Pelikan

Pelikan International Corporation Berhad

(Company No. 63611-U)

IGNITING IMAGINATION

ANNUAL REPORT **2017**

Pelikan Malaysia organised the **Best Friends Colouring Contest** in conjunction with the "Back to School" season last year. It was open to all Malaysian students between 5 to 17 years of age. This 2016/2017 contest was made bigger and better by splitting it into two stages with the second stage being a live colouring contest finale! Prizes were also more rewarding comprising cash, gadgets and Pelikan products totaling over RM30,000. Lastly, esteemed artists and teachers were invited to be our judges to add credibility and recognition towards the contestants' efforts and talents.

The first stage was launched on 1 November 2016 and ended on 31 January 2017. Participants acquired the colouring contest form and sheet from participating retail outlets such as Mydin and Aeon Big hypermarkets, or downloaded them from our website www.pelikan.com/kids. Participants were to use Pelikan drawing and colouring materials combined with lots of imagination and skill in their entry artwork, fill up the form completely along with the required proof of RM30 purchase of Pelikan stationery from any of our retailers, and submit the artwork to us before the deadline. There were three different competing categories: Group A (5 to 8 years old), Group B (9 to 12 years old), and Group C (13 to 17 years old). The entry artworks were then judged and selected by the Pelikan Malaysia team as well as Ms Shia Lyn (one of our finale judges). While the judging was really challenging due to so many impressive artworks submitted, we could only select the top 20 artworks with the best scores from each category for the second stage of the **Best Friends Colouring Contest**.

The second stage was the live finale held at Atria Shopping Gallery in Petaling Jaya, Selangor. We were thankful for the space and support given by the management to host the colouring contest in celebration of the school holidays. The 60 contestants who successfully qualified for the second stage showed up for the live colouring contest as early as 9am! They came from all over the country with their families just to participate in this colouring contest and prove their artistic talent on the live stage. Their winning artworks from the first stage were on display around the colouring contest area. Some took the opportunity to visit the Pelikan booth and made last minute purchases for more colouring materials to be used during the contest in addition to the colouring tools provided for each contestant. Contestants of Groups A and B were given oil pastels sets while Group C contestants received a paintbox watercolour set each. The colouring sheets were designed differently for each Group, but all shared the theme "Best Friends".

The contest started promptly at 11am and lasted for two hours. Right from the get-go, we saw the determination of all contestants to give their best and win the title. Little by little, the ideas that they poured into the colouring sheet became clearer and it was plain for all to see just how talented the contestants were. It was great seeing them concentrating hard on their artwork, filling up the spaces on the colouring sheet expertly. The last 30 minutes were the most thrilling as the contestants anxiously rushed to finish and touch up their artworks. We became such fans of these young artists as we watched them complete their masterpieces.

The judging process started right after the contest ended. Our judges for the finale were Mr Sim Pojinn (Director of Art Expo Malaysia), Ms Jaja Yusoff (Artist from Gajah-Gajah Gallery), Ms Shia Lynn of The Artsy Craftsy (Malaysia's first creative lifestyle blogazine) and En Mohd Ali Seberong Marlisis Bin Abdul Rahman (an experienced art teacher with a degree in fine art) as well as a representative from Pelikan. Every artwork was judged for its creativity, technical mastery, originality and overall impact. The judges were in awe and in admiration over the level of talent, creativity and originality displayed by the next generation of artists, and we were very pleased with the judging results.

The highlight of the contest was definitely the prize giving ceremony. A total of three grand prize winners and 12 consolation prizes were announced for each category, with the contestants being called up to the stage to collect their winning prizes from the judges. It was wonderful seeing them with their big grins being rewarded for their excellent work, and we are very proud of all their achievements that day. The winners of our **Best Friends Colouring Contest** 2016/2017 are as follow:

Group A (5 – 8 years old)

1st Prize - TOH SIN YEARN *(Port Dickson, Negeri Sembilan)*
2nd Prize - CINDY TEH XIN YI *(Port Dickson, Negeri Sembilan)*
3rd Prize - LIEW RUI YEE *(Lukut, Negeri Sembilan)*

Group B (9 – 12 years old)

1st Prize - MIA CHONG *(Kota Kinabalu, Sabah)*
2nd Prize - TAM HUI QUIN *(Port Dickson, Negeri Sembilan)*
3rd Prize - KAM ZHI HAN *(Ayer Keroh, Melaka)*

Group C (13 – 17 years old)

1st Prize - LOKE HAN FENG *(Johor Bharu, Johor)*
2nd Prize - SAMANTHA LEONG KA HEI *(Petaling Jaya, Selangor)*
3rd Prize - LEE SIN YIN *(Sg Bakap, Pulau Pinang)*

Pelikan Malaysia is grateful to everyone who submitted their creative artworks during the first stage and to the finale contestants who travelled and made time to participate in the live finale second stage. We are so inspired by the next generation of artists. We will definitely be hosting more colouring contests to support the young and upcoming talents of our nation.

IGNITING IMAGINATION

"I am enough of an artist to draw freely upon my imagination. Imagination is more important than knowledge. Knowledge is limited. Imagination encircles the world."

– Albert Einstein

Pelikan brings the power of imagination to life in its new portfolio of products for school, work and life. By dreaming large and harnessing innovation, we are enhancing designs and features to create tools that help unleash a world of creativity. Through art, events and communication, we are shaping a movement to engage the human spirit in ways that are more enriching, rewarding and fulfilling. We continue to emphasise clarity of vision, definiteness of purpose and steadiness of operations in sustaining the growth of the Pelikan brand globally.

VISION

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

INSIDE STORY

MISSION

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

OUR GUIDING PRINCIPLES

REVENUE BY PRODUCT GROUP
IN 2017

TOTAL

RM1.23 billion

7.6%

FINE WRITING INSTRUMENTS

RM93,066,000

REVENUE BY PRODUCT GROUP IN 2017

41.0%
SCHOOL
RM506,253,000

39.1%
OFFICE
RM483,189,000

3.6%
HOBBY, ART & CRAFT
RM44,930,000

5.1%
PAPETERIE
RM62,901,000

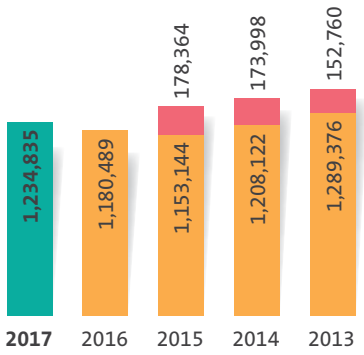
3.6%
OTHERS
RM44,496,000

FINANCIAL HIGHLIGHTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

		2017	2016	2015	2014	2013
Revenue*	RM'000	**1,234,835**	1,180,489	1,331,508	1,382,120	1,442,136
Profit/(Loss) before tax*	RM'000	**46,593**	51,154	(25,498)	(23,649)	2,619
Profit/(Loss) for the financial year*	RM'000	**30,000**	35,071	(50,027)	(36,572)	(13,660)
Profit/(Loss) for the financial year attributable to owners of the parent	RM'000	**25,356**	5,325	(48,960)	(36,459)	(5,602)
Equity attributable to owners of the parent	RM'000	**446,840**	420,708	460,146	486,872	545,244
Basic and diluted earnings/(loss) per ordinary share	sen	**4.62**	0.97	(8.93)	(6.90)	(1.10)
Net asset per share attributable to owners of the parent	sen	**0.81**	0.76	0.83	0.88	1.06
Dividend per share - proposed	sen	**–**	–	–	–	–

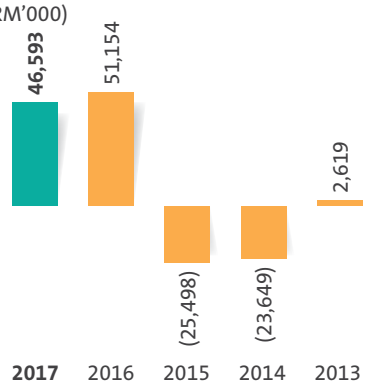
** For financial year ended 31 December 2017 and 2016, these revenue and results refer to those from continuing operations.*

Revenue
(RM'000)

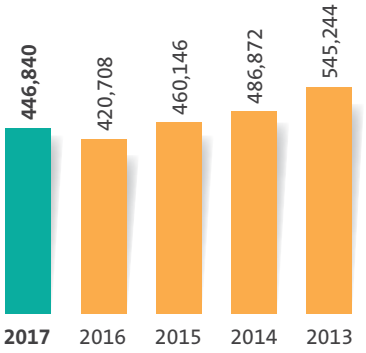


relates to discontinued operations' revenue

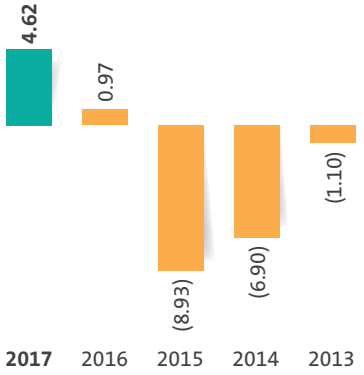
Profit/(Loss) Before Tax
(RM'000)



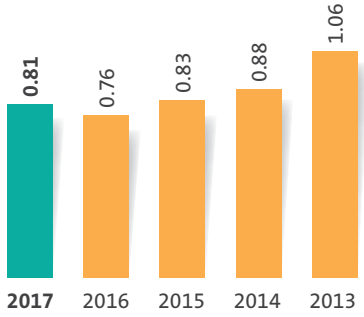
Equity Attributable
(RM'000)



Basic Earnings/(Loss) Per Share
(sen)



Net Asset Per Share
(sen)



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Loo Hooi Keat
President/Chief Executive Officer

