other intangible assets (continued)

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

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

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

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

Research and development

Research expenditure is recognised as an expense when incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. The amount initially recognised is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria as listed above. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 9 years. Impairment is assessed on a yearly basis and whenever there is an indication of impairment. The amortisation period and method are also reviewed at least once at the end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

(b) Other intangible assets (continued)

Trademark

Trademark relates mainly to the "Geha" brand (in printer consumables, office and presentation equipment) and was acquired through business combinations. The management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash flows to the Group. Trademarks are measured at cost and reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Computer software

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

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

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

2.6 Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

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

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate. The Group's share of net profit or loss of the associate is recognised in the consolidated statement of comprehensive income. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes, when applicable, in the statement of changes in equity. Unrealised gains or losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss with respect to the Group's net investment in the associate. At the end of each reporting period, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then, recognises the loss in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Associates (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

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

2.7 Assets acquired under finance lease and hire purchase agreements

Leases are classified as finance lease and hire purchase whenever the terms of the lease transfer substantially all the risk and rewards to the lessee. Assets held under finance lease are initially recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the minimum lease payments. The corresponding liability to the lease is included in the statement of financial position as a finance lease obligation. The capital element of the finance lease rental and hire purchase is applied to reduce the outstanding obligations and the interest element is charged to the statement of comprehensive income so as to give a constant periodic rate of interest on the outstanding liability at the end of each reporting period. Assets acquired under finance leases and hire purchases are depreciated over the useful lives of equivalent owned assets.

2.8 Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

2.9 Inventories

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

Cost is determined using the weighted average method. The cost of raw materials comprises cost of purchase. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Employee benefits

(a) Short term employee benefits

The Group recognises a liability and an expense for bonuses where it is contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(b) Defined contribution plan

The Group's contributions to defined contribution plans are charged to the statement of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(c) Defined benefit plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of each reporting period minus the fair value of plan assets, together with adjustments for actuarial gains and losses and past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of each reporting period.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields, at the end of each reporting period, of government securities which have currency and terms to maturity approximating the terms of the related liability.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a corresponding charge or credit to other comprehensive income in the period in which they occur. Re-measurements recorded in other comprehensive income are not recycled. However, the entity may transfer those amounts recognised in other comprehensive income within equity.

Past service costs are recognised in profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net-interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Defined benefit costs are split into three categories:

- service cost, past-service cost, gains and losses on curtailments and settlements;
- net-interest expense or income; and
- re-measurement

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Employee benefits (continued)

(c) Defined benefit plan (continued)

The Group presents the first two components of defined benefit costs in the line item "employee benefits expense" in its consolidated income statement. Curtailments gains and losses are accounted for as past-service costs.

Re-measurement are recorded in other comprehensive income.

(d) Termination benefits

The Group recognises termination benefits, according to the relevant laws applicable in the respective countries, when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(e) Share-based payments

Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transaction are set out in Note 33 to the financial statements.

2.11 Impairment of non-financial assets

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

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

The recoverable amount of an asset is estimated individually. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets (continued)

An impairment loss is recognised in the statement of comprehensive income in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount (net of amortisation or depreciation) that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.

2.12 Income tax

Income tax in the statement of comprehensive income for the year comprises current and deferred tax.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits including withholding taxes payable by foreign subsidiaries and associates on distributions of retained profits to companies in the Group.

Deferred tax is recognised in full using the liability method on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. See significant accounting estimates and judgements in Note 4.3(c) to the financial statements on deferred tax assets.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

2.13 Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Borrowing costs

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

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

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

2.15 Revenue recognition

(a) Revenue

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

(b) Dividend income

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

(c) Royalties

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Share capital

(a) Classification

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

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method. Where the treasury stock is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. The consideration paid, including any attributable transaction costs, is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

(b) Share issue cost

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

(c) Dividends to shareholders of the Company

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

2.17 Provision

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

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

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

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

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

2.18 Warranty

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign currency transactions and balances

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

(c) Foreign operations

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the end of each reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- foreign currencies differences are recognised in foreign currencies translation reserves. On disposal, accumulated translation differences are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Foreign currencies (continued)

(c) Foreign operations (continued)

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

	2014 RM	2013 RM
Foreign currency		
GBP (British Pound)	**5.4332**	5.4268
EUR (EU Euro)	**4.2518**	4.5309
CHF (Swiss Franc)	**3.5349**	3.6960
USD (US Dollar)	**3.4981**	3.2913
AUD (Australian Dollar)	**2.8531**	2.9203
SGD (Singapore Dollar)	**2.6429**	2.5941
BGN (Bulgarian Lev)	**2.1737**	2.3167
TRY (Turkish Lira)	**1.5054**	1.5379
PLN (Polish Zloty)	**0.9880**	1.0919
AED (Arab Emirates Dirham)	**0.9522**	0.8960
RON (Romanian New Lei)	**0.9487**	1.0141
CNY (Chinese Yuan Renminbi)	**0.5685**	0.5383
NOK (Norwegian Kroner)	**0.4694**	0.5375
HKD (Hong Kong Dollar)	**0.4509**	0.4244
SEK (Swedish Krona)	**0.4480**	0.5077
ARS (Argentine Peso)	**0.4094**	0.5051
MXN (Mexican Peso)	**0.2368**	0.2517
CZK (Czech Koruna)	**0.1533**	0.1651
TWD (New Taiwan Dollar)	**0.1101**	0.1096
THB (Thai Baht)	**0.1061**	0.1000
INR (Indian Rupee)	**0.0549**	0.0532
JPY (Japanese Yen)	**0.0292**	0.0313
HUF (Hungarian Forint)	**0.0135**	0.0153
COP (Colombian Peso in thousand)	**1.4500**	1.7100
IDR (Indonesian Rupiah in thousand)	**0.2800**	0.2700

2.20 Financial instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Financial instruments (continued)

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

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

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

(a) Financial assets

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

Financial assets at fair value through profit or loss

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

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

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

Held-to-maturity investments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Financial instruments (continued)

(a) Financial assets (continued)

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Financial instruments (continued)

(b) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Impairment of financial assets

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

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

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

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

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

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

(b) Available-for-sale financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Contingent liabilities and contingent assets

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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

2.23 Segment reporting

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

2.24 Earnings per share

(a) Basic

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

(b) Diluted

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

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

3.1 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 2014. The adoption of these new and revised MFRSs did not have any impact on the financial statements of the Group and the Company.

3.2 New and revised MFRSs in issue but not yet effective

The following are accounting standards, amendments and interpretations 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 MFRSs AND IC INTERPRETATIONS		EFFECTIVE FOR FINANCIAL PERIODS BEGINNING ON OR AFTER
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRSs	Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Amendments to MFRSs	Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014
Amendments to MFRS 10 and MFRS 128	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRSs	Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB)	1 January 2018

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Changes in estimates

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical judgements made in applying accounting policies

(a) Contingent liabilities

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

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

(b) Translation of foreign operation

The Group applied the direct method of consolidation to translate the financial statements of its foreign subsidiaries into the functional currency of the Company, which is also the presentation currency of the Group. Under the direct method of consolidation, the financial statements of all its foreign subsidiaries are translated directly into the functional currency of the Company.

4.3 Key sources of estimation uncertainty

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

(a) Impairment of goodwill and trademark

The Group determines whether goodwill and trademark are impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill and trademark are allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts and further details are disclosed in Note 15 to the financial statements.

(b) Depreciation of property, plant and equipment

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values, therefore future depreciation charges may be revised. Estimating the value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts and further details are disclosed in Note 14 to the financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.3 Key sources of estimation uncertainty (continued)

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and capital allowances to the extent that is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying amounts of unused tax losses is disclosed in Note 20 to the financial statements.

(d) Impairment of receivables

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

(e) Impairment of assets

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

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

(f) Write down for obsolete or slow moving inventories

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

(g) Impairment of development expenditure

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.3 Key sources of estimation uncertainty (continued)

(h) Income taxes

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

(i) Fair value of borrowings

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

(j) Defined benefit plan

The Group determines the present value of the defined benefit obligation and the fair value of any plan asset based on calculations provided by independent actuaries using the relevant assumptions as disclosed in Note 26 to the financial statements. Where expectations differ from the original estimate, the differences will impact the carrying amount of the post employment benefits obligations.

5. SEGMENT INFORMATION

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

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

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

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

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

5. SEGMENT INFORMATION (continued)

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

2014	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
Revenue:							
External customers	708,322	112,828	290,148	209,256	61,566	–	1,382,120
Inter-segment	569,722	47,288	64,586	11,541	116,801	(809,938)	–
Total revenue	1,278,044	160,116	354,734	220,797	178,367	(809,938)	1,382,120
Results:							
Segment result	(545)	(10,028)	(10,848)	44,881	(5,873)	(18,923)	(1,336)
Finance costs	(16,278)	(3,005)	(2,015)	(1,432)	(15,852)	16,269	(22,313)
Taxation	741	7,308	(3,177)	(16,534)	(1,261)	–	(12,923)
(Loss)/Profit for the financial year	(16,082)	(5,725)	(16,040)	26,915	(22,986)	(2,654)	(36,572)
Other segment information:							
Interest income	6,194	3,394	491	1,076	6,588	(16,269)	1,474
Depreciation and amortisation	26,631	5,139	4,451	4,428	2,336	–	42,985
Other material non-cash items:							
Impairment of intangible assets	–	3,044	–	–	–	–	3,044
Impairment losses on receivables - net	936	(14)	163	1,559	165	–	2,809
Inventories written down	(342)	108	228	(99)	664	–	559
Capital expenditure	16,178	132	1,674	6,905	708	–	25,597
Assets:							
Segment assets	737,298	64,434	153,746	171,944	165,020	–	1,292,442
Pension trust fund	–	–	–	–	150,864	–	150,864
							1,443,306
Liabilities:							
Segment liabilities	368,553	41,277	141,334	60,984	340,004	–	952,152