Dato' Afifuddin bin Abdul Kadir
Independent Non-Executive Director

Dato' Lua Choon Hann
Independent Non-Executive Director

Datuk Rozaida binti Omar
Non-Independent Non-Executive Director

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

EXECUTIVES' SHARE OPTION SCHEME COMMITTEE

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

COMPANY SECRETARIES

Ho Ming Hon *(MICPA 3814)*

Chua Siew Chuan *(MAICSA 0777689)*

AUDITORS

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

SHARE REGISTRAR

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

REGISTERED OFFICE

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

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Malayan Banking Berhad

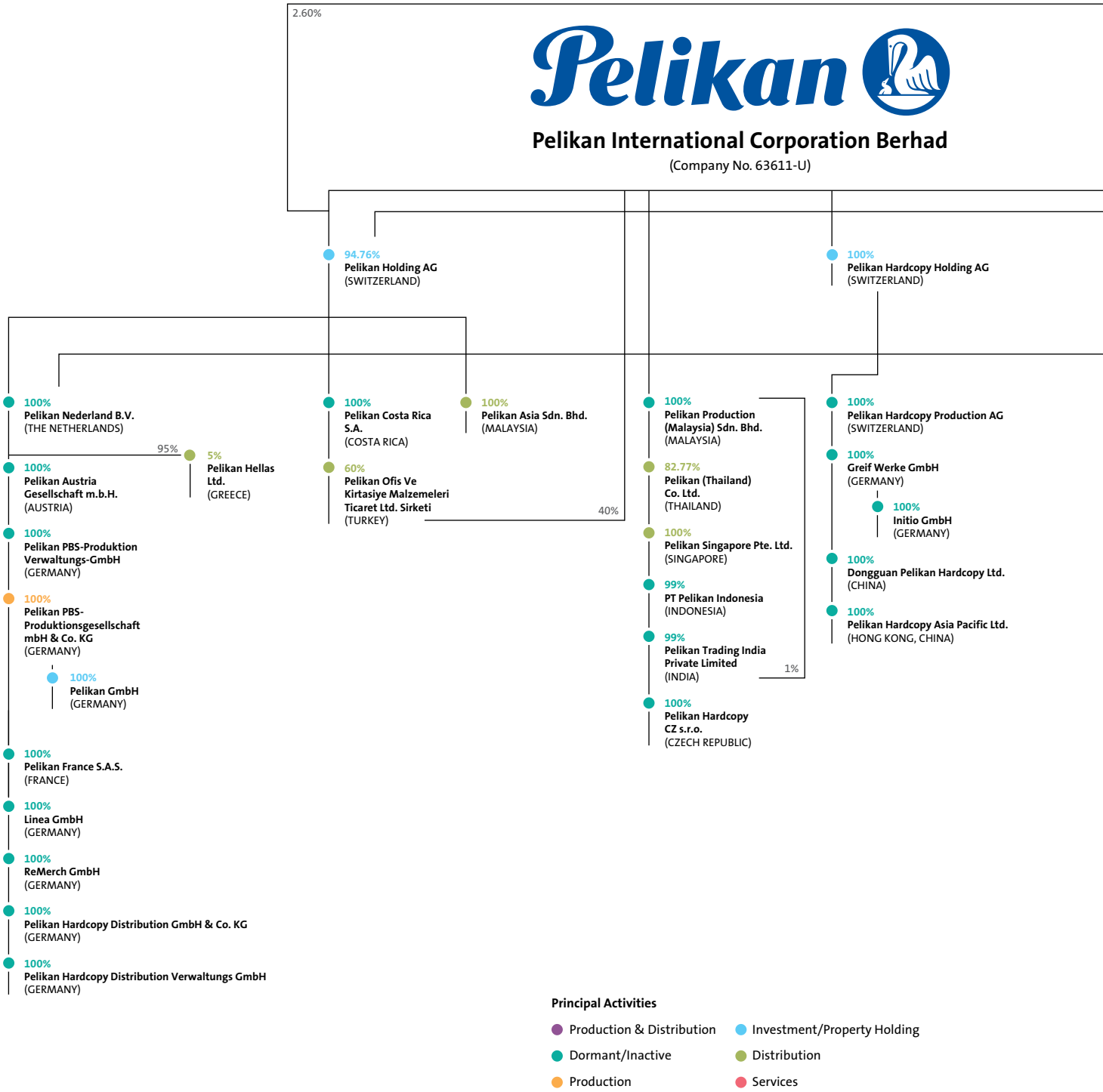
STOCK EXCHANGE LISTING

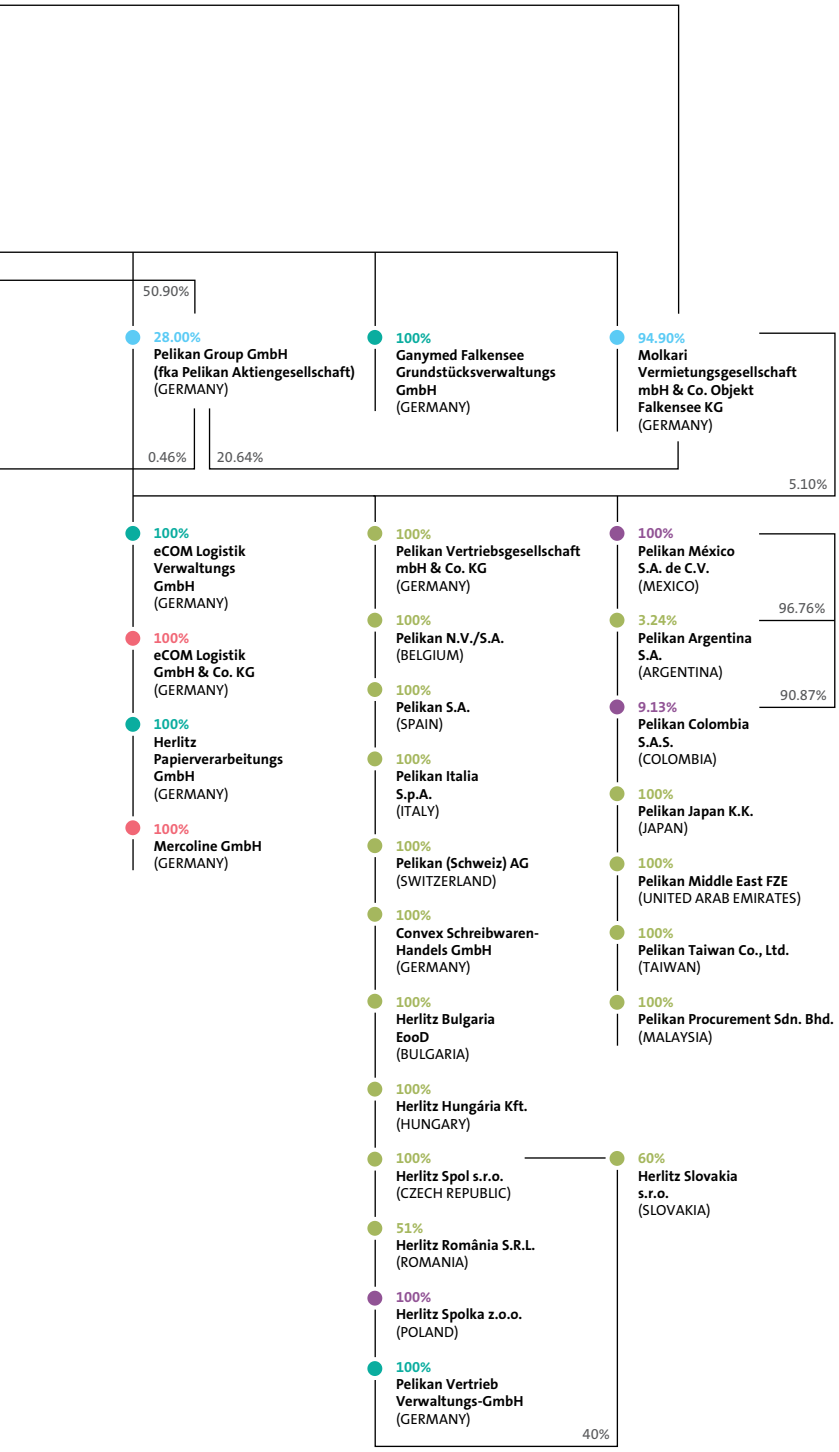
Main Market of
Bursa Malaysia Securities Berhad, Malaysia
Stock Name : PELIKAN
Stock Code : 5231

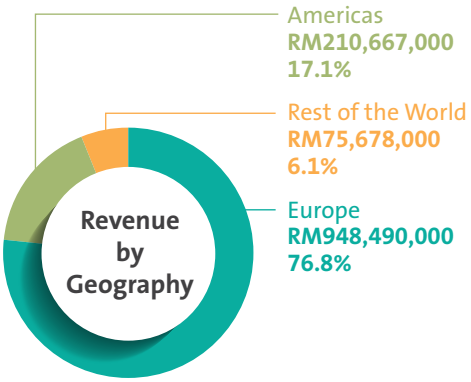
WEBSITE

www.pelikan.com

GROUP CORPORATE STRUCTURE







1. EUROPE

Sales & Marketing organisations:
Austria, Belgium, Bulgaria, Czech Republic, Germany, Greece, Hungary, Italy, Poland, Romania, Slovakia, Switzerland, Spain, The Netherlands, Turkey

Revenue: RM948,490,000
76.8% of total revenue
(2016: 75.9%)

Employees: 1,238 (2016: 1,724)

Plants: 3

2. AMERICAS

Sales & Marketing organisations:
Argentina, Colombia, Mexico

Revenue: RM210,667,000
17.1% of total revenue
(2016: 17.5%)

Employees: 592 (2016: 564)

Plants: 2

3. REST OF THE WORLD

Sales & Marketing organisations:
Malaysia, China, India, Japan, Singapore, Taiwan, Thailand, United Arab Emirates

Revenue: RM75,678,000
6.1% of total revenue
(2016: 6.6%)

Employees: 86 (2016: 149)

CHAIRMAN & CEO'S STATEMENT 2017

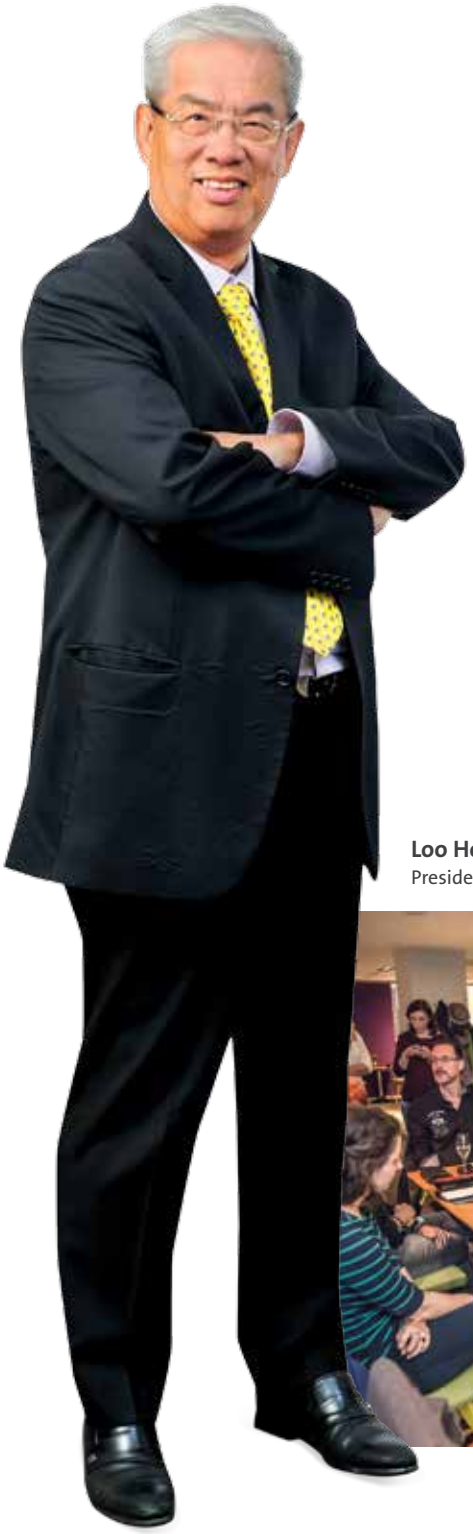
Dear Shareholders,

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 2017.

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor
Chairman

2017 HIGHLIGHTS

The year 2017 was challenging yet compelling with many achievements, discoveries and divestments within the Group. Streamlining the Group's product assortment mix and offerings to the markets remained an important factor going forward to improve our profitability and reduce business complexities and costs, and we can see the results of the reorganisations from past years taking shape. The Group was always focused on developing the core product groups in key performing markets, and removed the poor performing businesses that were not fundamental to the Group's strategies and growth plans. Case in point, in May 2017, Pelikan Group GmbH (formerly known as Pelikan Aktiengesellschaft) sold its wholly-owned subsidiary POS Servicegesellschaft mbH (POSS) to a third party. The business undertakings of printer consumables, which included the manufacturing, sales and distribution of remanufactured toners, inkjet cartridges and nylon ribbons, were also disposed off in June 2017.



Loo Hooi Keat
President/Chief Executive Officer

Both the POSS and printer consumable business has been in losses for the past few years due to changes in markets, consumer needs and reduced volumes. The Group was unable to reorganise it internally through downsizing in the past and has limited its losses but over a longer term, divestment was the best option for the Group. The Group is now fully present and focused on the stationery and writing instruments business as planned in its strategy since 2015, mainly through the Pelikan Group GmbH, and we are ready to take on fresh challenges and marketing strategies ahead.

As a global company working in the consumer and retail trade, the Pelikan Group business is incredibly susceptible to the economic development of the markets we operate in. The Group is constantly aware of the impacts any consumer related events will bring, be it positive or negative, to the performance of our businesses. While 2017 was a challenging year, overall the global economy was rebounding with positive growth performances for most key countries with an average global Gross Domestic Product (GDP) growth rate of 3.0% according to the World Bank 2018 report. The Euro area countries performed better than previous years at a GDP growth rate of 2.4% across the region. This was a good development for the Group as 76.8% of our total revenue was contributed by the markets in Europe. Americas, comprising of Mexico, Colombia and Argentina markets which represented 17.1% of the total Group's revenue in 2017, was also on track to recover with a reported GDP growth rate of 0.9%. Our markets in the Rest of the World namely Middle East and Africa, and Asian countries made up only 6.1% of total revenue but represent the markets with highest growth potential for the Group. The gradual improvement in world trade and continued economic growth at a steady pace implied that positive business development and consumer sentiment were progressively returning. The Group was encouraged by the higher economic activities in Europe bolstered by more private investment and consumption which have driven trade sales during "Back to School" season. Whilst there was better economic growth in Americas, the region was affected by several earthquakes in Mexico during the year.

The Group achieved a profit from operations of RM72.3 million as opposed to RM73.5 million in the previous year. Operating profits from the Americas region was mostly affected in 2017 due to the negative effects of the regions currencies in particular Argentinian Pesos against USD. In addition, the natural disasters in Mexico from the earthquakes had somewhat affected sales growth for the year. Besides that, the Group still had incurred expenses of around RM4.3 million arising from restructuring expenses mainly from professional fees for the squeeze out exercise of Pelikan Group GmbH and also remnants of staff streamlining measures in Germany. Finance cost was higher in 2017 compared to 2016 mainly because of the full year effect of the new financing measures undertaken in 2016. The Group achieved a continued profit before tax of RM46.6 million as opposed to RM51.2 million in the previous year.

Based on the World Bank forecast, the global GDP growth rate is projected to peak at 3.1% in 2018 before tapering to about 3.0% in 2019-2020. The Euro area markets will stabilise to about 2.1% GDP growth rate while the emerging economies of Europe and Central Asia will decline to about 2.9%. The markets of Americas are expected to recover to a GDP growth rate of approximately 2.0% after a difficult year. The Middle East economies are also expected to improve with a GDP growth rate of 3.0% while Asian markets will perform relatively the same as last year at a GDP growth rate of 6.2%. The Group remains optimistic of the sales performance by its key markets for 2018 despite challenging global economic outlooks and mixed impact of the foreign exchange currencies. We believe that the strong fundamentals and foundation in our branding and marketing efforts, research and development, product innovation and distribution channels will set the Group up for weathering challenging market conditions ahead.

IT'S THE BEGINNING THAT MATTERS

Following the consolidation of the key businesses and streamlined cost structures in the past years, the Group's strategy was to always focus on our core product assortments in our key markets, and that includes investing into our brand, research and development of products, and distribution network.

At the heart of the brand and company, we want to create:

- Products that will fulfil customers' needs and requirements in all of our product groups;
- Products that are on brand and part of the heritage that Pelikan has built up the past 180 years;
- Products that are of high quality standards which are reliable, functional and ergonomic for the benefit of generations of consumers; and
- Products that will create excitement and enthusiasm for creativity, learning and expressing ones' thoughts.

We want to be a brand which brings the communities around the world together be it students, parents, teachers, pen collectors, or stationery lovers. The Group is constantly looking at new ideas and ways to advocate learning and thinking, and we hope go back to basics of our brand and philosophy to create modern and timeless products.

We maintain our strategy of being the best brand and leader in our field, and look into maintaining or gaining market shares by ensuring we keep the brand in our consumers' minds, whether through clever marketing, new products offerings, or more channels of distributions. Every market that we operate in adopts the same brand messages and philosophies albeit adapted to the local culture, language and trends. In today's digital era, the influencers and decision makers have opinions that could sway market trends and shift the buying patterns of a whole generation. It is imperative that we bring out the best qualities of our products and remain in the consumers' mind as the brand to trust and own. As we approach our 180th anniversary, the Pelikan brand has always been synonym to school stationery and fine writing instruments, hence we focus strongly on the elements of school products - colouring, writing, and painting as well as the herlitz schoolbags and assortment which has gained momentum in following and market shares. We have also improved on the brand image and communications for fine writing instruments by creating classier materials and closer relationships with our retailers and consumers. We are proud that the fine writing instruments have been recognised for their superior designs and quality, as acknowledged by several global awards including the German Design Award 2017 won by our STOLA range of professional writing instruments.

180TH YEAR IN 2018

The Pelikan brand will reach a pinnacle this 28 April 2018 when it celebrates 180 years since incorporation in 1838. 180 years of passion! For all the company's rich history, technical know-how, innovation and creativity, research and development, culture and traditions, we owe it all to our achievements, milestones and success stories to the people who make it happen: our employees, our customers and our fans! The Pelikan brand has had a lasting impact on many generations across the globe and we want to keep inspiring, creating, designing and developing innovative products for all walks of life and for future generations to come. The Group will commemorate this special anniversary with tributes back to the communities who have supported us such as our pen collectors, teachers and students. We have created a Limited Edition Jubilee fountain pen called the "Spirit of 1838", limited to only 180 pieces worldwide and will be launched on our founding day, 28 April 2018. The "Spirit of 1838" is bound to be an iconic edition in Pelikan's historical collection of fine writing instruments. We will release a new magazine named "Passion", the first magazine ever for our end consumers which will depict Pelikan's fascinating and inspiring articles on heritage, tradition, craftsmanship Made in Germany, as well as lifestyle stories about the culture of writing, connecting with pen aficionados through Pelikan HUBS, and a modern take on fine writing instruments. This magazine marks the beginning

of a new communication chapter for Pelikan which we are enthusiastic about as it culminates 180 years of passion for the brand and products. Further, the Group will roll out a 180 years advertisement campaign from April to September 2018 in conjunction with the Back to School season in Europe and Americas. For 180 years, we reflect back on the messages conveyed and the steps we have taken to promote children's creativity, innovation, thinking and development. We want to encourage the young generation to express themselves through writing, drawing, colouring and painting, and we are proud to have had 180 years of experience, knowledge and consumer insights to support the educators. The campaign will be simultaneously carried out globally throughout our communication channels to reach our audiences worldwide.

Our leading market position was not an overnight success story, but attributable to decades of research and development, market analysis, consumer insights and branding. We choose to distinguish our products apart from other brands through innovation, design and marketing support right from the early stages of product development. We continued to invest into R&D and have spent RM11.56 million in 2017 to ensure we produced high quality, reliable, functional products with outstanding designs and performance levels that fulfils consumers' requirements. As a brand that grew from a humble ink and paint factory into a renowned brand today, the Group will keep moving forward and ride on the rising momentum in line with our strategies and growth plans for 2018 and beyond.

IN APPRECIATION

On behalf of the Board of Directors, we would like to thank the management team and employees for their dedication, commitment and passion throughout the year including the employees of disposed businesses which was ever supportive of the Group's cause until the end. We appreciate the strong partnerships the Group has developed over the years with our customers, business partners, investors, suppliers, employees and shareholders, all whom without their continuous support, we will not be able to achieve our milestones.

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor
Chairman

Loo Hooi Keat
President/Chief Executive Officer

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 male aged 68, was appointed as a Non-Independent Non-Executive Chairman of Pelikan on 27 July 2012 and redesignated to Independent Non-Executive Chairman on 30 July 2013.

He holds a Bachelor of Economics (Hons) from University of Malaya and D.D.A from University of Birmingham, United Kingdom. He obtained a Master in Business Administration from University of Birmingham, United Kingdom. He also holds an Honorary Doctorate in Economic Management from Universiti Pendidikan Sultan Idris.

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.

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 offence within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

LOO HOOI KEAT

President/Chief Executive Officer

Member of ESOS Committee

Loo Hooi Keat, a Malaysian male aged 63, 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.

He is also the President and Board Member of Pelikan Holding AG, and Pelikan Group GmbH, subsidiary companies of Pelikan.

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 offence within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

DATUK ROZAIDA BINTI OMAR

Non-Independent Non-Executive Director

Member of Audit and Risk Management Committee
Member of ESOS Committee

Datuk Rozaida binti Omar, a Malaysian female aged 55, 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 offence within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

DATO' AFIFUDDIN BIN ABDUL KADIR

Independent Non-Executive Director

Member of Audit and Risk Management Committee
Chairman of Nomination Committee
Member of Remuneration Committee

Dato' Afifuddin bin Abdul Kadir, a Malaysian male aged 64, was appointed as an Independent Non-Executive Director of Pelikan on 1 August 2012.

He graduated from Universiti Putra Malaysia with a Bachelor of Science in Agriculture Business degree in 1979. 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 Director General I of MIDA in June 2008, a post he held until his retirement on 14 September 2011.

Currently, he is the Chairman of Power Root Berhad and a Director of UMW Oil & Gas Corporation Berhad, public listed companies on the Main Market of Bursa Malaysia Securities Berhad and sits on the Board of public company, Lion Corporation 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 offence within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

DATIN NORMIMY BINTI MOHAMED NOOR

Non-Independent Non-Executive Director

Member of Nomination Committee
Member of Remuneration Committee

Datin Normimy binti Mohamed Noor, a Malaysian female aged 48, was appointed as a Non-Independent Non-Executive Director of Pelikan on 12 September 2011.

She holds a Diploma in Public Administration, Universiti Teknologi MARA (UiTM), Certificate in Financial Planning and Wealth Management Competencies, Institute of Banking & Finance, Singapore.

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

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

She does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan. She has no convictions for any offence within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

DATO' LUA CHOON HANN

Independent Non-Executive Director

Chairman of Audit and Risk Management Committee
Member of Nomination Committee

Dato' Lua Choon Hann, a Malaysian male aged 42, 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 the Group Managing Director of PRG Holdings Berhad, a public listed company on the Main Market of Bursa Malaysia Securities Berhad and an Executive Director in Furniweb Holdings Limited, a public listed company on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. He also sits on the board of MIDA since October 2017.

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 offence within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

GROUP MANAGEMENT TEAM

PELIKAN INTERNATIONAL CORPORATION BERHAD MANAGEMENT

1. LOO HOOI KEAT

Malaysian, Male, 63
President/Chief Executive Officer, since 2005

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

2. HO MING HON

Malaysian, Male, 43
Senior Vice President, Head of Group Finance and Corporate Services/ Company Secretary, since 2011

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

3. LOO SEOW BENG

Malaysian, Male, 60
Head of Procurement, since 2006

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

PELIKAN GROUP GMBH MANAGEMENT

4. CLAUDIO ESTEBAN SELEGUAN

Argentinean, Male, 55
Managing Director, Pelikan Group GmbH
Managing Director, Pelikan Mexico, since 1992 and responsible for Americas since 2000

- BA in Business Administration
- Over 28 years of experience with Pelikan Group
- Managing Director of Pelikan Costa Rica (1989-1991)

5. FRAUKE WANDREY

German, Female, 49
General Counsel of Pelikan Group, since 2004

- Degree in Law (State Exams)
- 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 Managing Director of Pelikan Produktionsgesellschaft (June 2011-2014)
- Appointed Board Member of Pelikan Group GmbH (fka Pelikan AG) (2014-2017)

6. TORSTEN JAHN

German, Male, 43
Managing Director, Pelikan Vertriebsgesellschaft, since 2011

- Diploma in Economics
- Certified German Tax Consultant and Valuation Analyst (CVA)
- Joined Pelikan in 2003
- Responsible for Sales, Marketing and Business Development in the German, Austria and Switzerland markets since 2011

7. JENS KOLLECKER

German, Male, 42
Finance Director of Pelikan Group GmbH, since 2014

- 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 Group GmbH in February 2014

8. MATHIAS SHAW

Argentinean, Male, 42
Managing Director, Pelikan Argentina, since 2010
Senior Vice President, Global Sales and Marketing and Americas, since 2016 and 2007 respectively

- Degree in Marketing (UCES Business School)
- Post Graduate in Business Management (IAE Business School)
- Marketing Manager of Pelikan Mexico (2002)
- Sales and Marketing Director, Pelikan Mexico (2006-2009)

9. YAMIL VALENCIA

Colombian, Male, 49
Managing Director, Pelikan Colombia SAS, since 2009

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

10. AZUMA IKEDA

Japanese, Male, 64
Head of Sales and Marketing Japan and South Korea, since 1993

- 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

11. WILLIAM LIU (CHINA & TAIWAN)

Chinese, Male, 60
Head of Sales and Marketing People's Republic of China, Hong Kong and Taiwan, since 2005

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

12. NASSER AL ATRASH

Jordanian, Male, 51
Head of Sales and Marketing Middle East and Africa, since 2006

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

Save as disclosed, the above group management team members:

- have no directorship in public companies and listed issuers, apart from Ho Ming Hon who is an Independent Non-Executive Director of Furniweb Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited;
- have no family relationship with any Director and/or major shareholder, nor any conflict of interest with Pelikan; and
- have no convictions for any offense within the past 5 years, other than traffic offences, if any and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Pelikan International Corporation Berhad (PICB) and its subsidiaries, referred to herein as "Pelikan", "The Group", "we", "us", or "our". This MD&A is provided as a supplement to and should be read in conjunction with our consolidated financial statements and the accompanying notes as presented on pages 62 to 135 of this Annual Report. Unless otherwise indicated, all amounts are expressed in Ringgit Malaysia (RM).

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Pelikan is one of the market leaders and pioneers in writing instruments and stationery industry worldwide. The Group is globally renowned for the diversity of its stationery supplies and offers high quality products from high-valued writing instruments, hobby paints, office stationery and school supplies for use by children, students, parents, teachers, office workers and pen collectors. We strive to maintain the brand's good reputation that stands for high quality, innovation, reliability, diversity and creativity in our product offerings. The Group is proud of its German tradition, heritage, technology and craftsmanship and aims to continuously improve on its quality standards across all its product categories. In addition, we aim to create products that inspire creativity and imagination, encouraging people to express themselves in diverse ways, be it through painting, writing or drawing.

Today the Group owns the brands "Pelikan", "herlitz", "Susy Card" and "Geha". "Pelikan" is known as a global premium brand with focus on fine writing instruments (FWI), school and office stationeries. "herlitz" is well known in Germany and Eastern Europe as a brand focused on school (backpacks and school notebooks) and office stationeries (writing pads and files). "Susy Card" is primarily focused in the greeting cards, gifts, decorations and napkins business. Lastly "Geha" is a technical office brand focused mainly on office equipment such as laminators and shredders.

The business of the Group spans worldwide with subsidiaries present in 26 countries to serve each local market and also exports to the countries surrounding where local subsidiaries are not present. The Group's products requirements are fulfilled via its internally owned manufacturing facilities situated in Germany, Poland, Mexico and Colombia and also through Malaysia via the international procurement center. The respective plants have its own research & development team to develop new products and also to improve quality of existing products.

In addition, to support its product businesses in particular in Germany and Europe, the Group is also running service operations that provide logistics and information technology (IT) solutions to internal and external customers.

Our markets are highly competitive and involves global brand players, regional brands and also local competitors. In most of our core markets, we compete against the global brands and we strive to compete with our quality, innovations as well as attractive pricing strategies. In Germany and Europe, Pelikan has strong market positions in its products such as FWI, school colours (opaque paint box) and school writing instruments. In Americas, the brand focus is on office stationeries while in Asia its on FWI and office stationeries. Placement of products are all encompassing through most channels such as departmental stores, pharmacies, hypermarkets, wholesale, specialist stores, office and electronics superstores, business to business channels and also online channels.

STRATEGIC FOCUS

We are focussed on strategies that will promote long-term growth of the Group which will deliver total shareholders' return. The Group has undergone an asset streamlining exercise between 2014 to 2015 to realign its business and organisational structures to focus on stationery as its key products and has in 2017 successfully divested the printer consumable business and point of sales services.

The Group strives to achieve this within our corporate principles through our Vision, Mission and Guiding Principles:

Vision

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

Mission

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

Guiding Principles

- Quality
- Innovation
- Commitment
- Integrity
- Teamwork

ORGANISATIONAL STRUCTURE

The objective for the Pelikan Group to focus on its core stationery business has finally been achieved with the successful disposal of the printer consumable business in June 2017. The stationery business is helmed via PICB's subsidiary, Pelikan Group GmbH, which in turn owns most of the Group's sales organisations worldwide. The Group operates five (5) manufacturing facilities, two (2) in Germany, Poland, Mexico and Colombia and has an international procurement centre in Malaysia.

Pelikan Group GmbH was renamed at the end of the financial year after the completion of a squeeze-out exercise and conversion from a public company to a limited company. The global strategy which is based on four pillars: **"Strengthen"**, **"Globalise"**, **"Focus"** and **"Simplify"** continues to be adopted on the day-to-day operations within the Group.

The Group's core competitiveness lies in its Brands and it is imperative to adopt a strategy to continually **"Strengthen"** the brand positioning, in particular on the "Pelikan" brand, which is known worldwide. Importance is placed on cultivating brand awareness amongst users, right from the start at a young age, when children start to learn to colour and write (crayons, pencils, painting). This follows through other age groups to adulthood, i.e. teenage schooling (writing instruments and colours) and adulthood (office stationeries and fine writing instruments). Within this strategy, "Pelikan", particularly in Germany, has garnered a 95% brand awareness whilst "herlitz" a 80% brand awareness. Adaption of local strategies to improve and build brands is employed to customise local brand positioning and product dominance. The Group had in 2017 initiated several cross brand and product strategy to capture new customers and markets. One of the key initiatives was the entry of the schoolbag segment in the Americas' market with "Pelikan" branded bags. Schoolbags was never a product segment in the Americas' market but with the many years know how of schoolbags under the "Herlitz" brand, the Group cross branded products into the Americas' market using the stronger and better known trademark in the region.

"Globalise" is another pillar of the strategy, wherein the business potential is to have an international and multinational distribution approach for all products. The Pelikan Group has set-up a global distribution network through the international subsidiaries. It is capable of distributing the products through various sales channels at the lowest possible costs. New products are continuously being introduced into the global distribution network and the Group is always striving to develop the next "innovation" or "specialty" to capture new sales growth. The current focus is to have harmonisation and a global product platform, which results in higher product volume, clearer distribution and higher profitability.