5. SEGMENT INFORMATION (continued)

2013	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
Revenue:							
External customers	785,469	102,383	296,641	196,869	60,774	–	1,442,136
Inter-segment	585,308	44,904	58,332	11,410	86,854	(786,808)	–
Total revenue	1,370,777	147,287	354,973	208,279	147,628	(786,808)	1,442,136
Results:							
Segment result	4,321	2,342	(15,730)	37,116	12,096	(15,254)	24,891
Finance costs	(17,770)	(2,482)	(6,448)	(1,336)	(16,211)	21,975	(22,272)
Taxation	(2,744)	3,180	(1,881)	(13,669)	(1,165)	–	(16,279)
(Loss)/Profit for the financial year	(16,193)	3,040	(24,059)	22,111	(5,280)	6,721	(13,660)
Other segment information:							
Interest income	5,997	2,553	280	630	8,452	(17,388)	524
Depreciation and amortisation	27,042	4,922	4,618	4,591	3,470	–	44,643
Other material non-cash items:							
Impairment of intangible assets	8	–	110	–	–	–	118
Impairment losses on receivables - net	762	(55)	324	874	(85)	–	1,820
Inventories written down	(1,904)	3,468	632	478	421	–	3,095
Capital expenditure	16,555	212	880	9,628	541	–	27,816
Assets:							
Segment assets	775,512	69,086	172,862	176,196	166,467	–	1,360,123
Pension trust fund	–	–	–	–	150,864	–	150,864
							1,510,987
Liabilities:							
Segment liabilities	380,391	51,485	123,211	57,048	346,687	–	958,822

5. SEGMENT INFORMATION (continued)

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

Business segment information

	GROUP	
	2014 RM'000	2013 RM'000
Sale of goods and royalty fees	**1,339,624**	1,389,739
Logistics and related services	**23,684**	34,207
Information technology and related services	**18,812**	18,190
	1,382,120	1,442,136

6. REVENUE

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sales of goods	**1,339,620**	1,389,730	**100,367**	55,202
Royalty fees	**4**	9	**–**	–
Services rendered	**42,496**	52,397	**–**	–
	1,382,120	1,442,136	**100,367**	55,202

7. STAFF COSTS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages, salaries and bonuses	**326,629**	341,414	**4,015**	4,337
Defined contribution plan	**54,778**	57,374	**15**	15
Defined benefit retirement plan	**11,927**	8,792	**450**	466
Other employee related benefits	**8,885**	6,469	**325**	153
	402,219	414,049	**4,805**	4,971

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

8. COMPENSATION OF KEY MANAGEMENT PERSONNELS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages, salaries and bonuses	**11,948**	9,952	**1,550**	1,320
Defined contribution plan	**256**	230	**186**	158
Defined benefit retirement plan	**235**	234	**–**	–
Other employee related benefits	**491**	525	**35**	35
	12,930	10,941	**1,771**	1,513

9. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-executive Directors				
Fees	**457**	460	**457**	460
Executive Director				
Salaries	**1,550**	1,320	**1,550**	1,320
Defined contribution plan	**186**	158	**186**	158
Estimated monetary value of benefits in kind	**35**	35	**35**	35
	2,228	1,973	**2,228**	1,973

10. (LOSS)/PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/Profit from operations is arrived at after charging/(crediting):				
Amortisation of intangible assets	**5,277**	5,379	**–**	–
Auditors' remuneration:				
- statutory audit	**3,059**	3,512	**165**	150
- underprovision in prior year	**313**	67	**9**	–
Bad debts written off	**566**	3,246	**18**	55
Depreciation of property, plant and equipment	**37,708**	39,264	**500**	523
Dividend income	**–**	–	**(3,407)**	(9,299)
Expense recognised in respect of equity-settled employee benefits	**226**	–	**226**	–

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/Profit from operations is arrived at after charging/(crediting): (continued)				
External logistics, outward freight and packaging	**58,421**	70,262	**–**	–
Fair value adjustments on derivative liabilities	**(840)**	(944)	**–**	–
Gain on disposal of intangible asset	**(26)**	(226)	**–**	–
Gain on disposal of investment in subsidiaries	**(3,777)**	–	**–**	–
Impairment losses on receivables - net	**2,809**	1,820	**–**	–
Impairment of intangible assets	**3,044**	118	**–**	–
Impairment of property, plant and equipment	**278**	–	**–**	–
Interest income	**(1,474)**	(524)	**(6,294)**	(8,186)
Inventories written down	**559**	3,095	**–**	–
Investment in subsidiaries written off	**–**	–	**–**	1,890
Loss/(gain) on disposal of property, plant and equipment	**7**	(6,901)	**–**	–
Net (gain)/loss on foreign exchange:				
- realised	**(287)**	3,334	**479**	3,620
- unrealised	**10,458**	(6,748)	**12,183**	(6,022)
Property, plant and equipment written off	**882**	246	**–**	21
Receipts from Pension Trust Fund	**–**	–	**–**	(6,024)
Rental:				
- land and buildings	**20,206**	24,708	**230**	232
- other equipment	**3,067**	2,792	**24**	29
- plant and machinery	**2,683**	2,555	**–**	–
Research and development expenses	**17,841**	17,555	**–**	–
Sales promotion	**57,269**	62,886	**10**	60
Waiver of amount due from subsidiaries	**–**	–	**–**	4,611

The cost of inventories recognised as expense during the financial year of the Group amounted to RM737,872,000 (2013: RM784,952,000).

11. FINANCE COSTS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expense on bank borrowings	**20,145**	20,636	**14,094**	14,259
Factoring charges	**2,168**	1,636	**–**	–
Interest – others	**–**	–	**580**	372
	22,313	22,272	**14,674**	14,631

12. TAXATION

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current year tax expense based on profit for the financial year:				
- Malaysian tax	**–**	31	**–**	–
- Foreign tax	**32,953**	19,647	**–**	–
	32,953	19,678	**–**	–
Under-provision in prior years	**818**	428	**–**	–
	33,771	20,106	**–**	–
Deferred tax	**(20,848)**	(3,827)	**–**	–
Tax expense	**12,923**	16,279	**–**	–

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax:				
Amount recognised in profit or loss	**(20,848)**	(3,827)	**–**	–
Amount recognised in other comprehensive income	**(1,728)**	(21)	**–**	–
Total (Note 20)	**(22,576)**	(3,848)	**–**	–

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	**(5,912)**	655	**(6,310)**	381
Tax effects of:				
- different tax regime	**5,205**	2,291	**–**	–
- expenses not deductible for tax purposes	**8,909**	2,209	**7,197**	5,285
- income not subject to tax	**(3,519)**	(3,142)	**(2,425)**	(7,425)
- deferred tax assets not recognised in respect of current year's tax losses	**7,422**	13,838	**1,538**	1,759
- under-provision in prior years	**818**	428	**–**	–
Tax expense	**12,923**	16,279	**–**	–

13. EARNINGS PER SHARE ("EPS")

Basic EPS:

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

The following table reflects the profit and share data used in the computation of basic loss per share:

	GROUP	
	2014 RM'000	2013 RM'000
Loss attributable to owners of the parent	**(36,459)**	(5,602)

	GROUP	
	2014 '000	2013 '000
Weighted average number of ordinary shares in issue	**533,046**	512,796
Weighted average number of shares repurchased	**(4,928)**	(4,257)
Weighted average number of shares reissued	**–**	29
	528,118	508,568
	SEN	**SEN**
Basic loss per ordinary share	**(6.90)**	(1.10)

Diluted EPS:

The ESOS that could potentially dilute the earnings per ordinary shares were not included in the calculation of diluted earnings per ordinary shares 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 2013	28,953	283,940	133,430	24,618	2,577	7,394	480,912
Additions	–	3,566	7,667	6,277	854	4,425	22,789
Disposals	–	(8,790)	(2,521)	(418)	(140)	(905)	(12,774)
Transfers	–	–	3,875	135	–	(4,672)	(662)
Depreciation	–	(11,641)	(19,409)	(7,307)	(907)	–	(39,264)
Write off	–	–	(15)	(200)	–	(31)	(246)
Foreign currencies translation	472	18,806	9,595	1,465	18	544	30,900
At 31 December 2013	29,425	285,881	132,622	24,570	2,402	6,755	481,655
At 1 January 2014	**29,425**	**285,881**	**132,622**	**24,570**	**2,402**	**6,755**	**481,655**
Additions	**–**	**624**	**4,962**	**4,716**	**162**	**11,186**	**21,650**
Disposals	**–**	**(4,938)**	**(264)**	**(232)**	**(7)**	**(1)**	**(5,442)**
Transfers	**–**	**(1,439)**	**4,647**	**2,422**	**–**	**(5,709)**	**(79)**
Depreciation	**–**	**(9,612)**	**(20,214)**	**(6,958)**	**(924)**	**–**	**(37,708)**
Impairment	**–**	**–**	**(264)**	**(14)**	**–**	**–**	**(278)**
Write off	**–**	**–**	**(339)**	**(536)**	**(7)**	**–**	**(882)**
Foreign currencies translation	**(1,285)**	**(14,770)**	**(7,264)**	**(1,204)**	**(86)**	**(657)**	**(25,266)**
At 31 December 2014	**28,140**	**255,746**	**113,886**	**22,764**	**1,540**	**11,574**	**433,650**
At 31 December 2014							
Cost	**28,140**	**387,210**	**425,412**	**136,779**	**4,949**	**11,574**	**994,064**
Accumulated depreciation and impairment	**–**	**(131,464)**	**(311,526)**	**(114,015)**	**(3,409)**	**–**	**(560,414)**
Carrying amounts	**28,140**	**255,746**	**113,886**	**22,764**	**1,540**	**11,574**	**433,650**
At 31 December 2013							
Cost	29,425	420,461	455,690	150,505	5,254	6,755	1,068,090
Accumulated depreciation and impairment	–	(134,580)	(323,068)	(125,935)	(2,852)	–	(586,435)
Carrying amounts	29,425	285,881	132,622	24,570	2,402	6,755	481,655

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 amount				
At 1 January 2013	31	122	1,483	1,636
Additions	–	243	–	243
Disposals	–	(4)	–	(4)
Depreciation	(31)	(71)	(421)	(523)
Write off	–	(21)	–	(21)
At 31 December 2013/1 January 2014	**–**	**269**	**1,062**	**1,331**
Additions	**6**	**24**	**–**	**30**
Depreciation	**(1)**	**(78)**	**(421)**	**(500)**
At 31 December 2014	**5**	**215**	**641**	**861**
At 31 December 2014				
Cost	**434**	**526**	**1,998**	**2,958**
Accumulated depreciation and impairment	**(429)**	**(311)**	**(1,357)**	**(2,097)**
Carrying amounts	**5**	**215**	**641**	**861**
At 31 December 2013				
Cost	428	502	1,998	2,928
Accumulated depreciation and impairment	(428)	(233)	(936)	(1,597)
Carrying amounts	–	269	1,062	1,331

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The carrying amounts of property, plant and equipment pledged as security for borrowings as disclosed in Note 28 to the financial statements are as follows:

	GROUP	
	2014 RM'000	2013 RM'000
Freehold land	**5,084**	5,357
Buildings	**185,146**	201,919
Machinery and technical equipment	**8,790**	13,053
	199,020	220,329

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Purchase of property, plant and equipment	**21,650**	22,789	**30**	243
Financed by hire purchase and finance lease arrangements	**(64)**	(222)	**–**	(222)
Cash payments on purchase of property, plant and equipment	**21,586**	22,567	**30**	21

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Machinery, technical equipment and mould	**27**	319	**–**	–
Office equipment, furniture and fittings	**118**	179	**118**	179
Motor vehicles	**953**	771	**159**	217
	1,098	1,269	**277**	396

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 2013	96,887	15,004	15,674	1,238	128,803
Additions	–	–	3,180	1,847	5,027
Disposals	–	–	(1,235)	(68)	(1,303)
Transfer from property, plant and equipment (Note 14)	–	–	–	662	662
Amortisation	–	–	(4,464)	(915)	(5,379)
Impairment	–	–	–	(118)	(118)
Foreign currencies translation	(2,152)	1,525	812	203	388
At 31 December 2013/1 January 2014	**94,735**	**16,529**	**13,967**	**2,849**	**128,080**
Additions	**–**	**–**	**784**	**3,163**	**3,947**
Transfer from property, plant and equipment (Note 14)	**–**	**–**	**–**	**79**	**79**
Amortisation	**–**	**–**	**(4,352)**	**(925)**	**(5,277)**
Impairment	**–**	**–**	**(3,044)**	**–**	**(3,044)**
Foreign currencies translation	**3,097**	**(1,014)**	**(450)**	**(308)**	**1,325**
At 31 December 2014	**97,832**	**15,515**	**6,905**	**4,858**	**125,110**
At 31 December 2014					
Cost	**100,748**	**16,523**	**35,823**	**64,153**	**217,247**
Accumulated amortisation and impairment	**(2,916)**	**(1,008)**	**(28,918)**	**(59,295)**	**(92,137)**
Carrying amounts	**97,832**	**15,515**	**6,905**	**4,858**	**125,110**
At 31 December 2013					
Cost	101,043	17,603	42,265	65,573	226,484
Accumulated amortisation and impairment	(6,308)	(1,074)	(28,298)	(62,724)	(98,404)
Carrying amounts	94,735	16,529	13,967	2,849	128,080

During the previous financial year, the Group purchased computer software license amounting to RM838,000 through hire purchase and finance lease arrangements. The carrying amount of the Group's computer software license under hire purchase and finance lease agreements is RM480,000 (2013: RM666,000).

15. INTANGIBLE ASSETS (continued)

Impairment test for goodwill and trademarks

Allocation of goodwill and trademarks:

	GROUP	
	2014 RM'000	2013 RM'000
Goodwill		
Germany	**68,905**	66,887
Switzerland	**3,113**	3,255
Argentina	**11,663**	10,931
Japan	**13,285**	12,799
Taiwan	**866**	863
	97,832	94,735
Trademarks		
Germany	**15,515**	16,529

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:

	EBIT MARGIN		GROWTH RATE		DISCOUNT RATE	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Germany	**5.0**	0.4	**1.0**	1.0	**5.0**	5.2
Switzerland	**3.2**	2.6	**0.1**	1.3	**5.3**	5.1
Argentina	**18.6**	16.9	**19.0**	20.0	**28.3**	25.7
Japan	**15.8**	9.9	**1.0**	2.0	**4.6**	3.9
Taiwan	**23.4**	8.7	**1.0**	1.0	**5.4**	6.7

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

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

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

16. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2014 RM'000	2013 RM'000
Quoted shares, at cost	**167,818**	167,319
Unquoted shares, at cost	**80,326**	80,326
Less: Impairment loss	**(2,653)**	(2,653)
	245,491	244,992
Amount due from subsidiaries (Non-trade)	**291,669**	200,543
	537,160	445,535
Market values of quoted shares	**168,050**	168,050

Amount due from subsidiaries amounting to RM291,669,000 (2013: RM200,543,000) is considered to be part of the Company's net investments in subsidiaries, which are stated at cost less accumulated impairment losses.

Details of the subsidiaries are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2014 %	EFFECTIVE PERCENTAGE OF OWNERSHIP 2013 %	PRINCIPAL ACTIVITIES
Direct subsidiaries				
Pelikan Holding AG (voluntary delisting on 27 February 2015 from Swiss SIX Exchange)	Switzerland	**96.64**	96.45	Investment holding
Pelikan Japan K.K.*	Japan	**99.16**	99.11	Distribution of stationery and office products
Pelikan México S.A. de C.V.	Mexico	**98.32**	98.23	Production and distribution of stationery and office products
Pelikan Polska Sp.z.o.o	Poland	**–**	100.00	Dormant
Pelikan Middle East FZE*	United Arab Emirates	**100.00**	100.00	Distribution of stationery and office products
Pelikan Singapore Pte. Ltd.*	Singapore	**100.00**	100.00	Distribution of stationery and office products
Pelikan Taiwan Co., Ltd.*	Taiwan	**100.00**	100.00	Distribution of stationery and office products
Pelikan Trading (Shanghai) Co. Ltd.*	China	**100.00**	100.00	Dormant
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

16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2014 %	2013 %	PRINCIPAL ACTIVITIES
Direct subsidiaries (continued)				
Pelikan (Thailand) Co. Ltd.*	Thailand	**82.77**	82.77	Distribution of stationery and office supplies
Herlitz Aktiengesellschaft (listed on Berlin Stock Exchange and Frankfurt Stock Exchange)*	Germany	**71.32**	70.92	Production and distribution of stationery and office products
Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG*	Germany	**98.54**	98.52	Property holding
Ganymed Falkensee Grundstücksverwaltungs GmbH*	Germany	**100.00**	100.00	Dormant
Indirect subsidiaries				
Pelikan (Schweiz) AG	Switzerland	**96.64**	96.45	Distribution of stationery and office products
Pelikan GmbH	Germany	**96.64**	96.45	Investment holding
Pelikan Vertriebsgesellschaft mbH & Co. KG	Germany	**96.64**	96.45	Distribution of stationery and office products
Pelikan PBS-Produktionsgesellschaft mbH & Co. KG	Germany	**96.64**	96.45	Production and distribution of stationery and office products
Kreuzer Produktion + Vertrieb GmbH*	Germany	**96.64**	96.45	Dormant
Pelikan PBS-Produktion Verwaltungs-GmbH*	Germany	**96.64**	96.45	Dormant
Pelikan Vertrieb Verwaltungs-GmbH*	Germany	**96.64**	96.45	Dormant
ReMerch GmbH	Germany	**96.64**	96.45	Services
Pelikan Hardcopy Distribution GmbH & Co. KG	Germany	**96.64**	–	Distribution of stationery and office products
Pelikan Distribution Verwaltungs GmbH*	Germany	**96.64**	–	Dormant
Pelikan Italia S.p.A.	Italy	**96.64**	96.45	Distribution of stationery and office products
Pelikan S.A.	Spain	**96.64**	96.45	Distribution of stationery and office products
Pelikan N.V./S.A.	Belgium	**96.64**	96.45	Distribution of stationery and office products
Pelikan Hellas Ltd.	Greece	**96.64**	96.45	Distribution of stationery and office products
Pelikan Austria Gesellschaft m.b.H.*	Austria	**96.64**	96.45	Dormant
Pelikan Nederland B.V.*	Netherlands	**96.64**	96.45	Dormant
Pelikan, Inc.*	USA	**96.64**	96.45	Dormant
Pelikan Asia Sdn. Bhd.	Malaysia	**96.64**	96.45	Distribution of stationery and office products

16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2014 %	2013 %	PRINCIPAL ACTIVITIES
Indirect subsidiaries (continued)				
Pelikan Nordic AB	Sweden	**96.64**	96.45	Distribution of stationery and office products
Pelikan France S.A.S.	France	**96.64**	96.45	Distribution of stationery and office products
Pelikan Colombia S.A.S.	Colombia	**98.17**	98.06	Production and distribution of stationery and office products
Pelikan Hardcopy Europe Ltd.*^	United Kingdom	**–**	100.00	Voluntary liquidated
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
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**	–	Dormant
Linea GmbH	Germany	**96.64**	96.45	Distribution of office products
Pelikan Argentina S.A.	Argentina	**98.27**	98.17	Distribution of stationery and office products
Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd. Sirketi*	Turkey	**97.98**	97.87	Distribution of stationery and office products
Susy Card GmbH*	Germany	**71.32**	70.92	Development, production and distribution of papeterie products
Herlitz Papierverarbeitungs GmbH*	Germany	**71.32**	70.92	Dormant
Convex Schreibwaren-Handels GmbH*	Germany	**71.32**	70.92	Distribution of stationery and office products
Mercoline GmbH*	Germany	**71.32**	70.92	Production and distribution of software and provision of IT services
eCom Logistik GmbH & Co. KG*	Germany	**71.32**	70.92	Logistics services
eCom Logistik Verwaltungs GmbH*	Germany	**71.32**	70.92	Dormant
Herlitz Spolka z.o.o.*	Poland	**71.32**	70.92	Production and distribution of stationery and office products
Herlitz Spol s.r.o.*	Czech Republic	**71.32**	70.92	Distribution of stationery and office products
HCZ Real Estate s.r.o.*	Czech Republic	**–**	70.92	Dormant
Herlitz Slovakia s.r.o.*	Slovakia	**71.32**	70.92	Distribution of stationery and office products

16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2014 %	2013 %	PRINCIPAL ACTIVITIES
Indirect subsidiaries (continued)				
Herlitz Hungária Kft.*	Hungary	**71.32**	70.92	Distribution of stationery and office products
Herlitz România S.R.L.*	Romania	**36.37**	36.17	Distribution of stationery and office products
Herlitz Bulgaria EooD*	Bulgaria	**71.32**	70.92	Distribution of stationery and office products
POS Servicegesellschaft mbH*	Germany	**71.32**	70.92	Point of sale services

* Not audited by BDO or BDO member firms

^ Liquidated during the financial year

(a) Investment in subsidiaries amounting to RM104,748,789 (2013: RM104,748,789) were pledged as security for borrowings of the Company as disclosed in Note 28 to the financial statements.