"Focus" is a priority within the Group to concentrate its resources to promote core product assortments (School and Fine Writing Instruments) with high growth potential and market acceptance. Continuous efforts are being put into developing products with unique selling points (USP) and focus on meeting customers' needs.

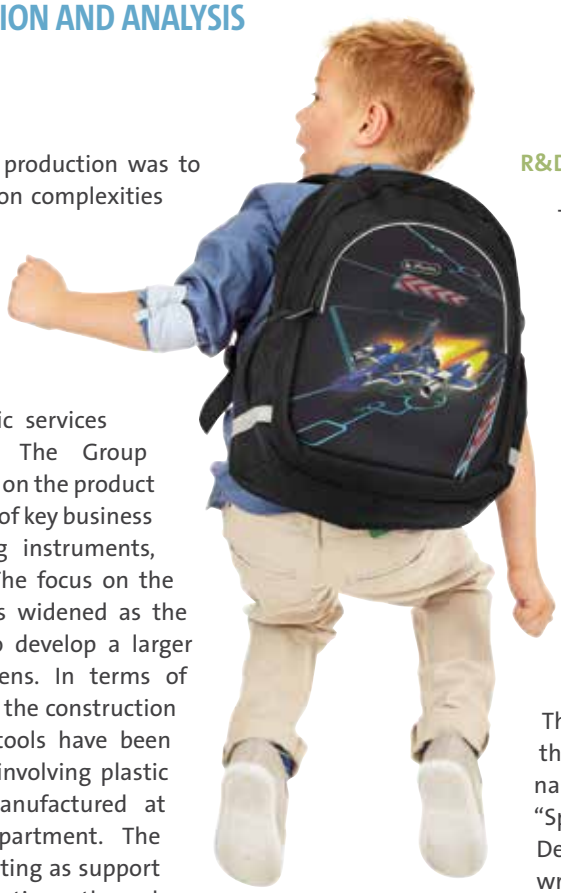
"Simplify" is the fourth pillar of the strategy. We strive to simplify and standardise processes to provide operational efficiency and improve ability to support and meet future market needs and changes. This pillar involves all aspects from corporate and management structure, product development, procurement functions, product assortments, information technology and others. The Group continuously reviews the current best practices, to establish whether improvements can be made to have a simpler, or more customer-centric view and at the end, a more cost efficient business and operating structure.

Production Services, R&D, Product Development and International Procurement Centre (IPC)

Production Services

The Group is supported via its manufacturing units in Falkensee: Germany, Vöhrum: Germany, Puebla: Mexico, Bogota: Colombia and Poznan: Poland. It has an International Procurement Centre out of Malaysia.

The stationery plant in Vöhrum, Germany supplies both the FWI and stationeries products for the global markets. The Group prides on its traditional German heritage to be a specialist in producing high quality pens with craftsmanship and design of highest standards. The stationeries produced in the plant are high grade and high volume stationeries such as school writing instruments, opaque paint boxes, wax crayons and ink cartridges. The plant also houses the R&D team which continues to develop new products, ink formulations and also technical processes. The plant in Falkensee, Germany and Poznan Poland are mainly involved in production of notebooks, ring binders and paper based products for the German and European countries. The plants in Colombia and Mexico are mainly to serve local markets due to benefits of regional free trade agreements.



The strategy for the Group's production was to continuously reduce production complexities and improve the utilisation of capacity in all its manufacturing facilities. In 2017, further efforts were made to improve the utilisation of our production capacities by offering specific services in non-industrial markets. The Group Production continued to focus on the product development, and production of key business groups such as fine writing instruments, office and school products. The focus on the fine writing instruments was widened as the Group made more efforts to develop a larger range of special editions pens. In terms of production, new contracts for the construction of new injection moulding tools have been achieved and some projects involving plastic parts are currently also manufactured at the injection moulding department. The Group Production was also acting as support structures for sales organisations through the project management, technical planning, implementation and the execution of several products in the development pipeline.

All of the Group's production plants and locations were recertified as ISO 9001 and ISO 14001 in 2017. These certifications are mandatory for the Group to meet and improve on the requirements for quality systems and environmental managing efforts. The Group also acquired the Forest Stewardship Council (FSC) Certification for products which contain paper and wood elements. The Group ensures that its production facilities strictly comply with their operating country's regulations and laws on health, safety and environment, while carrying out inspections both internally and through external auditors.

R&D and Product Development

The R&D strategy in 2017 was to focus on the core product assortments, included expanding and strengthening the market leadership in fine writing instruments and school products. The development of new inks and ink formulations continued to be the focus for the chemical department. The R&D endeavoured to research on new materials and new technologies that could be useful to the Group's portfolio. It is the Group's policy to adhere to all strict regulations of international organisations and authorities in the matter of chemicals and materials used in our products.

The product development team focused on the development of new writing instruments namely the Limited Edition 180th Anniversary "Spirit of 1838" fountain pen, the M205 Demonstrator fountain pens, as well as school writing instrument Pelikano Up® fountain pens to be launched in 2018 which required new investments in machineries and tools. The significant investments under production's fixed assets were the CNC turning lathe machine, a new injection moulding tool for Pelikano Junior®, as well as expansion of IT infrastructure.

IPC

The IPC function serves to support the Group with new products which are not internally available via its plants from suppliers worldwide. IPC is tasked to procure and develop with its suppliers new products which are key to support the ongoing customer requirements for its global markets.

IPC handled a total of 50 projects in the multiple product categories and sales regions for 2017. The lesser number of projects was due to a more streamlined assortment requirement for the regions and cessation of smaller suppliers which were consolidated or removed from the sourcing listings. As a result, IPC managed a total of 90 active suppliers during 2017, a decrease of 11% compared to 2016.

As part of the Group Procurement's policies, suppliers are audited annually through the Group's Supplier Assessment and Survey Form. IPC also conducts factory audits on their suppliers. Furthermore, IPC enforces its "Code of Ethics" which audited suppliers must adhere to the strict policies stipulated to the best of the Group's knowledge as we do not tolerate forced or child labour involved or any other violation towards human rights. Since 2014, IPC department has been co-certified for BSCI (Business Social Compliance Initiative). IPC also enforces suppliers to agree to the "Declaration of Conformity" to ensure that materials purchased and used do not contravene any European protection laws.

For 2018, IPC will continue to support the development of new product and growth achievement in more customers and markets, to develop more competitive suppliers particularly the herlitz schoolbag and accessories segment where there are high opportunities for better synergies. IPC is also required to manage the changes and updates in the EU legal and safety requirements, and more stringent requirements and documentations across the regions for this year.

Corporate Planning (Group Services)

Corporate Planning Department provides the Group with corporate support functions such as group corporate strategy, corporate transaction support including internal reorganisations and external acquisitions/divestments, fund raising, investor relations and listing governance and compliance.

In 2017, the corporate planning oversaw the divestment of the printer consumable business. The entire business of manufacturing, sales and distribution of remanufactured toner, inkjet cartridge and nylon ribbons (Printer Consumables) which was undertaken by subsidiaries in Germany, France, Czech Republic and China was disposed for an overall cash consideration of RM30.0 million. This was a significant milestone for the Group as the Printer Consumable business was loss making in the past years and the successful disposal would mean an end to the losses to be carried to the Group. Due to the changes in the market and competition landscape over the past years in the Printer Consumable business, the reduced volume for the Group meant higher cost to sales ratio due to the high investments required for R&D and also maintenance of its plants. The suitor for the business had a larger manufacturing base and would be able to better synergise its existing business and make good the business taken-over. With the sale, the Group closed its plants in Czech Republic and China.

In addition, the Group also disposed-off the point of sale business which was loss making for the Group at the end of May 2017. The Group's plant in Scotland was also deconsolidated from the Group as it was put into a pre-packed insolvency with its assets being disposed for creditors benefit.

Lastly, the Group saw the closing of the squeeze-out exercise to take private Pelikan AG. The 1.38% non-controlling interest of 3,348,927 shares was transferred to the Company on 7 December 2017 with the payment of cash consideration of EUR1.11 per share. Pelikan AG was delisted from the Frankfurt Stock Exchange on 11 December 2017 and on 21 December 2017, Pelikan AG changed from a public limited company to a private limited company under the name of Pelikan Group GmbH.

Human Resource and Employees

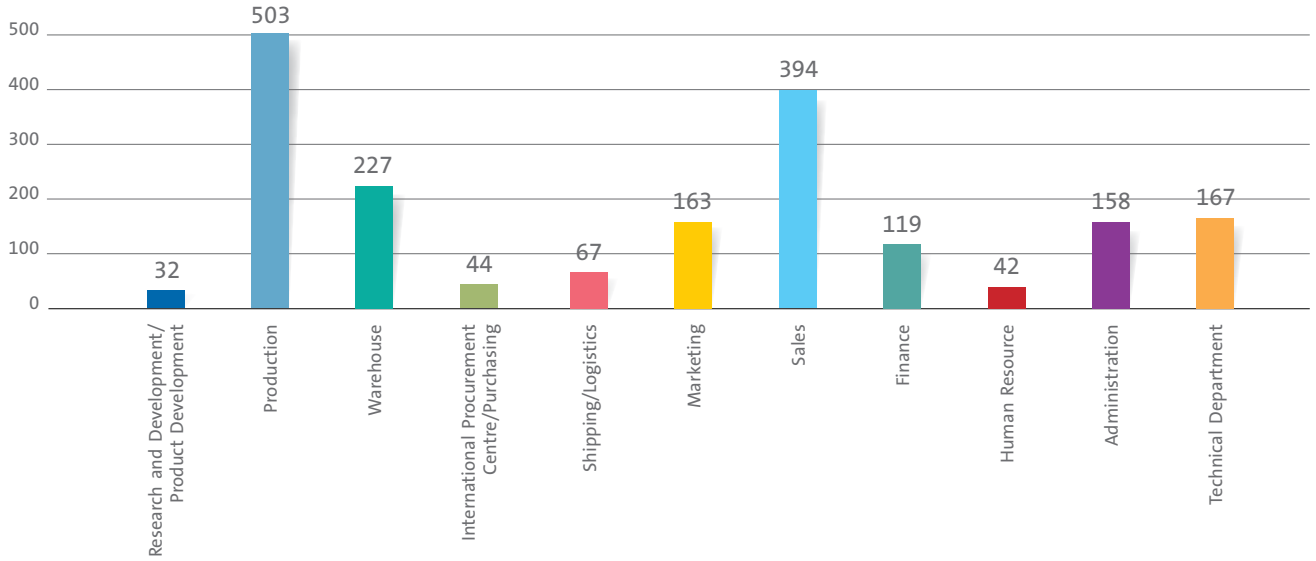
As of 31 December 2017, the Group had a total headcount of 1,916 employees (2016: 2,437), a decline of 21.4% from 2016. The decline was as a result of the exit from the printer consumable business and point of sale services which saw a headcount decline of 499 personnel. Out of the total workforce, 1,238 (64.6%) of the Group's employees were based in Europe, 592 (30.9%) from offices in Americas, and 86 (4.5%) were based in Rest of the World regions.

As the Group expands and grow globally, we need to attract, engage and develop our employees to be able to perform and accomplish goals set in order to further propel the Group into greater heights. The Group strives to ensure that our employees are rewarded with comparative salaries and benefits, performance bonuses, a safe, healthy and stimulating work environment to perform in, and great teamwork fostered amongst colleagues. Knowledge and skills trainings for every level of employment are offered and recommended in their professional and personal development so that they can drive change and accelerate the Group's performance. At the most basic level, students are offered apprenticeship at various functions to train and inculcate skills required to be successful at work. Upon graduation, a lot of these former apprenticeship are offered permanent positions and an opportunity for the Group to develop and produce new leaders to steer the company's future growth.

SUMMARY OF FINANCIAL RESULTS

- **A stable revenue (from continuing operations) of RM1.2 billion**
  - Stable development in Germany and other core European markets: RM0.9 billion.
  - Americas contributed RM0.2 billion, with small growths in Colombia.
  - Rest of World contributed RM0.1 billion.
- **Earnings Before Interest Depreciation and Amortisation (EBITDA) (from continuing operations)**
  - Achieved EBITDA of RM99.7 million.
- **Net earnings**
  - Continued trend of positive net earnings.
  - Net earnings of RM25.2 million against RM6.5 million in 2016.
- **Earnings per ordinary share (EPS)**
  - EPS of 4.62 sen per share
- **Net cash and cash equivalent**
  - Net cash and cash equivalent of RM42.5 million

GROUP EMPLOYEES BY CORPORATE FUNCTION



RESULTS OF OPERATIONS

Net Revenue (Continuing Operations)

The Group achieved a net revenue of RM1.23 billion in 2017 as compared to RM1.18 billion in 2016. The revenues are generated through the respective segments are as follows:

	2017 RM'M	2016 RM'M
Germany	**685.3**	644.8
Rest of Europe	**263.2**	251.5
Americas	**210.7**	206.0
Rest of World	**75.6**	78.2
	1,234.8	1,180.5

The Germany segment is the largest segment revenue representing 55.5% of the Group's revenue. The business is mainly driven by the stationery sales and distribution company. Sales development of Pelikan Germany remained stable in the current year with more focus on branded products (herlitz and Pelikan) as compared to private labels products and other brands for better brand positioning and improved margins. On the services revenue (6.5% of Germany segment revenue) of logistics, IT and their related services, there was an improvement in revenue due to increased demand of services in the current year.

Rest of Europe is represented by all the subsidiaries operating within Europe except Germany. The revenue development for this segment was more or less stable during the year. The region's focus was to promote more branded products so as to have a more permanent catchment of consumer base and improve future sales growth. Product mix and assortments was also revised wherein the Group targetted to phase out low volume non-contributing products from the market.