(b) On 4 February 2014, the Group disposed off HCZ Real Estate s.r.o., a wholly owned subsidiary of Herlitz Aktiengesellschaft to a third party for a total consideration of EUR2.0 million (RM9.0 million).

(c) On 19 February 2014 and 26 February 2014 respectively, the Group via Pelikan Holding AG ("PHAG") incorporated two new subsidiaries in Germany, namely Pelikan Hardcopy Distribution GmbH & Co. KG and Pelikan Distribution Verwaltungs GmbH, whereby PHAG subscribed for 100% equity interest, representing 100 new shares of EUR1.00 each and 25 new shares of EUR1.00 each respectively for a total consideration of CHF153 (RM541).

(d) On 8 April 2014, the Group via Pelikan Hardcopy Production AG ("PHPAG") incorporated a new subsidiary in the Netherlands, namely Pelikan Hardcopy B.V., whereby PHPAG subscribed for 100% equity interest, representing 1 new shares of EUR1.00 each for a total consideration of CHF1 (RM4).

(e) On 31 December 2014, the Group disposed off Pelikan Polska Sp.z.o.o, a wholly owned subsidiary of the Company to a third party for a total consideration of PLN20,000 (RM20,000).

There were no material financial effects to the Group arising from the transactions mentioned in Note 16(b), (c), (d) and (e) above.

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

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2014 %	EFFECTIVE PERCENTAGE OF OWNERSHIP 2013 %	PRINCIPAL ACTIVITIES
Indirect associate				
Artof C.A.*	Venezuela	**21.91**	21.91	Dormant

* Not audited by BDO

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	GROUP 2014 RM'000	GROUP 2013 RM'000
Quoted shares	**2,560**	3,336
Less: Impairment loss	**–**	(169)
	2,560	3,167
Unquoted shares	**55**	60
	2,615	3,227
Market value of quoted shares	**2,560**	3,167

Information on the fair value hierarchy is disclosed in Note 35(c) to the financial statements.

19. PENSION TRUST FUND

	GROUP AND COMPANY	
	2014 RM'000	2013 RM'000
Current	**12,680**	12,680
Non-current	**138,184**	138,184
	150,864	150,864

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

As disclosed in Note 26, the post employment benefits obligations are as follows:

	Group	
	2014 RM'000	2013 RM'000
Liabilities funded by Pension Trust Fund	**126,393**	124,237
Liabilities assumed by the Company	**65,087**	65,087
	191,480	189,324
Other post employment benefit obligations of the Group	**108,370**	94,343
	299,850	283,667

20. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	**43,048**	34,346	**–**	–
Deferred tax liabilities:				
- subject to income tax	**(13,155)**	(24,761)	**–**	–
- subject to capital gains tax	**(5,216)**	(5,428)	**–**	–
	(18,371)	(30,189)	**–**	–
	24,677	4,157	**–**	–

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	**4,157**	(24)	**–**	–
Credited/(charged) to statement of comprehensive income: (Note 12)				
- tax losses	**17,393**	9,990	**–**	–
- property, plant and equipment	**(14,750)**	(103)	**–**	–
- inventories	**(24)**	(828)	**–**	–
- others	**19,957**	(5,211)	**–**	–
	22,576	3,848	**–**	–
Foreign currencies translation and others	**(2,056)**	333	**–**	–
At 31 December	**24,677**	4,157	**–**	–
Subject to income tax:				
Deferred tax assets				
Tax losses	**40,475**	24,734	**–**	–
Others	**2,573**	9,612	**–**	–
	43,048	34,346	**–**	–
Deferred tax liabilities				
Property, plant and equipment and intangibles	**(13,155)**	(24,761)	**–**	–
Subject to capital gains tax:				
Deferred tax liabilities				
Property, plant and equipment	**(5,216)**	(5,428)	**–**	–

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unused tax losses	**316,175**	308,753	**7,636**	6,098

21. INVENTORIES

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At cost				
Raw materials	**41,715**	44,569	**69**	245
Work in progress	**40,651**	32,989	**–**	–
Finished goods	**136,564**	145,939	**–**	–
	218,930	223,497	**69**	245
At net realisable value				
Raw materials	**7,303**	9,942	**–**	–
Work in progress	**5,789**	11,126	**–**	–
Finished goods	**40,248**	40,908	**–**	–
	272,270	285,473	**69**	245

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables				
Third parties	**236,028**	211,237	**2,517**	2,077
Subsidiaries	**–**	–	**27,432**	12,515
Less: Impairment loss	**(9,561)**	(10,104)	**–**	–
	226,467	201,133	**29,949**	14,592
Other receivables				
Amounts due from:				
- Subsidiaries	**–**	–	**120,476**	206,966
- Third parties	**104,235**	98,847	**70,254**	70,118
Prepayments	**1,853**	2,010	**319**	310
Deposits	**6,200**	7,468	**5,554**	6,554
	338,755	309,458	**226,552**	298,540

Trade receivables of the Group pledged as security for borrowings amounted to RM2,657,000 (2013: RM5,967,000) as disclosed in Note 28 to the financial statements.

The fair values of receivables approximate their carrying amounts.

Credit terms offered by the Group in respect of trade receivables range from 30 days to 120 days (2013: 30 days to 120 days) from date of invoices.

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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 2.70% (2013: 2.95%) 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 RM5,425,000 (2013: RM5,452,000), which arose from trade transactions, are unsecured, interest free and repayable on demand.

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
- EUR	**164,057**	140,528	**59,111**	155,106
- RM	**83,560**	84,924	**123,950**	128,680
- USD	**24,925**	14,213	**34,575**	11,528
- COP	**21,691**	21,631	**–**	–
- MXN	**16,009**	20,706	**–**	–
- ARS	**12,468**	9,571	**–**	–
- JPY	**7,121**	8,289	**142**	28
- GBP	**2,173**	2,128	**4,548**	1,789
- SGD	**1,985**	1,774	**3,901**	385
- CHF	**1,881**	3,321	**281**	294
- THB	**1,388**	1,337	**44**	75
- CZK	**547**	325	**–**	–
- CNY	**412**	267	**–**	–
- IDR	**336**	102	**–**	–
- TWD	**163**	198	**–**	655
- SEK	**34**	60	**–**	–
- HKD	**5**	49	**–**	–
- PLN	**–**	35	**–**	–
	338,755	309,458	**226,552**	298,540

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor impaired	**188,902**	163,960	**13,799**	7,329
0 to 30 days past due	**20,998**	21,920	**3,605**	2,484
31 to 60 days past due	**8,116**	8,143	**3,622**	795
61 to 90 days past due	**3,157**	3,889	**2,700**	1,215
More than 90 days past due	**14,855**	13,325	**6,223**	2,769
	236,028	211,237	**29,949**	14,592
Allowance for impairment	**(9,561)**	(10,104)	**–**	–
	226,467	201,133	**29,949**	14,592

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 2014, the Group and Company have trade receivables amounting to RM33,182,000 (2013: RM26,655,000) and RM16,150,000 (2013: RM7,263,000) 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 and of the Company that are past due and impaired at the end of the reporting period are as follows:

GROUP	COLLECTIVELY IMPAIRED RM'000	INDIVIDUALLY IMPAIRED RM'000	TOTAL RM'000
2014			
Trade receivables, gross	**8,879**	**5,065**	**13,944**
Less: Impairment loss	**(4,572)**	**(4,989)**	**(9,561)**
	4,307	**76**	**4,383**

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

GROUP	COLLECTIVELY IMPAIRED RM'000	INDIVIDUALLY IMPAIRED RM'000	TOTAL RM'000
2013			
Trade receivables, gross	13,812	6,810	20,622
Less: Impairment loss	(3,632)	(6,472)	(10,104)
	10,180	338	10,518

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

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

	GROUP	
	2014 RM'000	2013 RM'000
At 1 January	**10,104**	12,254
Charged for the financial year	**3,987**	1,820
Reversal for the financial year	**(1,178)**	–
Written off	**(2,542)**	(4,577)
Foreign currencies translation	**(810)**	607
At 31 December	**9,561**	10,104

23. DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed banks	**23,646**	7,303	**22,630**	6,133
Cash and bank balances	**49,989**	107,131	**7,440**	14,508
Deposits, cash and bank balances	**73,635**	114,434	**30,070**	20,641
Bank overdrafts (Note 28)	**(8,288)**	(8,364)	**–**	–
	65,347	106,070	**30,070**	20,641
Less: Deposits pledged to licensed banks (Note 28)	**(5,267)**	(2,971)	**(5,267)**	(2,971)
	60,080	103,099	**24,803**	17,670

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	
	2014 %	2013 %	2014 %	2013 %
Deposits with licensed banks	**2.90 - 3.40**	1.00 - 3.70	**2.90 - 3.40**	2.75 - 3.70

The deposits of the Group and of the Company as at 31 December 2014 have maturity periods ranging between overnight and two months (2013: between overnight and one month). Certain deposits have been pledged to financial institutions for credit facilities.