The Americas region which comprise Mexico, Colombia and Argentina did not perform as well than anticipated due to a myriad of issues in the region. In September 2017, Mexico had been struck by two earthquakes, whereby damage to the affected cities has been severe. These natural disaster causes temporary setback and business disruptions at the subsidiaries and also its customers. In addition, the severe devaluation situation in Argentina also hit the customers and end buyers with the reduction in buying power over a short period of time. The table below shows the sales in local currencies:

	MEXICO MXP'M	COLOMBIA COP'M	ARGENTINA ARS'M
2017	**496.1**	**44,662.5**	**129.0**
2016	500.5	43,192.1	134.9
Sales growth	-0.9%	3.4%	-4.4%

Colombia's sales were encouraging, in particular, the export market were performing due to the gradual tax safeguard reduction on the Ecuador market.

The Rest of World segment revenue which comprise 6.1% of the Group's revenue consist mainly countries such as Japan, Taiwan/China, South East Asia and Middle East. These markets are growing markets and continues to contribute to the Group's revenue albeit its' small percentage over the sales of the Group.

Profit Before Tax (Continuing Operations)

The Group achieved a profit from operations of RM72.3 million as opposed to RM73.5 million in the previous year. Operating profits from the Americas region was mostly affected in 2017 due to the negative effects of the regions currencies in particular Argentinian Pesos against USD. In addition, the natural disasters in Mexico from the earthquakes had somewhat affected sales growth for the year. Besides that, the Group still had incurred expenses of around RM4.3 million arising from restructuring expenses mainly from professional fees for the squeeze out exercise of Pelikan Group GmbH and also remnants of staff streamlining measures in Germany.

Finance cost was higher in 2017 compared to 2016 mainly because of the full year effect of the new financing measures undertaken in 2016. The Group achieved a continued profit before tax of RM46.6 million as opposed to RM51.2 million in the previous year.

Assets & Liabilities

The movements in the assets and liabilities of the Group were mainly affected by the divestment of the printer consumable business and point of sales services. Assets were realised and certain employee related liabilities were no longer required.

The Group's borrowings increased from RM409.4 million at the end of the previous year to RM438.6 million. 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. The Group's cash and cash equivalents at year end amounted to RM42.5 million a reduction of RM8.3 million in as compared to last year. At the end of the reporting period, the Group's net gearing ratio is 0.86 times (2016: 0.82 times). The Group's policy is to keep its gearing within manageable levels.

RISK FACTORS

We would like to highlight below the key anticipated or known risk that the Group is exposed to that may have an effect on our operations, performance, financial condition and liquidity.

Global Economic Conditions

Economic changes, political unrest, natural disasters, terrorist activities and other macro and micro economic factors may affect consumption and decreased demand in our products. Besides, these factors may also affect our assets and liabilities in our balance sheets. Our success will depend, on our ability to manage our business within such global economic conditions and having an experience management team who can plan ahead to mitigate the risk impact and also to react to sudden changes effectively. Failing which, our sales, business and assets/liabilities may be affected and the Group may suffer economic loss.

Regulatory Environment

In recent years, there has been an increasing consciousness, particularly in the more developed countries of the world, of the quality of ingredients being used in the manufacturing of products. This increasing consciousness has been accompanied by a corresponding increase in health and safety standards and regulations, as well as surveillance and enforcement by the relevant authorities.

The stationery industry in Germany is also affected by health and safety standards and regulations. Among the more important ones are the German quality standard Deutsche Industrial Norm, the European standards for children's toys, and the list of materials and substances recommended by the European Community authorities as being non-allergenic. In order to meet these requirements, companies are required to invest in R & D and also implement strict quality policies. The larger players in the industry are co-operating with legislative and semi-government organisations to develop as well as to comply with these requirements.

In addition, there are also regulatory law related to patents, intellectual policy, product liability, and also tax laws which are equally important for the Group to ensure compliance. Our ability to manage and comply with all these regulations and resolve regulatory issues as and when they arise may impact our results.

Competition

The stationery industry is highly competitive. Worldwide, the industry is characterised by a large number of players in each country, with few truly global players, and individual players tend to specialise in specific product segments. As such, the Pelikan Group competes with different competitors in different product segments.

The Pelikan Group has experienced and expects to continue to experience intense competition. The Group believes that its ability to compete depends upon many factors both within and outside its control, including the timing and market acceptance of new products and enhancements developed by the Group and its competitors, product functionality, ease of use, performance, price, value for money, reliability, customer service, sales and marketing efforts, and product distribution channels.

Pelikan's competitors vary in size and in the scope and breadth of products offered. Some of these competitors may have significantly greater resources than Pelikan, in terms of finance, technical, human resources and others. Competitors may be able to respond more quickly to changes in consumer preferences or to devote greater resources to the development, promotion, sale and service of their products. Increased competition could result in loss of market share, which could materially and adversely affect the Pelikan Group's business, operating results and financial condition.

To ensure its competitiveness, Pelikan invests in product innovation and practises a rigorous product development process for all of its new products and enhancements to its existing products. Its R&D team develops new products on an ongoing basis.

The market acceptance and sales potential of new products are tested through market research prior to the commencement of commercial production. Pelikan will also determine the best method to produce the new products in order to meet its targeted profit margins. Through this stringent product development process, Pelikan minimises its risk of market acceptance.

However, there can be no assurance that Pelikan will be able to develop and introduce new products or enhancements in a timely manner in response to changing market conditions or consumer preferences or to maintain its competitiveness against current and future competitors.

Seasonality

The Pelikan Group's business in its core markets in Europe and Americas is seasonal in that sales are strongest in April to July each year. This is due to the annual sales cycle in the stationery industry whereby manufacturers increase production in the first quarter of the year in anticipation of strong sales to distributors in the second quarter. The distributors stock up in the second quarter in order to prepare for sales to end consumers in the third quarter before the start of the school year in September. In the last quarter of the year, sales in the industry are generally more subdued except for the Christmas period.

In order to counter the effects of seasonal sales, Pelikan is taking measures such as the introduction of more office products, which are less affected by seasonality, and increasing its geographical spread, particularly in Asia, so that products can be produced for other countries during the low seasons in its core markets.

OTHER INFORMATION - DIVIDEND

No dividends have been paid by the Company for the current financial year. Payment of any future dividends will be made after taking into account factors, including the Company's availability of distributable reserves, operating results, financial condition and current and anticipated cash needs. The Company has not established any fixed dividend policy.

Fine Writing Instruments 2017

Limited Edition "Statue of Zeus"

Limited Edition M800 Raden Royal Gold

Special Edition Souverän Series 600 White Transparent

Many new and exciting Pelikan fine writing instruments were introduced in 2017, in particular the Limited Editions and Special Editions of our well known fountain pen series.

These were marketed on a global scale using extraordinary product shots, with detailed descriptions of each via sales brochures, newsletters, website, and intensive promotion on Pelikan's social media tools such as Facebook and Instagram. While we have a huge following and business for our fine writing instruments in our core markets such as Germany, U.S.A. and Japan, the focus in 2017 was also to grow the fine writing business in emerging markets around the world. This was achieved via the fourth edition of our global HUB meetings - a totally new idea that combined online and offline marketing and truly created buzz in the pen communities around the world (see Pelikan Hubs 2017).

These helped Pelikan Fine Writing Instruments achieve significant growth particularly in markets where fine writing instruments were not a high priority for the Group. The higher turnover was supported by the launch of many new Special Edition models as well as Pelikan ink bottles. The Edelstein Ink of the Year 2017 "Smoky Quartz" was hugely popular and successful among the Pelikan fans.

The year saw our Fine Writing Instruments once again ataining recognition and awards. The Souverän Series M1000 black-green won the *"Trophée de la Plume"* award at the *Trophées du Stylographe 2017* event which was presented by the well-known French magazine *Le Stylographe*. Another significant accomplishment was at the Pen World's Readers' Choice Award 2017 whereby the Pelikan Souverän M400 Tortoiseshell Brown fountain pen won the "Best Vintage-inspired pen" category award.

As a brand renowned for its high quality products, craftsmanship, know-how expertise, customer experience, and compelling history in the field of fine writing instruments, we pride ourselves in ensuring that we continue to improve our standards of quality for the long supporting fans as well as new consumers.

Limited Edition M1000
Maki-e Dragonfly

Special Edition
M101N Bright Red

For 2018 and beyond, Pelikan will continue to launch classic yet unique Special Editions and Limited Editions as well as the first Pelikan fine writing instrument magazine to commemorate our 180th anniversary year. We have lined up a series of stunning fine writing throughout 2018 and we are thrilled to share these beautiful creations with our supportive retailers and end consumers.

Special Edition
Souverän Series
800 Ocean Swirl

Special Edition
Souverän Series 800
Renaissance Brown

PELIKAN HUBS 2017

For the fourth year running, Pelikan Hubs - an event organised by fans for fans - successfully brought Pelikan fans together and created a social media marketing buzz as one of the biggest Hubs event that ever took place. This event is a unique concept that no other brand has ever realised.

On 22 September 2017, fans were invited to meet at numerous Pelikan Hubs all over the world. Each city had one "Hub Master" who organised things locally and who was in touch with Pelikan. It was a big success as 145 Hubs took place in 43 different countries all over the globe, with more than 3,600 people registered for the Hubs 2017.

The excitement of the Hub Masters and participants have made them enthusiastic brand ambassadors, multiplying fans all over the world! The event led to numerous posted photos and videos in social networks, blog entries and even podcasts (#pelikanhubs) that showed the excitement, commitment and loyalty of Pelikan fans in every continent of the world.

Most people registered for

- TAINAN
  171 registrants
- TAIPEI
  120 registrants
- NEW YORK CITY
  93 registrants
- HONG KONG
  83 registrants

"We have the second highest number of registrants for the Pelikan Hub in the US. There are some nice goodies coming from Pelikan, and we will have a full set of Edelstein Inks to play with." *Joshua Lax, New York City*

"We really thank Pelikan for organising such a great event around the world! And also, I feel grateful to be the Hub Master!" *Gigi Lee, Taichung, Taiwan*

"This fan group is growing continuously because every new member is heartily welcomed. I really look forward to meeting again in 2018. A real big thank you to the Pelikan team for this idea." *Claudia Simon, Bonn, Germany*

"Some smokey inks, some smokey drinks, some special pens, some special guests and a lot of fun!" *Tomas Primus, Prague, Czech Republic*

"We had an awesome time yesterday. It was a great meet, thanks to Pelikan ... A delightful evening has been spent with some delightful Fountain pen enthusiasts." *Avishek Dey, Kolkata, India*

Special Edition Edelstein
Ink of the Year 2017
Smoky Quartz

herlitz SCHOOLBAGS
THE NEW COLLECTION 2017

The first day of school is a new and exciting time for a child, and the right schoolbag plays an important role because it becomes the daily companion of the schoolchild. As a strong brand of the Pelikan Group with over 30 years of product experience, herlitz's schoolbags collection for 2017 offers its customers quality, ergonomics, safety and a great variety of designs.

DESIGN: No limit to imagination and details!

- Designs which provide visual and haptic sensory features
- Innovative features such as 3D rubber badge, trendy pattern mix and playful detailing
- Great variety from magical unicorns, big monster trucks and dangerous dinosaurs to cool space shuttles

QUALITY: Long lasting & durable!

- High quality standards for materials used and their processing
- Subjected to German school nomenclature DIN 58124 stress tests
- Water-repellent impregnation* and robust, stable bottom plate reliably protect against wetness

FIDLOCK

ERGONOMICS: Excellent wearing comfort!

- Breathable and ergonomically shaped back paddings
- ergoActive® and ERGO ES²® back systems that individually adapt to the child's size
- Chest straps and detachable waist straps are additional features in some models

SAFETY: For greater day and night visibility

- Features reflective materials of the 3M™ Scotchlite™ as reflective strips located on the front, side and shoulder straps of the bag*
- For some models the locks are provided with reflectors
- Some models offer fluorescent materials in five bright warning colours: bright pink, bright orange, bright yellow, bright blue and bright green

TOP MARKS!

HERLITZ MOTION: The modern primary school backpack scores with its innovative ergonomic concept ergoActive®, great safety features and new designs

Thanks to the infinitely height-adjustable ergoActive® back system, the herlitz Motion is optimally positioned on the child's back and can be flexibly adapted to the child's rapidly changing body size. The height-adjustable chest strap and the detachable waist strap provide additional support and wearing comfort as they ensure an optimised load distribution. In terms of safety, the herlitz Motion features 3M™ Scotchlite™ reflective material and fluorescent material in eye-catching bright colours. In addition, it attracts attention with special features such as the magnetic lock from Fidlock or the small secret compartment in the flap. The bag is accompanied with impressive accessories such as the spacious sports bag, practical file box and innovative Motion pencil box - a pencil pouch and pencil case in one! Kids will simply love the herlitz Motion designs which come with innovative features such as 3D rubber badge, trendy pattern mix and playful detailings.

HERLITZ FLEXI: Thanks to its innovative ERGO ES²® ergonomic system, its many other features and new designs, this tried and tested premium model is an ideal companion for a perfect start in school

The herlitz Flexi schoolbag's well thought-out ERGO ES²® ergonomic system can be individually adapted to the size of the child and offers highest wearing comfort. This is achieved firstly by the 3-stage height adjustment, the height-adjustable chest strap and the dual adjustable shoulder straps; and secondly with the supporting and relieving function of the breathable and ergonomically shaped pack padding. Features such as the easy-to-close "Smart Lock" magnetic lock with Fidlock technology, the V-shaped elastic

** Note: no water-repellent impregnation or 3M™ Scotchlite™ for herlitz Bliss*

bands on the front flap for stowing a jacket or the volume expandable front pocket from 15 to 18 liters impress as well. Thanks to the numerous 3M™ Scotchlite™ reflectors as well as the reflector in the magnetic lock, the herlitz Flexi also offers convincing safety features. Accompanying the herlitz Flexi is a filled pencil case, a pencil pouch, a spacious sports bag and a lunch box. New great designs, for example with glitter or 3D effects, are available.

HERLITZ MIDI: The practical all-rounder

This schoolbag combines all the herlitz advantages with regards to ergonomics, safety and quality. In addition, the herlitz Midi offers a spacious interior layout with a separate book compartment, an extra-large front pocket, as well as two close-fitting side pockets with zipper closures. Its narrow shape makes it particularly suitable for children with narrow shoulders. The breathable and ergonomic shaped back padding, as well as the dual-adjustable shoulder straps, offer high wearing comfort. By using high-quality 3M™ Scotchlite™ reflective material and additional fluorescent material in five bright warning colours, the herlitz Midi is ideally equipped to provide more visibility and safety on the way to school - during the day and at twilight. An additional plus of comfort and safety is the easy-to-use magnetic lock from Fidlock with an integrated reflector. Many great designs with plenty of matching accessories leave nothing to be desired.

NEW!

HERLITZ LOOP: The light one with a modern, round shape

The herlitz Loop is a classic schoolbag that stands out with its modern round shape. It offers a clear pocket division with a spacious inner compartment including a separate book compartment as well as two side pockets and a front pocket with a zipper closure. The lightweight model weighs less than 1 kg and features an ergonomically shaped, breathable back padding and adjustable shoulder straps, ensuring flexibility and comfort. High-quality 3M™ Scotchlite™ reflective material on the front, sides and shoulder straps as well as the additional reflector in the click-lock allow good visibility in the dark. Eight different designs are available for boys and girls.

NEW!

HERLITZ BLISS: The new primary school backpack convinces with the ergonomic system ERGO ES²® and many other clever features

The new herlitz Bliss is a practical, modern primary school backpack with a stable bottom plate including plastic feet and a form-stable front. Thanks to its well thought-out ergonomic system ERGO ES²®, the herlitz Bliss can be individually adapted to the size of the child and offers the highest wearing comfort. This is achieved on the one hand by the 3-stage height adjustment and on the other hand by the supporting and relieving function of the breathable and ergonomically shaped back padding. In addition, the primary school backpack offers a height-adjustable chest strap and dual adjustable shoulder straps. Also it weighs less than 1 kg! The herlitz Bliss is offered in four great designs.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

This Corporate Governance Overview Statement sets out the Corporate Governance practices of Pelikan International Corporation Berhad ("Pelikan" or "the Company") and its subsidiaries (collectively referred to as "Group") throughout the financial year and its key focus in ensuring continued implementation of principles and practices of the new Malaysian Code of Corporate Governance 2017 ("Code").

The Corporate Governance Statement is made pursuant to paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") and the Company has also made available a Corporate Governance Report on its website (www.pelikan.com) which articulates the application of the Group's corporate governance practices pursuant to the Code.

The Group's corporate governance practices is described below:

BOARD'S ROLES AND RESPONSIBILITIES

The Board is responsible for the corporate governance practices of the Group. The Board is collectively responsible for the long-term success of the Company and to safeguard and create sustainable value to its stakeholders. In discharging its duties in a clear and transparent manner, the Board has set-up a Board Charter which, sets out amongst 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. A copy of the Board Charter is published on the website www.pelikan.com.

THE BOARD OF DIRECTORS

1. Composition

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

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

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

2. Independence

The Independent Non-Executive Directors are independent from the management and are free from any business or other relationships that could materially interfere with the exercise of independent judgement. The Independent Directors provide a broader view and an independent and balanced assessment. They do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group to ensure that they are capable of exercising judgement 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 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 2017, the Board met five (5) 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 2017 was as follows:

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED	TOTAL ATTENDANCE (%)
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	5 out of 5	100
Loo Hooi Keat	5 out of 5	100
Dato' Afifuddin bin Abdul Kadir	5 out of 5	100
Datuk Rozaida binti Omar	5 out of 5	100
Datin Normimy Binti Mohamed Noor	4 out of 5	80
Dato' Lua Choon Hann	5 out of 5	100

4. 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. Board Papers are circulated in advance of the meetings, normally together with the meeting notice seven (7) days in advance. 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, facilitates all board, committee and shareholders' meetings, advises the Board on its roles and responsibilities, assist the board in regulatory updates and training needs, advises the Board on corporate disclosures and compliance with company and securities laws and listing requirements, and monitors corporate governance developments and assist the Board in applying governance practices.

5. 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 and Risk Management 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.

6. 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, Dato' Afifuddin bin Abdul Kadir ("Dato Afifuddin") and Dato' Lua Choon Hann ("Dato Lua") are due to retire pursuant to Article 127 of the Articles. Dato Afifuddin and Dato Lua have offered themselves for re-election at the forthcoming AGM.

7. 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 Accountants Conferences, Fraud Workshops and trainings on Companies Act 2016, Business Sustainability, Risk Management and Internal Control, Corporate Governance and other trainings on various topics that were relevant in keeping abreast with the general economic, industry, regulatory and technical developments.

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.

8. Board Committees

The Board has established four (4) main Board Committees, which are Audit and Risk Management Committee ("ARMC"), 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) ARMC

The terms of reference of the ARMC are in compliance with the Listing Requirements and the best practices as set out in the Code. The report of the ARMC for the financial year ended 31 December 2017 are presented on pages 50 to 52 of this Annual Report.

(B) Nomination Committee

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

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

NAME OF NOMINATION COMMITTEE MEMBERS

Dato' Afifuddin bin Abdul Kadir	Chairman Independent Non-Executive Director
Dato' Lua Choon Hann	Member Independent Non-Executive Director
Datin Normimy Binti Mohamed Noor	Member Non-Independent Non-Executive Director

The Nomination Committee met once during the financial year ended 31 December 2017 and the meeting was attended by all of the members of the Nomination Committee, during which the Nomination Committee did an assessment programme to assess, the Board Committees, individual director and the independence of Independent Directors. Criteria used in these assessments are guided by the Bursa Securities' Corporate Governance Guide after taking into consideration the current and future needs of the Company.

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

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

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

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

(C) Remuneration Committee

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

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

NAME OF REMUNERATION COMMITTEE MEMBERS	
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Chairman Independent Non-Executive Director
Dato' Afifuddin bin Abdul Kadir	Member Independent Non-Executive Director
Datin Normimy Binti Mohamed Noor	Member Non-Independent Non-Executive Director

The Remuneration Committee met once during the financial year ended 31 December 2017 and the meeting was attended by all of the members of the Remuneration Committee.

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

The ESOS Committee did not meet during the financial year ended 31 December 2017.

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 2017 are as follows:

NAME OF DIRECTORS	FEES (RM)	SALARIES (RM)	ALLOWANCES (RM)	DEFINED CONTRIBUTION PLAN (RM)	BENEFIT-IN-KIND (RM)	TOTAL (RM)
Executive Director						
Loo Hooi Keat	–	1,788,000	–	214,560	111,048	2,113,608
Non-Executive Directors						
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	120,000	–	5,000	–	–	125,000
Dato' Afifuddin bin Abdul Kadir	60,000	–	8,000	–	–	68,000
Datuk Rozaida binti Omar	60,000	–	7,000	–	–	67,000
Dato' Lua Choon Hann	70,000	–	7,500	–	–	77,500
Datin Normimy binti Mohamed Noor	60,000	–	4,750	–	–	64,750
Total	**370,000**	**1,788,000**	**32,250**	**214,560**	**111,048**	**2,515,858**

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 SECRETARIES

Mr Ho Ming Hon
Ms Chua Siew Chuan

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

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

Other than the above, all public announcements are made via Bursa Securities website and the Company also maintains its website (www.pelikan.com) 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, which have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the state of affairs of the Group and the Company as required under Section 251(2) of the Companies Act 2016.

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

The ARMC 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 2016;

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 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 2016.

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 established an internal audit function following the adoption of its Internal Audit Charter by the ARMC. The internal audit function is currently outsourced. 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 ARMC 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 ARMC 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 ARMC; 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 ARMC at least twice a year to discuss the audit plan before the commencement of audit, annual audited financial statements and audit findings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of public listed companies are required to include in their annual report a statement about the state of risk management and internal control of the listed issuer as a group. The Board is pleased to provide the Statement on Risk Management and Internal Control, which has been prepared in consideration of the new Malaysian Code on Corporate Governance as well as the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" (the "Guidelines").

BOARD'S RESPONSIBILITIES

The Board of Directors ("Board") of Pelikan International Corporation Berhad ("Pelikan" or "the Company") is ultimately responsible for the Company's overall system of corporate governance including to adopt a sound and effective system of risk management and internal controls of Pelikan group of companies ("the Group") and for reviewing its effectiveness.

The Board has delegated to executive management the implementation of processes for identifying, evaluating, monitoring, reporting and responding of significant risks and internal controls pertinent to the achievement of Company's overall corporate objectives, while the Board through its Audit and Risk Management Committee ("ARMC") oversees and reviews the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. Designated personnel in the respective subsidiaries are responsible to maintain and monitor these systems of risk management and internal controls on an on-going basis.

RISK MANAGEMENT FRAMEWORK

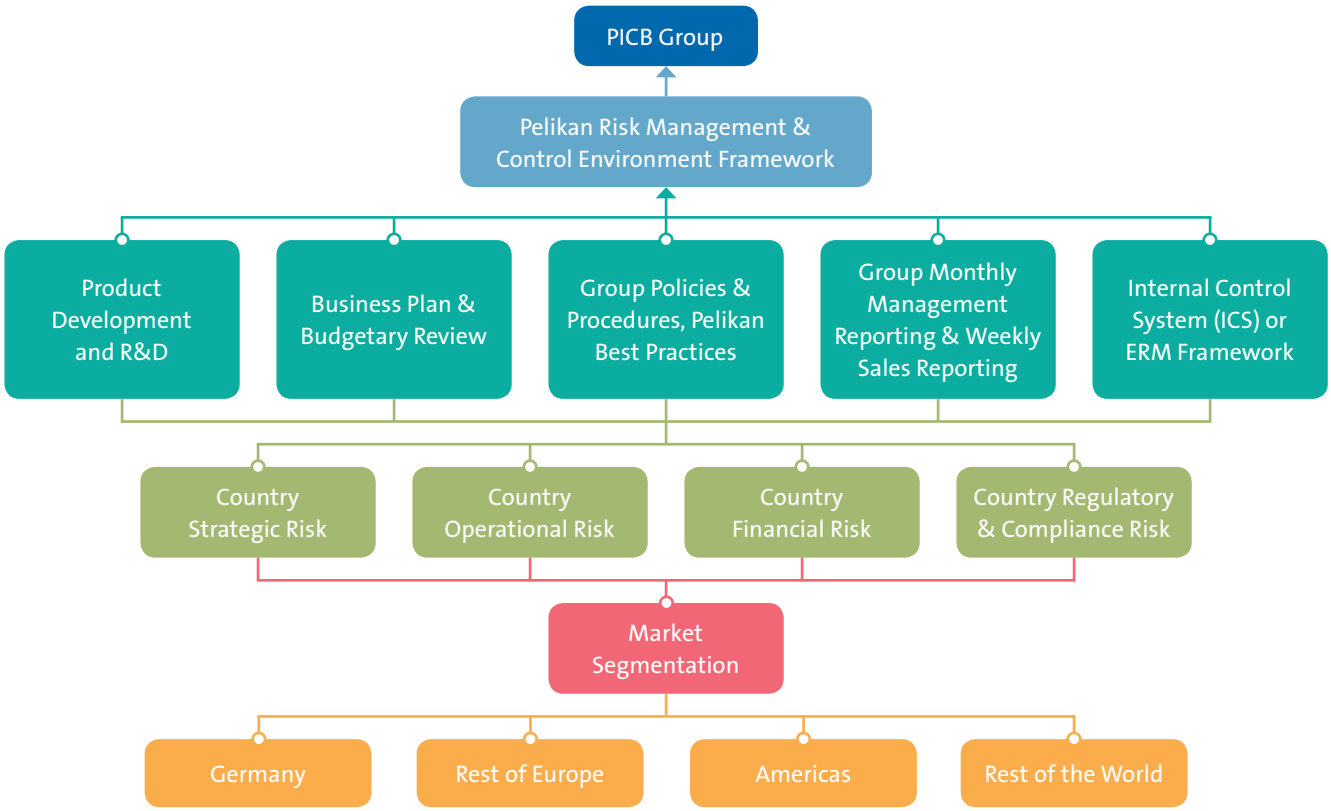
The Group has in place a formal risk management process systematically to identify, evaluate, mitigate, monitor and review risks impacting the achievement of the Group's corporate objectives. The Board has delegated its risk oversight responsibility to the ARMC. The Group has implemented the Pelikan's Enterprise Risk Management ("ERM") Framework which is fundamentally consistent with the ERM framework of the Committee of Sponsoring Organisations ("COSO") and the ISO31000 on risk management. The ERM Framework sets out details of the procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group. In order to achieve a coherent structure of risk management throughout the Group, the risks are analysed under four main categories:

(a) Strategic Risks;

(b) Operational Risks;

(c) Financial Risks; and

(d) Regulatory and Compliance Risks.



All identified risk are assessed, documented and updated in the Group's risk register regularly and aligned to the risk appetites of the Group and business plan. The risk register analyses and shows the different risk exposures and appetites across different divisions within the Group and examines the root cause and potential consequences of the identified risks to the operations of the divisions. The risk register also documents the ratings of the risks to facilitate prioritisation and development of appropriate and optimal risk action plans as well as the responsibilities of the designated management personnel. Periodic updates on the risk assessment are done when necessary, including identifying changes to risk or emerging risks and new action points to be reported to the ARMC and the Board.

The Group's operations could be affected by various risk. Broadly, the Group views the following risks as the most significant risks that could affect its business:

- Global Economic Conditions;
- Regulatory Environment;
- Competition; and
- Seasonality

Shareholders are advised to refer to the Management Discussion and Analysis of the Annual Report from pages 22 to 31 for further details and explanation of these risks.