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
- EUR	**30,364**	76,314	**3,624**	6,593
- RM	**23,619**	6,751	**23,149**	6,494
- USD	**6,683**	16,190	**3,217**	6,794
- ARS	**3,101**	2,757	**–**	–
- COP	**2,579**	1,222	**–**	–
- MXN	**2,327**	7,268	**–**	–
- CHF	**1,630**	589	**14**	14
- TWD	**888**	1,028	**–**	–
- JPY	**879**	1,090	**62**	743
- HKD	**860**	262	**–**	–
- SGD	**204**	130	**–**	–
- IDR	**171**	33	**–**	–
- THB	**148**	221	**–**	–
- CNY	**85**	305	**–**	–
- CZK	**48**	159	**–**	–
- INR	**27**	27	**–**	–
- GBP	**20**	13	**2**	2
- AUD	**2**	1	**2**	1
- PLN	**–**	52	**–**	–
- SEK	**–**	22	**–**	–
	73,635	114,434	**30,070**	20,641

24. SHARE CAPITAL

	GROUP AND COMPANY			
	2014		2013	
	NUMBER OF SHARES '000	AMOUNT RM'000	NUMBER OF SHARES '000	AMOUNT RM'000
Ordinary shares of RM1.00 each:				
Authorised:				
As at 1 January/31 December	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
As at 1 January	**512,796**	512,796	**512,796**	512,796
Private placement	**40,500**	40,500	**–**	–
As at 31 December	**553,296**	553,296	**512,796**	512,796

(a) Issues of shares

During the current financial year, the Company increased its issued and paid-up capital from RM512,796,061 to RM553,296,061 via issuance of 40,500,000 new ordinary shares of RM1.00 each at an issue price of RM1.33 per share arising from a private placement undertaken pursuant to the shareholders' mandate obtained under Section 132D of the Companies Act, 1965 at the Annual General Meeting held on 18 June 2014. The net proceeds of the private placement after deducting expenses amounted to RM48,572,000.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Treasury shares

	GROUP AND COMPANY			
	2014		2013	
	NUMBER OF SHARES '000	AMOUNT RM'000	NUMBER OF SHARES '000	AMOUNT RM'000
At cost:				
As at 1 January	**4,928**	**5,150**	2,556	3,855
Additions	**–**	**–**	2,462	1,337
Reissued	**–**	**–**	(90)	(42)
As at 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.

24. SHARE CAPITAL (continued)

(b) Treasury shares (continued)

Treasury shares have no rights to voting, dividends or participation in other distribution. As at 31 December 2014, the Company held 4,928,011 (2013: 4,928,011) treasury shares, with carrying amount of RM5,149,918 (2013: 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 33 to the financial statements.

25. RETAINED PROFITS

The Company is able to distribute dividends out of its entire retained earnings under the single-tier system.

26. POST EMPLOYMENT BENEFITS OBLIGATIONS

The Group operates both funded and unfunded defined benefits retirement plans for its employees. The latest actuarial valuations of the plans were carried out in 2014.

	REMOVABLE PENSION LIABILITIES FUNDED BY PENSION TRUST FUND RM'000	REMOVABLE PENSION LIABILITIES ASSUMED BY THE COMPANY RM'000	OTHERS RM'000	GROUP TOTAL RM'000
At 31 December 2014				
Current	**17,628**	**–**	**8,822**	**26,450**
Non-current	**108,765**	**65,087**	**99,548**	**273,400**
	126,393	**65,087**	**108,370**	**299,850**
At 31 December 2013				
Current	19,474	–	9,388	28,862
Non-current	104,763	65,087	84,955	254,805
	124,237	65,087	94,343	283,667

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

26. POST EMPLOYMENT BENEFITS OBLIGATIONS (continued)

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

	GROUP	
	2014 RM'000	2013 RM'000
Service cost:		
Current service cost	**5,497**	6,146
Past service cost and gain from settlements	**(2,894)**	(6,430)
Net interest expense	**9,324**	9,076
Components of defined benefit costs recognised in profit or loss	**11,927**	8,792
Re-measurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(13,772)**	(8,029)
Actuarial gains and losses arising from changes in demographic assumptions	**48**	–
Actuarial gains and losses arising from changes in financial assumptions	**57,923**	(206)
Actuarial gains and losses arising from experience adjustments	**(961)**	2,424
Components of defined benefit costs recognised in other comprehensive income	**43,238**	(5,811)
Total	**55,165**	2,981

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

	GROUP	
	2014 RM'000	2013 RM'000
Present value of funded defined benefit obligations	**308,348**	286,524
Fair value of plan assets	**(221,853)**	(216,688)
Status of funded plans	**86,495**	69,836
Present value of unfunded obligations	**213,355**	213,831
	299,850	283,667

26. POST EMPLOYMENT BENEFITS OBLIGATIONS (continued)

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

	GROUP	
	2014 RM'000	**2013 RM'000**
Opening defined benefit obligation	**500,355**	490,321
Current service cost	**5,497**	6,146
Interest cost	**16,797**	15,626
Re-measurement losses/(gains):		
Actuarial gains and losses arising from changes in demographic assumptions	**48**	–
Actuarial gains and losses arising from changes in financial assumptions	**57,923**	(206)
Actuarial gains and losses arising from experience adjustments	**(961)**	2,424
Past services cost, including gains on curtailments	**(2,894)**	(6,430)
Benefits paid	**(38,555)**	(50,486)
Foreign currencies translation and others	**(16,507)**	42,960
Closing defined benefit obligation	**521,703**	500,355

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

	GROUP	
	2014 RM'000	**2013 RM'000**
Opening fair value of plan assets	**216,688**	209,828
Interest income	**7,473**	6,550
Re-measurement gains:		
Return on plan assets (excluding amounts included in net interest expense)	**13,772**	8,029
Contributions from the employer	**3,374**	4,616
Contributions from plan participants	**1,223**	1,480
Benefits paid	**(16,864)**	(29,993)
Foreign currencies translation and others	**(3,813)**	16,178
Closing fair value of plan assets	**221,853**	216,688

26. POST EMPLOYMENT BENEFITS OBLIGATIONS (continued)

The major categories of plan assets are as follows:

	GROUP	
	2014 RM'000	2013 RM'000
Debt instruments	**87,929**	86,959
Equity instruments	**61,846**	61,394
Alternative investments	**44,012**	41,426
Properties	**13,899**	14,726
Qualifying insurance polices	**8,874**	6,538
Cash and others	**5,293**	5,645
	221,853	216,688

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

	GROUP	
	2014 %	2013 %
Discount rate	**1.00 - 7.50**	2.00 - 6.75

Significant actuarial assumptions for the determination of the defined obligation are 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 obligation would decrease or increase by:

	GROUP DISCOUNT RATE	
	INCREASE BY 50 BASIS POINT RM'000	DECREASE BY 50 BASIS POINT RM'000
At 31 December 2014		
(Decrease)/Increase on defined benefit obligation	**(15,359)**	**16,445**
At 31 December 2013		
(Decrease)/Increase on defined benefit obligation	(13,945)	14,950

26. POST EMPLOYMENT BENEFITS OBLIGATIONS (continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation 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 obligation 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 obligation liability 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.

27. DERIVATIVE LIABILITIES

	2014		2013	
	CONTRACT/ NOTIONAL AMOUNT EUR'000	LIABILITIES RM'000	CONTRACT/ NOTIONAL AMOUNT EUR'000	LIABILITIES RM'000
Group				
Interest rate swap	**10,000**	**2,989**	10,000	3,829

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

28. BORROWINGS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current				
Bank overdrafts	**8,288**	8,364	**–**	–
Bankers' acceptances/Trust receipts	**5,659**	6,529	**323**	127
Revolving credits	**169,702**	174,328	**144,644**	143,727
Discounted bills	**56,706**	34,494	**48,896**	29,578
Hire purchase and lease payables	**513**	654	**126**	126
Short term loans	**26,906**	27,380	**–**	–
Term loans	**25,733**	38,120	**20,057**	37,676
	293,507	289,869	**214,046**	211,234
Non-current				
Hire purchase and lease payables	**726**	1,232	**113**	239
Term loans	**86,483**	100,669	**84,132**	92,419
	87,209	101,901	**84,245**	92,658
Total				
Bank overdrafts (Note 23)	**8,288**	8,364	**–**	–
Bankers' acceptances/Trust receipts	**5,659**	6,529	**323**	127
Revolving credits	**169,702**	174,328	**144,644**	143,727
Discounted bills	**56,706**	34,494	**48,896**	29,578
Hire purchase and lease payables	**1,239**	1,886	**239**	365
Short term loans	**26,906**	27,380	**–**	–
Term loans	**112,216**	138,789	**104,189**	130,095
	380,716	391,770	**298,291**	303,892

28. BORROWINGS (continued)

Contractual terms of borrowings:

GROUP 2014	EFFECTIVE INTEREST RATE %	FUNCTIONAL CURRENCY	TOTAL CARRYING AMOUNT RM'000	MATURITY PROFILE					
				< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Bank overdrafts	6.20 - 7.65	EUR	5,293	5,293	–	–	–	–	–
Banker's acceptances/Trust receipts	3.74 - 5.62	RM	1,441	1,441	–	–	–	–	–
Revolving credits	4.29	USD	52,472	52,472	–	–	–	–	–
Revolving credits	5.33 - 6.13	RM	15,106	15,106	–	–	–	–	–
Discounted bill	1.75 - 2.88	USD	19,175	19,175	–	–	–	–	–
Discounted bill	1.87 - 2.85	EUR	6,149	6,149	–	–	–	–	–
Hire purchase and lease payables	5.77 - 5.87	EUR	884	344	310	230	–	–	–
Hire purchase and lease payables	2.33 - 3.55	RM	325	155	137	13	14	6	–
Hire purchase and lease payables	3.40	GBP	27	11	5	11	–	–	–
Hire purchase and lease payables	2.68 - 2.88	SGD	3	3	–	–	–	–	–
Short term loans	4.25 - 4.85	EUR	23,252	23,252	–	–	–	–	–
Short term loans	27.50 - 28.50	ARS	3,603	3,603	–	–	–	–	–
Short term loans	7.50	CZK	51	51	–	–	–	–	–
Term loans	5.55 - 6.98	RM	104,189	20,057	20,000	20,000	20,000	20,000	4,132
Term loans	1.85 - 2.32	CHF	5,232	5,232	–	–	–	–	–
Term loans	4.19	EUR	1,349	183	316	208	208	208	226
			238,551	152,527	20,768	20,462	20,222	20,214	4,358
Unsecured									
Bank overdrafts	4.25	GBP	1,712	1,712	–	–	–	–	–
Bank overdrafts	9.50 - 11.35	EUR	1,233	1,233	–	–	–	–	–
Bank overdrafts	15.00	ARS	50	50	–	–	–	–	–
Bankers' acceptance	3.25	RM	4,218	4,218	–	–	–	–	–
Revolving credits	4.29 - 5.58	USD	81,095	81,095	–	–	–	–	–
Revolving credits	5.28 - 5.79	RM	13,909	13,909	–	–	–	–	–
Revolving credits	4.85	MXN	7,118	7,118	–	–	–	–	–
Revolving credits	8.10 - 9.90	COP	2	2	–	–	–	–	–
Discounted bills	2.75 - 7.80	EUR	18,690	18,690	–	–	–	–	–
Discounted bills	2.68 - 4.50	USD	12,692	12,692	–	–	–	–	–
Term loans	4.25	GBP	1,446	261	272	283	299	310	21
			142,165	140,980	272	283	299	310	21
			380,716	293,507	21,040	20,745	20,521	20,524	4,379