The Group has outsourced its internal audit function to an independent professional firm to review the adequacy and effectiveness of risk management and internal controls and their corresponding risks mitigation steps. The internal audit reports to the ARMC on a periodic basis.

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

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

a) Management organisation structure with defined level of accountability and authority for all subsidiaries;

b) Company vision, mission and strategic direction are defined and communicated to employees to facilitate risk identification;

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

d) Code of ethics are established to promote high standards of conduct and ethical values in all business practices;

e) 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;

f) Detailed budgeting process enables monthly monitoring of results against budget, with major variances being followed up for further management action, 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 function independently reviews the control processes implemented by the management from time to time and periodically reports on its findings and recommendations to the ARMC.

CONCLUSION

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control to safeguard shareholders' investments and the Group's assets and there were no material losses resulted from significant control weaknesses that require additional disclosure in this Annual Report. The Board has also received assurance from CEO and CFO that the Group's risk management and internal control systems, in all material aspects, are operating adequately and effectively.

This Statement on Risk Management and Internal Control is made in accordance with the Resolution of the Board of Directors passed on 29 March 2018.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirement, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG3") [Previously known as "RPG 5 (Revised) 2015"] issued by the Malaysian Institute of Accountants.

Based on the procedures performed and evidence obtained, the External Auditors have reported to the Board that nothing has come to their attention to cause them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines to be set out, nor is the Statement factually inaccurate.

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 currently outsourced to IA Essential Sdn Bhd ("IA Essential") an internal audit consulting firm, in which the Internal Audit Charter had been formally adopted by the Audit and Risk Management Committee ("ARMC"). 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 current outsourced 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 "International Standards for the Professional Practice of Internal Auditing" 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 currently outsourced to IA Essential, it functions in accordance with policies established by its Senior Management and the Board, and 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. The Group IARM department is headed by a Director who is assisted by a manager and supported by an audit executive. The Director in charge is qualified accountant while the rest of team members are accounting graduates.

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 ARMC, 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 ARMC, 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 ARMC on a periodic 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 ARMC.

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 2017 amounted to RM81,163.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors ("Board") of Pelikan International Corporation Berhad ("the Company") is pleased to present the following report of the Audit and Risk Management Committee for the financial year ended 31 December 2017. On 29 March 2018, the Audit Committee was redesignated as Audit and Risk Management Committee ("ARMC") to further reflect its roles in governing the Group's Risk Management.

MEMBERSHIP AND MEETINGS OF ARMC

The ARMC 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 ARMC 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 (outsourced) was invited to the ARMC 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 ARMC meetings in three (3) meetings out of five (5) held.

The ARMC members' attendance record is as follows:

NAME OF ARMC MEMBERS	NO. OF MEETINGS ATTENDED	TOTAL ATTENDANCE (%)
Dato' Lua Choon Hann (Chairman) *Independent Non-Executive Director*	5 out of 5	100
Dato' Afifuddin bin Abdul Kadir *Independent Non-Executive Director*	5 out of 5	100
Datuk Rozaida binti Omar *Non-Independent Non-Executive Director*	5 out of 5	100

AUTHORITY

The ARMC 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 ARMC;

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 ARMC's meetings (if required) and to brief the ARMC;

e) have right to ensure the attendance of any particular ARMC meeting by other Directors and employees of the Company shall be at the ARMC'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 ARMC must promptly report such matter to the Bursa Securities.

SUMMARY OF WORK OF THE ARMC

During the financial year 2017, the ARMC carried out its duties as set out in the terms of reference. Other main work carried out by the ARMC 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, focusing particularly on:

i) Changes in or implementation of major accounting policy changes;

ii) Significant matters highlighted including financial reporting losses, significant judgement made by management, significant and unusual events or transactions, and how these matters are addressed; and

iii) Compliance with accounting standards and other legal requirements.

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) Provisions of the Companies Act 2016;

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

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

iv) Other legal and regulatory requirements.

In the review of the annual audited financial statements, the ARMC 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 and Risk Management

a) Reviewed the engagement team profile and scope of work to be provided by the outsourced IARM firm prior to engagement;

b) Reviewed the Group's internal audit plan and assessed the performance of the Group's IARM department prior to the vacancy;

c) 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;

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

e) Reviewed the performance of members of IA Essential.

SUSTAINABILITY STATEMENT 2017

At Pelikan, sustainability is endorsed and guided at the highest level. As with other major corporate decisions, strategic sustainability decisions are made collectively by the Board of Directors (Board) to maintain alignment with the commercial strategy whilst engaging senior managements and business leaders on the direction and progress of the sustainability agenda across the Group. These executives further delegate the relevant authority to the relevant function or team within each subsidiaries of the Group.

OUR CORPORATE PHILOSOPHY

Our guiding principles on vision, mission and values are the foundation for our sustainability strategy. From them, we have derived the following principles (excerpt):

- We are guided by the needs of our customers, partners and people interested in our products and services;
- We strive at all times to constantly improve all processes;
- We are constantly questioning existing solutions which is the key to innovation; and
- We live up to our responsibilities.

In this context, quality and environmental protection mean the following to us:

- Meeting the needs of our customers, partners and people interested in our products and services;
- Paying the necessary attention to everything we do;
- The qualification and further training of all employees;
- The constant assessment of environmental impact; and
- Meeting legal requirements.

We are also involved in improving working conditions in our global supply chain through the Pelikan Group's membership and active participation in the Business Social Compliance Initiative (BSCI).

All employees within the Group are familiar with this corporate philosophy.

We have consciously integrated sustainability matters mentioned below into the operations of our Group's business, while building on our key strengths and achievements. Periodic materiality assessments will be carried out through internal and external consultations of our stakeholders to manage the broad range of sustainability risks, issues and opportunities across our business.

OUR SUSTAINABLE ECONOMIC CONTRIBUTION

Under the helm of Pelikan International Corporation Berhad, our business spans worldwide with subsidiaries present in 26 countries to serve each local market and also exports to the surrounding countries where local subsidiaries are not present. With these worldwide presence, the Group makes economic contributions in respective countries by creating jobs in various functions.

As of 31 December 2017, the Group had a total headcount of 1,916 employees. Out of the total workforce, 1,238 (64.6%) of the Group's employees were based in Europe, 592 (30.9%) from offices in Latin America, and 86 (4.5%) were based in Asia and Middle East regions.

In every market we operate in, we ensure good corporate governance and responsible business operations, foster a dynamic and safe workplace, and persue sustainable and forward thinking business practices that will benefit future generations.

Apprenticeship

Pelikan Germany continues to engage in programmes that provide young people with skills and on-the-job training. As part of the German work culture for many decades, a majority of Pelikan's current employees began their employment in Pelikan since their apprenticeship days. Each year, eight to ten trainees receive the opportunity to train in technical, chemical or commercial matters for three years. We regard this as one of Pelikan's social responsibility - to provide job-related skills and basic work training to young people. In 2017, the Group hired five apprentices as permanent employees out of the 17 apprentices training within several different technical and vocational departments in our German production facilities. We have invested in training measures not only related to production skills but also in developing leadership skills to ensure we retain the high skilled talents we employ.

OUR SUSTAINABLE ENVIRONMENT CONTRIBUTION

Sustainable Operations

Pelikan Group is committed to ensure that the way we operate and create our brands leave positive footprints for generations to come. Not only do we adhere to compulsory regulations wherever applicable in our business dealings, consistency and transparency in reporting, good governance, and business ethics are also priorities to the Group. We believe in maintaining sustainable environment practices through constant innovation in developing our products and processes, responsible sourcing and procurement activities, and high global standards in manufacturing and management.

Our environmental awareness starts with the procurement of raw materials. As well as fulfilling the International and European standards, these must not only comply with the required limit values but always surpass them where possible. Guaranteed through intensive reception and quality controls, as well as the adherence to our Ethics Code, it is fundamental for us to cooperate with the suppliers and partners of the same values.

As with the previous years, Pelikan Group's manufacturing plants are environmentally friendly and have been re-certified for ISO 14001 and ISO 9001 in 2017. ISO 14001 provides assurance to employees and stakeholders that the environmental impacts are being measured and improved. For instance, the Group continued to invest in energy-

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Management System
ISO 9001:2015
ISO 14001:2015
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efficient LED-lightning for indoor and outdoor area, use of renewable energy for central heating, and use of an energy-efficient central cooling-unit. On the other hand, ISO 9001 demonstrates Pelikan Group's ability to consistently provide products and services that meet requirements of regulators and consumers.

Products

Pelikan products are renowned throughout the world and represent outstanding quality and safety. Over 1,900 Pelikan employees worldwide are dedicated to ensuring that these high standards are met.

Many Pelikan products are designed for children and pupils, and therefore require special attention. Safety and harmlessness to health are therefore our top priority. This is ensured by our continuous quality assurance. Pelikan not only focuses on the development of high-quality products, creative innovations and the associated manufacturing methods, but also concentrates on the responsible optimisation of existing methods and products. Each of our products are examined and constantly improved with regard to its effect on the environment. This ongoing awareness is firmly anchored in our corporate goals.

OUR SUSTAINABLE SOCIAL CONTRIBUTION

Our People, Our Treasure

Our people play a vital role in the ongoing success of our company. Our goals are to provide employment and remuneration that is fair and free of discrimination in our workplace. The health and safety, well-being and work environment are important to Pelikan, and we have policies in place to make sure of that. We aim to provide a working environment that is secure with ongoing improvements in the health and safety performance as well as employees' quality of life.

SUSTAINABILITY STATEMENT
2017

- **Employment and Diversity**

  Pelikan Group operates a non-discriminatory policy and provides equal opportunity in all aspects of employment including gender diversity.

- **Health and Safety**

  It is important to us that the working conditions we offer should always be improving. Pelikan believes that all injuries, occupational illnesses, and safety and environmental incidents are preventable. The Group is committed to zero for these incidents. We also promote off-the-job safety for employees.

- **Performance Management**

  Pelikan believes that employees who are managed effectively and supported to perform to their full potential make the Group more efficient and competitive. The further education and development of employees are also important to us, as highly-qualified employees are the most important resources of any company. We therefore place great values on the topic of training, whereby we provide annual training for our people in different professions. We strive to empower our people with equal learning and development opportunities, ensure they are happy at work and have the tools and resources they need to give their best.

- **Employee Welfare**

  Employee welfare in the form of medical coverage, subsidised meals and in-house cafeterias are offered by the Group. Activities which encourage good health and lifestyle are also practiced.

Diverse and Dynamic Workforce

As a global employer, Pelikan Group works towards creating a more diverse and dynamic workforce in order to take on business challenges, opportunities and growth transformations. Pelikan Group is committed to building a work environment which provides employees the opportunities to improve and develop their capabilities, skills and talents. All employees should be able to build their career, develop to their fullest potential, work in confidence with the Company, and grow with us professionally and personally. We continuously emphasise on teamwork, respect between colleagues, and effective employee engagement to generate higher productivity, lower turnover rate and better operational results.

Pelikan Group continues to devote attention and resources to recruiting and training the best talents. We strive to equip employees with the right training, knowledge and skill sets required in their fields to stay ahead and relevant. By adopting human resource policies that ensure employees' performances are reviewed, supervised, and rewarded accordingly, employees' contributions to the Group are highly valued and supported.

Further to building a pleasant working environment, Pelikan Group also prioritise the employees' wellbeing and safety. The Group conducts regular health and safety inspections, and implements safety and health improvement activities for employees annually. The Group practices safety measures for controlling equipment and machinery, extensive promotion of safety and hygiene in workplace such as the improvement to the preventive fire protection and emergency preparedness and response, implements measures for occupational injuries and illnesses, as well as promote health maintenance programmes for employees, such as the skin protection campaign for the workers. The Group also offers annual preventive influenza vaccination and cardiovascular checkups for all production workers which will continue in 2018. We also implement periodical preventive medical checkups for workers facing potential side effects for hearing and seeing, noise control, driving/control/monitoring duties, fall risks works, and special climate and environment conditions.

Communities

We want to have positive influence on the social and environmental well-being of the local communities by empowering them through education. We have special interest in the welfare of children, young people, as well as the underprivileged, the marginalised and the disabled. Pelikan, believing that all children need to be given a chance to develop to their full potential, views education as the greatest gift that a child could be given.

- **Close Involvement with Teachers and Parents**

  Pelikan is the quality brand that will last a lifetime. Whether in the kindergarten or in school, in the office, during leisure time or - the finest form of communication - when writing with a premium writing implement: Pelikan products are reliable life-long companions.

We are able to draw on decades of experience in educational expertise and work closely together with teachers and institutes. Pelikan's new developments are consistently oriented towards future generations, and contribute to improving quality of life. Our goal is to provide individuals with capabilities that will enable them to actively and responsibly shape the future.

We offer teachers, parents and pupils help and inspiration. A teachers' Portal provides teaching ideas and materials and answers questions. Parents can also find interesting tips and suggestions for optimal development of their children on Pelikan parents' portal.

- **Community Projects**

  Besides making regular product donations as well as in-kind donations to charitable causes, Pelikan employees have been active volunteers in community projects forged through partnerships with community groups, non-government organisations and educational institutions. Throughout the year, various activities were organised by the Group for the children's wellbeing.

CSR 2017

Corporate Social Responsibility (CSR) practices have been long integrated into Pelikan Group's business strategies and functions. We are aware of the issues most relevant to our business and prioritise where we believe we can have the greatest impact on the communities we touch, the environment surrounding our operations, and the stakeholders with whom we work with. Pelikan Group strives to be a good corporate citizen and commits to children's education and development as its main CSR objective.

Social Community Engagement

Pelikan Group believes, as part of the communities that we operate in, we can play a part in enriching the lives of communities. By addressing the needs of the communities be it students, teachers, underprivileged children, we make a conscious effort to contribute socially by working with partners and concentrating on effective initiatives. We are glad to see many CSR initiatives with goals to bring cheer and support to children in need, as well as highlight the importance of children's wellbeing.