28. BORROWINGS (continued)

Contractual terms of borrowings: (continued)

GROUP 2013	EFFECTIVE INTEREST RATE %	FUNCTIONAL CURRENCY	TOTAL CARRYING AMOUNT RM'000	MATURITY PROFILE < 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Bank overdrafts	7.96 - 9.40	EUR	4,499	4,499	–	–	–	–	–
Banker's acceptances/Trust receipts	3.25 - 8.01	RM	873	873	–	–	–	–	–
Revolving credits	3.75 - 3.94	USD	49,370	49,370	–	–	–	–	–
Revolving credits	5.08 - 5.28	RM	19,122	19,122	–	–	–	–	–
Discounted bill	2.40 - 2.73	USD	16,681	16,681	–	–	–	–	–
Discounted bill	2.75 - 3.35	EUR	675	675	–	–	–	–	–
Hire purchase and lease payables	5.77 - 5.87	EUR	1,137	358	267	290	168	54	–
Hire purchase and lease payables	2.33 - 3.55	RM	409	145	140	81	43	–	–
Hire purchase and lease payables	4.80	CHF	281	122	126	33	–	–	–
Hire purchase and lease payables	3.40	GBP	38	11	27	–	–	–	–
Hire purchase and lease payables	2.68 - 2.88	SGD	21	18	3	–	–	–	–
Short term loans	4.10 - 4.84	EUR	23,289	23,289	–	–	–	–	–
Short term loans	18.50 - 29.50	ARS	3,519	3,519	–	–	–	–	–
Short term loans	8.00	CZK	102	102	–	–	–	–	–
Term loans	5.46 - 5.51	RM	125,563	33,720	33,720	33,720	24,403	–	–
Term loans	1.85 - 2.32	CHF	5,470	–	–	5,470	–	–	–
Term loans	3.26 - 3.27	USD	4,532	3,956	576	–	–	–	–
Term loans	4.19	EUR	1,531	196	267	267	267	267	267
			257,112	156,656	35,126	39,861	24,881	321	267
Unsecured									
Bank overdrafts	15.00	ARS	2,042	2,042	–	–	–	–	–
Bank overdrafts	9.18 - 9.85	EUR	1,302	1,302	–	–	–	–	–
Bank overdrafts	4.25	GBP	521	521	–	–	–	–	–
Bankers' acceptance	2.35 - 3.56	RM	5,656	5,656	–	–	–	–	–
Revolving credits	3.46 - 3.94	USD	79,266	79,266	–	–	–	–	–
Revolving credits	4.42 - 5.32	RM	15,923	15,923	–	–	–	–	–
Revolving credits	4.90	MXN	5,576	5,576	–	–	–	–	–
Revolving credits	8.10 - 9.90	COP	5,071	5,071	–	–	–	–	–
Discounted bills	2.75 - 7.80	EUR	10,240	10,240	–	–	–	–	–
Discounted bills	2.29 - 4.50	USD	6,898	6,898	–	–	–	–	–
Short term loans	1.48	JPY	470	470	–	–	–	–	–
Term loans	4.25	GBP	1,693	248	262	271	282	298	332
			134,658	133,213	262	271	282	298	332
			391,770	289,869	35,388	40,132	25,163	619	599

28. BORROWINGS (continued)

Contractual terms of borrowings: (continued)

COMPANY 2014	EFFECTIVE INTEREST RATE %	FUNCTIONAL CURRENCY	TOTAL CARRYING AMOUNT RM'000	MATURITY PROFILE < 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Banker's acceptances/Trust receipts	5.17 - 5.62	RM	323	323	–	–	–	–	–
Revolving credits	4.29	USD	52,472	52,472	–	–	–	–	–
Revolving credits	5.46 - 6.13	RM	11,077	11,077	–	–	–	–	–
Discounted bill	1.75 - 2.88	USD	19,175	19,175	–	–	–	–	–
Discounted bill	1.87 - 2.85	EUR	3,751	3,751	–	–	–	–	–
Hire purchase and lease payables	3.50	RM	239	126	113	–	–	–	–
Term loans	5.55 - 6.98	RM	104,189	20,057	20,000	20,000	20,000	20,000	4,132
			191,226	106,981	20,113	20,000	20,000	20,000	4,132
Unsecured									
Revolving credits	4.29 - 5.58	USD	81,095	81,095	–	–	–	–	–
Discounted bills	2.68 - 4.50	USD	12,692	12,692	–	–	–	–	–
Discounted bills	2.38 - 3.35	EUR	13,278	13,278	–	–	–	–	–
			107,065	107,065	–	–	–	–	–
			298,291	214,046	20,113	20,000	20,000	20,000	4,132

COMPANY 2013	EFFECTIVE INTEREST RATE %	FUNCTIONAL CURRENCY	TOTAL CARRYING AMOUNT RM'000	MATURITY PROFILE < 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Banker's acceptances/Trust receipts	5.05 - 8.01	RM	127	127	–	–	–	–	–
Revolving credits	3.75 - 3.94	USD	49,370	49,370	–	–	–	–	–
Revolving credits	5.20 - 5.28	RM	15,091	15,091	–	–	–	–	–
Discounted bill	2.40 - 2.73	USD	16,681	16,681	–	–	–	–	–
Discounted bill	2.54	EUR	236	236	–	–	–	–	–
Hire purchase and lease payables	3.50	RM	365	126	126	70	43	–	–
Term loans	5.46 - 5.51	RM	125,563	33,720	33,720	33,720	24,403	–	–
Term loans	3.26 - 3.27	USD	4,532	3,956	576	–	–	–	–
			211,965	119,307	34,422	33,790	24,446	–	–
Unsecured									
Revolving credits	3.46 - 3.94	USD	79,266	79,266	–	–	–	–	–
Discounted bills	2.29 - 4.50	USD	6,898	6,898	–	–	–	–	–
Discounted bills	2.75 - 3.35	EUR	5,763	5,763	–	–	–	–	–
			91,927	91,927	–	–	–	–	–
			303,892	211,234	34,422	33,790	24,446	–	–

28. BORROWINGS (continued)

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Minimum hire purchase and lease payment:				
- Not later than 1 year	**479**	764	**139**	139
- Later than 1 year and not later than 5 years	**841**	1,358	**126**	267
	1,320	2,122	**265**	406
Future finance charges	**(81)**	(236)	**(26)**	(41)
	1,239	1,886	**239**	365
Present value of hire purchase and lease payables:				
- Not later than 1 year	**513**	654	**126**	126
- Later than 1 year and not later than 5 years	**726**	1,232	**113**	239
	1,239	1,886	**239**	365

Discounted bills are secured over the subsidiaries' receivables.

Short term loans and bank overdrafts are secured over the subsidiaries' property, plant and equipment as disclosed in Note 14 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, investment 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 RM6,581,000 (2013: RM7,001,000) and RM1,239,000 (2013: RM1,886,000) respectively, out of which RM1,892,000 (2013: RM8,037,000) are repayable later than one (1) year.

29. PAYABLES

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	**105,550**	119,034	**9,618**	5,322
Amounts due to subsidiaries	**–**	–	**23,124**	16,469
Accruals:				
- Staff costs	**33,753**	35,530	**136**	143
- Bonus to customers	**45,230**	39,146	**–**	–
- Others	**30,305**	26,392	**538**	867
Employee related benefits	**2,205**	1,802	**–**	–
Other payables	**5,473**	14,256	**179**	333
	222,516	236,160	**33,595**	23,134

The fair values of payables approximate to their carrying amounts.

Credit terms of trade payables granted to the Group and to the Company range from 1 day to 120 days (2013: 1 day to 120 days).

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

29. PAYABLES (continued)

The currencies exposure profiles of payables are as follows:

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
- EUR	**155,270**	179,041	**8,255**	9,195
- MXN	**15,704**	11,779	**–**	–
- USD	**11,131**	8,278	**22,749**	11,253
- CHF	**10,651**	11,065	**–**	–
- COP	**8,933**	7,155	**–**	–
- ARS	**5,813**	5,422	**–**	–
- GBP	**4,092**	3,483	**–**	–
- JPY	**3,377**	2,776	**1,806**	1,285
- CZK	**2,646**	2,637	**–**	–
- RM	**2,169**	1,980	**785**	1,401
- CNY	**1,254**	947	**–**	–
- HKD	**656**	527	**–**	–
- SEK	**370**	440	**–**	–
- IDR	**164**	339	**–**	–
- TWD	**162**	120	**–**	–
- SGD	**124**	171	**–**	–
	222,516	236,160	**33,595**	23,134

30. COMMITMENTS

	GROUP	
	2014 RM'000	2013 RM'000
Authorised and contracted for:		
- Property, plant and equipment	**2,777**	1,926
Authorised but not contracted for:		
- Property, plant and equipment	**2,118**	589

31. OPERATING LEASE COMMITMENTS

	GROUP	
	2014 RM'000	2013 RM'000
Minimum lease payments under operating lease commitments:		
Not later than 1 year	**15,286**	45,571
Later than 1 year and not later 5 years	**15,056**	27,316
Later than 5 years	**625**	1,248
	30,967	74,135

32. 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 EUR6.0 million (RM25.5 million) (2013: EUR7.0 million or RM31.7 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group have been successful in defending most cases and management remains confident that the Group's exposure to these claims can be reduced or can be successfully defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material effect on the Group.

(b) Based on the latest actuaries assumption as at 31 December 2014, Pelikan Hardcopy Scotland Limited's ("PHSL") retirement fund has GBP25.7 million (RM139.6 million) assets to meet its estimated pension liabilities of GBP38.0 million (RM206.5 million). The Company provided a corporate guarantee for the shortfall. An amount of GBP12.3 million (RM66.9 million) has been recognised as a pension liability of the Group for the financial year ended 31 December 2014 in accordance with MFRS 119.

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

(c) The Company has provided corporate guarantees to financial institutions and suppliers for financing arrangements of certain subsidiaries amounting to RM129,836,000 (2013: RM181,012,000).

33. EXECUTIVES' SHARE OPTION SCHEME

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

33. EXECUTIVES' SHARE OPTION SCHEME (continued)

During the financial year, 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, whereby 7,533,750 shares were accepted by the eligible employees and Directors. No share options were exercised during or at the end of the financial year.

The weighted average fair value of the share options granted during the financial year 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%**

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of goods to subsidiaries	–	–	**99,851**	55,118

35. FINANCIAL INSTRUMENTS

(a) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2014 and 31 December 2013.

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 0.63 times (2013: 0.51 times). The Group's policy is to keep its gearing within manageable levels.

35. FINANCIAL INSTRUMENTS (continued)

(b) Methods and assumptions used to estimate fair value

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

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

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

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

Obligations under finance lease, fixed rate bank loans

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

Quoted shares

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

Unquoted shares

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

Derivatives

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

(c) Fair value hierarchy

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

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

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

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

35. FINANCIAL INSTRUMENTS (continued)

(c) Fair value hierarchy (continued)

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

Assets measured at fair value

	TOTAL RM'000	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000
2014				
Available-for-sale financial assets				
- Quoted shares	**2,560**	**2,560**	**–**	**–**
- Unquoted shares	**55**	**–**	**–**	**55**
2013				
Available-for-sale financial assets				
- Quoted shares	3,167	3,167	–	–
- Unquoted shares	60	–	–	60

Liabilities measured at fair value

	TOTAL RM'000	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000
2014				
Financial liabilities at fair value through profit or loss				
- Interest rate swaps	**2,989**	**–**	**2,989**	**–**
2013				
Financial liabilities at fair value through profit or loss				
- Interest rate swaps	3,829	–	3,829	–

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

35. FINANCIAL INSTRUMENTS (continued)

(c) Fair value hierarchy (continued)

Reconciliation of fair value measurements of Level 3 financial instruments

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

	AVAILABLE-FOR-SALE FINANCIAL ASSETS RM'000
Balance as at 1 January 2014	60
Foreign currencies translation	(5)
Balance as at 31 December 2014	55

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

Receivables

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Financial guarantees

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

(b) Liquidity and cash flow risk

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

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

As at 31 December 2014	ON DEMAND OR WITHIN ONE YEAR RM'000	ONE TO FIVE YEARS RM'000	OVER FIVE YEARS RM'000	TOTAL RM'000
Group				
Financial liabilities:				
Payables	**222,516**	**–**	**–**	**222,516**
Borrowings	**295,181**	**97,318**	**4,665**	**397,164**
Derivatives	**2,989**	**–**	**–**	**2,989**
Total undiscounted financial liabilities	**520,686**	**97,318**	**4,665**	**622,669**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

As at 31 December 2014	ON DEMAND OR WITHIN ONE YEAR RM'000	ONE TO FIVE YEARS RM'000	OVER FIVE YEARS RM'000	TOTAL RM'000
Company				
Financial liabilities:				
Payables	**33,595**	**–**	**–**	**33,595**
Borrowings	**198,705**	**94,443**	**4,403**	**297,551**
Total undiscounted financial liabilities	**232,300**	**94,443**	**4,403**	**331,146**

As at 31 December 2013	ON DEMAND OR WITHIN ONE YEAR RM'000	ONE TO FIVE YEARS RM'000	OVER FIVE YEARS RM'000	TOTAL RM'000
Group				
Financial liabilities:				
Payables	236,160	–	–	236,160
Borrowings	296,224	108,662	632	405,518
Derivatives	3,829	–	–	3,829
Total undiscounted financial liabilities	536,213	108,662	632	645,507
Company				
Financial liabilities:				
Payables	23,134	–	–	23,134
Borrowings	215,476	99,323	–	314,799
Total undiscounted financial liabilities	238,610	99,323	–	337,933

(c) Interest rate risk

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following table illustrates the effect of changes in interest rates at 31 December 2014. 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:

	2014 RM'000	2013 RM'000
Group		
Increase by 25 basis points	**(966)**	(1,012)
Company		
Increase by 25 basis points	**(753)**	(773)

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

(d) Foreign currency risk

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

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

The following table illustrates the effect of changes in exchange rate on the translation of foreign currency monetary items against the functional currency at 31 December 2014. 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	2014 RM'000	2013 RM'000
Group		
United States Dollar	**4,350**	4,040
Company		
European Euro	**(1,120)**	(4,390)
United States Dollar	**4,510**	4,490

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk (continued)

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

(e) Market price risk

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

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

37. SIGNIFICANT EVENT

On 10 November 2014, Pelikan Holding AG ("PHAG"), a 96.64% subsidiary of the Company, Pelikan Netherlands B.V., a 100% subsidiary of PHAG ("PNBV"), MOLKARI Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG, a 98.54% subsidiary of the Company ("Molkari") and the Company entered into a Heads of Agreement ("HoA") with Herlitz Aktiengesellschaft ("Herlitz"), a 71.32% subsidiary of the Company to contribute 100% equity interest of Pelikan México S.A. de C.V., 100% equity interest of Pelikan Japan K.K., 100% equity interest of Pelikan Middle East FZE, 100% equity interest of Pelikan Vertriebsgesellschaft mbH & Co. KG, 100% equity interest of Pelikan Vertrieb-Verwaltungs-GmbH, 100% equity interest of Pelikan N.V./S.A., 100% equity interest of Pelikan (Schweiz) AG, 100% equity interest of Pelikan Colombia S.A.S, 100% equity interest of Pelikan Argentina S.A., 100% equity interest of Pelikan Italia S.p.A. and a logistic property into Herlitz for a total consideration of EUR231.22 million to be paid via issuance of 231.22 million Herlitz shares of EUR1.00 each. Subsequent to the financial year, on 5 March 2015, the parties entered into a contribution agreement to effect the transaction and the transactions are being implemented therefrom.

38. 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total (accumulated losses)/retained profits of the Company and its subsidiaries:				
- Realised (loss)/profit	**(24,826)**	56,398	**12,743**	25,798
- Unrealised loss	**(3,811)**	(3,047)	**(12,678)**	(495)
	(28,637)	53,351	**65**	25,303
Less: Consolidation adjustments	**7,532**	2,485	**–**	–
Total (accumulated losses)/retained profits as per statements of financial position	**(21,105)**	55,836	**65**	25,303

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

The Company had on 8 July 2014 issued 40,500,000 new ordinary shares of RM1.00 each share at an issue price of RM1.33 per share through a private placement exercise.

The status of utilisation of the proceeds from the private placement as at 23 May 2015 are as follows:

PURPOSE	PROPOSED UTILISATION RM'000	AMOUNT UTILISED RM'000	AMOUNT UNUTILISED RM'000
Repayment of bank borrowings	20,000	20,000	–
Working capital for the Company and its subsidiaries	33,365	33,365	–
Estimated expenses relating to the private placement	500	500	–
Total	**53,865**	**53,865**	**–**

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.

During the financial year ended 31 December 2014, 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, whereby 7,533,750 shares were accepted by the eligible employees and Directors. 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 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. During the financial year and since the commencement of ESOS 23.8% was granted to Directors and senior management.

3. DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any depository receipt programme.

4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

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

5. 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 2014 amounted to RM 1,226,000.

6. VARIATION IN RESULTS

There was no deviation of 10% or more between the unaudited financial results announced and the audited financial results of the Company and the Group for the financial year ended 31 December 2014.

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

7. PROFIT GUARANTEE

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

8. 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 April 2015

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	701	15.23	25,175	0.00
100 – 1,000	365	7.93	151,347	0.03
1,001 – 10,000	2,319	50.39	9,934,743	1.81
10,001 – 100,000	1,019	22.14	31,787,358	5.80
100,001 to less than 5% of the issued shares	193	4.20	209,962,249	38.29
5% and above of issued shares	5	0.11	296,507,178	54.07
Total	**4,602**	**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 April 2015.

DIRECTORS' SHAREHOLDINGS
(Based on the Register of Directors' Shareholdings)

NAME OF DIRECTORS	NO. OF SHARES HELD			
	DIRECT INTEREST	%	INDIRECT INTEREST	%
1. Loo Hooi Keat[2]	53,551,023	9.76	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 Seri Mohamad Norza bin Zakaria	–	–	–	–
6. Datuk Rozaida binti Omar[2]	–	–	–	–
7. Normimy Binti Mohamed Noor	–	–	–	–

Notes:

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

[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 April 2015.

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

ANALYSIS OF SHAREHOLDINGS
as at 20 April 2015

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(Based on the Register of Substantial Shareholders)

NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES HELD			
	DIRECT INTEREST	%*	INDIRECT INTEREST	%*
1. Loo Hooi Keat	53,551,023	9.76	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	34,076,000	6.21	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 April 2015.

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

	NAME OF SHAREHOLDERS	NO. OF SHARES	%*
1.	Lembaga Tabung Haji	157,185,498	28.664
2.	Kenanga Nominees (Tempatan) Sdn Bhd ECM Libra Partners Sdn Bhd Pledged Securities Account For PBS Office Supplies Holding Sdn Bhd	42,462,780	7.743
3.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	39,858,900	7.268
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)	25,786,000	4.702
7.	CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	20,674,328	3.770
8.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat	20,071,002	3.660
9.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	19,823,800	3.615
10.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (001)	9,290,300	1.694
11.	HSBC Nominees (Asing) Sdn Bhd Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	7,395,500	1.348
12.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Kim Teck (471848)	5,302,300	0.966
13.	Pembinaan Redzai Sdn Berhad	4,638,200	0.845
14.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Chia Kwoon Meng (MM0678)	4,630,400	0.844
15.	AMBANK (M) Berhad Pledged Securities Account for Gan Kong Hiok (Smart)	3,800,000	0.692

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

	NAME OF SHAREHOLDERS	NO. OF SHARES	%*
16.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (KLC/Ken)	3,236,360	0.590
17.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (MX3665)	3,200,000	0.583
18.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok	3,080,000	0.561
19.	Kenanga Nominees (Tempatan) Sdn Bhd Lim Meng Sin (001)	2,408,000	0.439
20.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	2,400,000	0.437
21.	Chong Fu Seong	2,300,000	0.419
22.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok	2,130,000	0.388
23.	MAYBANK Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Caprice Capital Holdings Ltd	2,000,000	0.364
24.	Apex-Pal Malaysia Sdn Bhd	1,918,000	0.349
25.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Siew Chin (CEB)	1,780,396	0.324
26.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Raja Abdullah bin Raja Baharudin	1,590,200	0.289
27.	Kenanga Nominees (Asing) Sdn Bhd Exempt An for Phillip Securities Pte Ltd (Client Account)	1,532,400	0.279
28.	Kenanga Nominees (Tempatan) Sdn Bhd Heah Sieu Lay (PCS)	1,462,409	0.266
29.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (HK BR-TST-ASING)	1,355,300	0.247
30.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	1,292,700	0.235

* After netting off the 4,928,011 treasury shares of PICB held as at 20 April 2015.

LIST OF GROUP PROPERTIES

	REGISTERED OWNER	LOCATION	LAND AREA	EXISTING USE	BUILT-UP AREA	AGE OF BUILDING/ DATE OF ACQUISITION	TENURE	RM'000
1.	Pelikan GmbH	Factory Vöhrum Pelikanstrasse 11 D-31228 Peine Germany	68,873 sqm	Production	46,373 sqm	18 – 44 years 17/12/1973	Freehold	57,583
2.	Pelikan México S.A. de C.V.	Carretera a Tehuacán 1033 Col. Maravillas C.P. 72220, Puebla Pue Mexico	80,109 sqm	Production	18,485 sqm	35 years 30/4/1981	Freehold	19,488
3.	Pelikan Hardcopy Production AG	Mönchaltdorf Plant Mettlenbachstrasse 3 CH-8617 Mönchaltorf Switzerland	4,190 sqm	Production	2,420 sqm	23 years 12/4/1989	Freehold	5,771
4.	Linea GmbH	Alte Heeresstrasse 27 D-59929 Brilon Germany	3,703 sqm	Office building & warehouse	1,698 sqm	19 years 29/12/1999	Freehold	2,768
5.	Pelikan Colombia S.A.S.	Carrera 65B No 18ª-17 Bogotá Colombia	4,478 sqm	Production	5,845 sqm	35 years 8/1/2007	Freehold	7,173
6.	Pelikan Hardcopy Scotland Limited	Markethill Road GB-Turriff Aberdeenshire AB 53 4AW United Kingdom	30,200 sqm	Production	15,400 sqm	49 years 15/1/2010	Freehold	2,581
7.	Herlitz Spolka z.o.o.	ul. Szamotulska2 Baranowo k/Poznania 62081 Przezmierowo Poland	37,563 sqm	Office building, production & warehouse	12,000 sqm	15 years 1/1/1999	Freehold	8,963
8.	Herlitz Romania S.R.L.	Depozitelor Str. 22 540240 Tirgu Mures Romania	861 sqm	Land	–	– 15/3/1995	Freehold	51
9.	Molkari Vermietungsgesellschaft Mbh & Co. Objekt Falkensee Kg	Strasse der Einheit 142-148 D-14612 Falkensee Germany	319,783 sqm	Logistic Centre	134,644 sqm	20 years 31/12/2001	Freehold	179,508
								283,886

PELIKAN GROUP OF COMPANIES DIRECTORY

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Third 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, 17 June 2015 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 2014 and the Reports of the Directors and Auditors thereon. (Please refer to Note 7)

2. To approve the payment of Directors' fees of RM456,882.00 for the financial year ended 31 December 2014. (Ordinary Resolution 1)

3. To re-elect Dato' Afifuddin bin Abdul Kadir who retires pursuant to Article 127 of the Company's Articles of Association. (Ordinary Resolution 2)

4. 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 3)

AS SPECIAL BUSINESS

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

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

   "THAT, pursuant to Section 132D of the Companies Act 1965, the Articles of Association of the Company and subject to the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised to issue shares of the Company from time to time upon such terms and conditions for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit and expedient in the best interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total issued and paid-up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately and continue to be in force until the conclusion of the next Annual General Meeting of the Company." (Ordinary Resolution 4)

6. PROPOSED GRANT OF OPTIONS TO TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR

"THAT the Company and its Board of Directors be and hereby authorised, at any time and from time to time, to allot and issue to Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor, Director and Chairman of the Company, options to subscribe to a maximum of 500,000 new ordinary shares of RM1.00 each in the Company ("Pelikan Shares") pursuant to the Executives' Share Option Scheme ("ESOS"), subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS and the Board be and is hereby authorised to allot and issue from time to time such number of new Pelikan Shares to Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor pursuant to his exercise of options under the ESOS." (Ordinary Resolution 5)

7. PROPOSED GRANT OF OPTIONS TO NORMIMY BINTI MOHAMED NOOR

"THAT the Company and its Board of Directors be and hereby authorised, at any time and from time to time, to allot and issue to Normimy Binti Mohamed Noor, a Director of the Company, options to subscribe to a maximum of 500,000 new Pelikan Shares pursuant to the ESOS, subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS and the Board be and is hereby authorised to allot and issue from time to time such number of new Pelikan Shares to Normimy Binti Mohamed Noor pursuant to her exercise of options under the ESOS." (Ordinary Resolution 6)

8. PROPOSED GRANT OF OPTIONS TO DATO' AFIFUDDIN BIN ABDUL KADIR

"THAT the Company and its Board of Directors be and hereby authorised, at any time and from time to time, to allot and issue to Dato' Afifuddin Bin Abdul Kadir, a Director of the Company, options to subscribe to a maximum of 500,000 new Pelikan Shares pursuant to the ESOS, subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS and the Board be and is hereby authorised to allot and issue from time to time such number of new Pelikan Shares to Dato' Afifuddin Bin Abdul Kadir pursuant to his exercise of options under the ESOS." (Ordinary Resolution 7)

9. PROPOSED GRANT OF OPTIONS TO DATO' LUA CHOON HANN

"THAT the Company and its Board of Directors be and hereby authorised, at any time and from time to time, to allot and issue to Dato' Lua Choon Hann, a Director of the Company, options to subscribe to a maximum of 500,000 new Pelikan Shares pursuant to the ESOS, subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS and the Board be and is hereby authorised to allot and issue from time to time such number of new Pelikan Shares to Dato' Lua Choon Hann pursuant to his exercise of options under the ESOS." (Ordinary Resolution 8)

10. PROPOSED GRANT OF OPTIONS TO LOO SEOW BENG

"THAT the Company and its Board of Directors be and hereby authorised, at any time and from time to time, to allot and issue to Loo Seow Beng, notwithstanding that he is the brother of Loo Hooi Keat, the President/Chief Executive Officer of the Company, options to subscribe to an additional 500,000 new Pelikan Shares pursuant to the ESOS, subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS and the Board be and is hereby authorised to allot and issue from time to time such number of new Pelikan Shares to Loo Seow Beng pursuant to his exercise of options under the ESOS." (Ordinary Resolution 9)

11. PROPOSED GRANT OF OPTIONS TO LOO PHIK YIN

"THAT the Company and its Board of Directors be and hereby authorised, at any time and from time to time, to allot and issue to Loo Phik Yin, notwithstanding that she is the daughter of Loo Hooi Keat, the President/Chief Executive Officer of the Company, options to subscribe to an additional 300,000 new Pelikan Shares pursuant to the ESOS, subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS and the Board be and is hereby authorised to allot and issue from time to time such number of new Pelikan Shares to Loo Phik Yin pursuant to her exercise of options under the ESOS." (Ordinary Resolution 10)

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

BY ORDER OF THE BOARD

HO MING HON (MICPA 3814)
CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretaries

Selangor Darul Ehsan
25 May 2015

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 9 June 2015 shall be entitled to attend, speak and vote at the Thirty-Third (33rd) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.

6. The proxy form, to be valid, must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

7. This agenda item is meant for discussion only, as the provision of section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

Ordinary Resolution 4
To approve the proposed renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.

The proposed Ordinary Resolution 4 if passed, will give powers to the Directors to issue up to a maximum 10% of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal to a general mandate sought in the preceding year. As of the date of this Notice, 40,500,000 new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirty-second Annual General Meeting held on 18 June 2014. 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.

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FORM OF PROXY

Number of Shares Held	
CDS Account No.	

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

I/We _____ (Full name in capital letters)

NRIC No./Company No. _____ of _____

_____ (Full address)

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

(Proxy A) _____ (Full name in capital letters)

NRIC No. _____ of _____

_____ (Full address)

*and/or failing him/her

(Proxy B) _____ (Full name in capital letters)

NRIC No. _____ of _____

_____ (Full address)

and/or failing him/her, *the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us and on my/our behalf at the Thirty-Third Annual General Meeting of the Company to be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Wednesday, 17 June 2015 at 3.00 p.m. or any adjournment thereof.

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

Proxy A	%
Proxy B	%
	100%

My/our proxy/proxies shall vote as follows:

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

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of the Directors' fees		
2.	To re-elect Dato' Afifuddin Abdul Kadir as Director of the Company		
3.	To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration		
4.	To approve the proposed renewal of authority for Directors to issue shares		
5.	To approve the proposed allotment and issuance of ESOS to Tan Sri Dato' Sri Abi Musa Asa'ari		
6.	To approve the proposed allotment and issuance of ESOS to Normimy Mohamed Noor		
7.	To approve the proposed allotment and issuance of ESOS to Dato' Afifuddin		
8.	To approve the proposed allotment and issuance of ESOS to Dato' Lua Choon Hann		
9.	To approve the proposed allotment and issuance of ESOS to Loo Seow Beng		
10.	To approve the proposed allotment and issuance of ESOS to Loo Phik Yin		

Signed this _____ day of _____, 2015

_____

Strike out whichever not applicable

Signature(s) of Member/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 9 June 2015 shall be entitled to attend, speak and vote at the Thirty-Third (33rd) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.
6. The proxy form, to be valid, must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

Please fold here to seal

Please fold here

STAMP

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

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(Company No. 63611-U)

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