Back in August 2016, Pelikan Malaysia launched its herlitz's "Schoolbag Used for New" programme which encouraged customers to donate their used bags to charity through the Pelikan Store at The Gardens Mall, and in return, the customers were given a 30% discount voucher to purchase a new herlitz schoolbag at the Pelikan Store. Due to the overwhelming response, the programme was extended until 31 October 2016 and a total of 50 used schoolbags were collected. These schoolbags were selected and cleaned and, along with Pelikan stationery, writing instruments and schoolbags, were donated to the children of Rumah KIDS at Klang, Selangor during Pelikan Malaysia's team visit on 5 January 2017. The team were thrilled to connect with the children again for the second visit in a row. Led by the Executive Officer of Rumah KIDS Mr David Janssen, the team explained the purpose of the visit and gave a brief introduction of the herlitz's "Schoolbag Used for New" programme. The team bonded with the children through colouring activities and thereafter presented the donation of Pelikan stationery and schoolbags, as well as monetary donations and necessities contributed by the staff of Pelikan Malaysia.

Following the success of the programme, herlitz's "Schoolbag Used for New" programme was introduced again in October 2017 to encourage consumers to recycle and donate used schoolbags to Pelikan Malaysia, and highlight the needs of children within the local communities.

In June 2017, Pelikan Malaysia organised two art workshops for primary school teachers from 143 public schools in Selangor state to teach them interesting art techniques using Pelikan materials such as the watercolour paintbox, oil pastel crayons and brush markers. The teachers were thrilled to learn new ways of teaching art to their students and many shared their individual teaching experiences as well as feedback of the art workshops. Towards the end of 2017, Pelikan Malaysia donated stationeries such as paints, coloured pencils, oil pastel crayons, erasers and ball pens to the schools of the participating teachers so that they can teach their students art using Pelikan materials. Pelikan Malaysia also visited over 3,000 students in 20 primary schools around Selangor to introduce calligraphy and drawing techniques using brush markers. The students had a lot of fun learning art, playing games and participating in a mini colouring contest during the sessions.

FINANCIAL CALENDAR

2017

27 Feb	Board Audit	Reviewed and approved the financial results for the 4th quarter ended 31-12-2016
	Remuneration	Reviewed the remuneration package of Executive Director for year 2017
	Nomination	Reviewed the composition of the Board of Directors
27 Mar	Board Audit	Approved the Audited Financial Statements for the financial year ended 31-12-2016 Reviewed the statements and reports to be included in the Annual Report 2016
24 May	35th AGM	Received the Audited Financial Statements for the financial year ended 31-12-2016 Approved the Directors' fees and re-appointment of External Auditors
24 May	Board Audit	Reviewed and approved the financial results for the 1st quarter ended 31-03-2017
23 Aug	Board Audit	Reviewed and approved the financial results for the 2nd quarter ended 30-06-2017
23 Nov	Board Audit	Reviewed and approved the financial results for the 3rd quarter ended 30-09-2017 Presentation of Audit Plan for year 2018 Discussion of Proposed Meetings Calendar for year 2018

2018

27 Feb	Board Audit	Reviewed and approved the financial results for the 4th quarter ended 31-12-2017
	Remuneration	Reviewed the remuneration package of Executive Director for year 2018
	Nomination	Reviewed the composition of the Board of Directors
29 Mar	Board Audit	Approved the Audited Financial Statements for the financial year ended 31-12-2017 Reviewed the statements and reports to be included in the Annual Report 2017
24 May	36th AGM	Receive the Audited Financial Statements for the financial year ended 31-12-2017 Approve the Directors' fees and re-appointment of External Auditors
24 May	Board Audit	Review and approve the financial results for the 1st quarter ended 31-03-2018
29 Aug	Board Audit	Review and approve the financial results for the 2nd quarter ended 30-06-2018
28 Nov	Board Audit	Review and approve the financial results for the 3rd quarter ended 30-09-2018 Presentation of Audit Plan for year 2019 Discussion of Proposed Meetings Calendar for year 2019

FINANCIAL STATEMENTS

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 2017.

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, 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 other than as disclosed in Note 16 to the financial statements.

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit/(Loss) for the financial year	**25,201**	**(146,652)**
Attributable to:		
Owners of the parent	**25,356**	**(146,652)**
Non-controlling interests	**(155)**	**–**
	25,201	**(146,652)**

DIVIDEND

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year, other than the effects of adoption of Companies Act 2016 as disclosed in the statements of changes in equity and Note 24 to the financial statements.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the current financial year to the date of this report are as follows:

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

DIRECTORS (continued)

The names of the Directors of the Company's subsidiaries in office since the beginning of the current financial year to the date of this report are as follows:

Abraham López Santin
Alejandro Ogarrio
Azuma Ikeda
Beat Nydegger
Christian Eschke
Claudio Esteban Seleguan
Daniel Frankenberg
Diego Alonso
Dimiter Dimitrov
Flavio Monti
Frauke Wandrey
Fred Ng
Gil Orfila
Ho Ming Hon
Horatiu Nicolau
Karsten Tews
Knut Kutscher
Loo Hooi Keat
Loo Seow Beng
Matias Shaw
Mehmet Köksal
Nasser Al Atrash
Octavio Fuentes
Paul Theodossiou
Pavel Zastresek
Pearly Tan Siew Kim
Ricardo Santos
Stefan Heintze
Stephan Schultze
Sven Vergauwen
Torsten Jahn
Vincze Zóltan
Werner Henning
William Liu
Yamil Valencia

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS

Issue of shares and debentures

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

Treasury shares

The Company did not make any purchase of its own shares and none of the treasury shares held were resold or cancelled during the financial year. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

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

Executives' Share Option Scheme

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

The salient features of the ESOS are as follows:

(i) The Board of Directors has appointed the Option Committee to administer the ESOS.

(ii) The Company may from time to time grant option to eligible employees of the Group to subscribe for new ordinary shares of RM1.00 each.

(iii) Subject to the determination and discretion of the Option Committee, ESOS may be granted to any Director named in the Register of Directors of the Company or any employee who is a confirmed full-time employee of the Company and/or its eligible subsidiaries and if that person is servicing under a fixed term of contract of employment, the contract (including any period of employment which that person has already served) should be for a duration of at least one (1) year of continuous service.

(iv) The total number of shares to be issued under the ESOS shall not exceed five percent (5%) of the issued and paid-up share capital of the Company at any point of time throughout the duration of the ESOS and of which not more than fifty percent (50%) of the Company's new shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than ten percent (10%) of the Company's new shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through person connected with the eligible employee, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.

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.

The Company granted 7,983,750 share options under the ESOS at an exercise price of RM1.35 per share option to the eligible employees and Directors. As of 31 December 2017, 6,290,000 options remained outstanding. No share options were exercised during or at the end of the financial year.

The ESOS expired on 28 February 2018 and no ESOS was exercised during the duration of the scheme.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit, other than the benefit included in the aggregate amount of remuneration received or due and receivable by the 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.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and officers of the Group and of the Company is RM227,392.

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			
SHARES IN THE COMPANY	BALANCE AS AT 1.1.2017	ADDITIONS	DISPOSALS	BALANCE AS AT 31.12.2017
Loo Hooi Keat				
- Direct	53,875,923	–	–	53,875,923
- Indirect	42,708,852	–	–	42,708,852

	NUMBER OF OPTIONS OVER ORDINARY SHARES			
OPTIONS GRANTED PURSUANT TO THE ESOS OF THE COMPANY	BALANCE AS AT 1.1.2017	GRANTED	EXERCISED	BALANCE AS AT 31.12.2017
Loo Hooi Keat	500,000	–	–	500,000
Datuk Rozaida binti Omar	500,000	–	–	500,000

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

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

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, 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;

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

(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; and

(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.

OTHER STATUTORY INFORMATION (continued)

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

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

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

(i) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the discontinued operations and deconsolidation of subsidiaries as disclosed in Note 16 to the financial statements; and

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

AUDITORS AND AUDITORS' REMUNERATION

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

The auditors' remuneration of the Group and of the Company are disclosed in Note 10 to the financial statements.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 March 2018.

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

LOO HOOI KEAT
Director

Selangor Darul Ehsan
29 March 2018

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

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 76 to 135 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 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 2017 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 Directors in accordance with their resolution dated 29 March 2018.

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

LOO HOOI KEAT
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

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 76 to 135 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOO HOOI KEAT

Subscribed and solemnly declared by the abovenamed LOO HOOI KEAT on 29 March 2018 at Petaling Jaya, Selangor

Before me

Commissioner for Oaths

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Pelikan International Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 76 to 135.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

BASIS FOR OPINION

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

KEY AUDIT MATTERS

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

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

The total carrying amount of goodwill and trademarks of the Group amounted to RM133,656,000 and RM17,748,000 respectively as disclosed in Note 15 to the financial statements.

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

KEY AUDIT MATTERS (continued)

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

Audit response

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

(i) Challenged the identification and allocation of goodwill and trademarks to appropriate CGUs with reference to our understanding of the business segments of the Group;

(ii) Assessed the reliability of management's projections by comparing prior period projections to actual results;

(iii) Verified projected EBIT margins, growth rates and terminal values to support the assumptions used in the projections and corroborated the findings from other areas of our audit;

(iv) Verified the pre-tax discount rates of each CGU by comparing to market data, weighted average cost of capital of the Group and relevant risk factors; and

(v) Performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

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

The Group has defined benefit plans giving rise to post-employment benefit obligations of RM311,230,000 as disclosed in Note 25 to the financial statements.

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

Audit response

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

(i) Assessed the competence, independence and integrity of the Group's actuarial specialists;

(ii) Challenged the reasonableness of the key assumption applied in determining the Group's post-employment benefit obligations, being the discount rates, by comparing these to benchmark ranges based on market conditions and available actuarial data; and

(iii) Assessed whether the methods used to determine key assumption were consistently applied and evaluated the rationale for any changes in approach.

KEY AUDIT MATTERS (continued)

c) Recoverability of trade receivables

Trade receivables of the Group that were past due but not impaired as at 31 December 2017 amounted to RM30,648,000 as disclosed in Note 22 to the financial statements.

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

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

(i) Large number of different geographic locations of customers; and

(ii) Inherent subjectivity involved in making judgements in relation to credit risk exposures of individual customers.

Audit response

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

(i) Obtained an understanding on the credit policy and process of the Group, such as credit approvals, credit limits and monitoring procedures in place to manage the recoverability of trade receivables by the Group;

(ii) Challenged the assessment of management that no further impairment loss was required on debts that were past due but not impaired based on the analysis of customer creditworthiness, past historical payment trends and expectation of payment patterns; and

(iii) Traced cash receipts subsequent to the end of the reporting period, in respect of the amounts outstanding as at the end of the reporting period.

d) Impairment assessment of the carrying amounts of investments in subsidiaries and amount owing by subsidiaries

As at 31 December 2017, investments in subsidiaries and amounts owing by subsidiaries of the Company were RM310,844,000 and RM221,761,000 respectively as disclosed in Note 16 and 22 to the financial statements. The Company had made further impairment losses of RM81,129,000 and RM75,649,000 in respect of the carrying amounts of investments in subsidiaries and amounts owing by subsidiaries of the Company respectively.

The determination of recoverable amounts requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiary in determining the recoverable amounts. In this instance, the recoverable amounts are based on value-in-use or fair value less cost to sell, whichever is higher. These key assumptions include projected earnings before interest and tax ("EBIT") margins, growth rates and terminal values, as well as determining appropriate pre-tax discount rates used for each of the subsidiary.

Audit response

The audit procedures included the following:

(i) Challenged assessment of management that no further impairment losses on investments was required based on recoverable amounts of the subsidiaries;

(ii) Assessed the reliability of management's projections by comparing prior period projections to actual results;

(iii) Verified projected EBIT margins, growth rates and terminal values to support the assumptions used in the projections and corroborated the findings from other areas of our audit;

KEY AUDIT MATTERS (continued)

d) Impairment assessment of the carrying amounts of investments in subsidiaries and amount owing by subsidiaries (continued)

(iv) Verified the pre-tax discount rates of the relevant subsidiaries by comparing to market data and relevant risk factors; and

(v) Performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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

Rejeesh A/L Balasubramaniam
02895/08/2018 J
Chartered Accountant

29 March 2018
Kuala Lumpur

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Continuing operations					
Revenue	6	**1,234,835**	1,180,489	**106,642**	102,439
Other operating income		**34,048**	15,745	**24,841**	70,551
Materials used		**(587,179)**	(567,154)	**(101,760)**	(98,587)
Staff costs	7	**(354,292)**	(329,170)	**(4,981)**	(4,688)
Depreciation of property, plant and equipment	14	**(24,959)**	(23,779)	**(147)**	(295)
Amortisation of intangible assets	15	**(2,470)**	(2,337)	**–**	–
Other operating expenses		**(227,664)**	(200,272)	**(161,226)**	(77,029)
Profit/(Loss) from operations	10	**72,319**	73,522	**(136,631)**	(7,609)
Finance costs	11	**(25,726)**	(22,368)	**(10,021)**	(11,536)
Profit/(Loss) before tax		**46,593**	51,154	**(146,652)**	(19,145)
Tax expense	12	**(16,593)**	(16,083)	**–**	–
Profit/(Loss) for the financial year from continuing operations		**30,000**	35,071	**(146,652)**	(19,145)
Discontinued operations					
Loss for the financial year from discontinued operations	16	**(4,799)**	(28,558)	**–**	–
Profit/(Loss) for the financial year		**25,201**	6,513	**(146,652)**	(19,145)
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		**1,685**	12,607	**–**	–
Reclassification adjustments relating to foreign currency translation of foreign operations deconsolidated		**13,476**	–	**–**	–
Item that will not be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on defined benefit plans	25	**2,284**	(57,719)	**–**	–
Income tax	12	**(172)**	(530)	**–**	–
		17,273	(45,642)	**–**	–
Total comprehensive income/(loss)		**42,474**	(39,129)	**(146,652)**	(19,145)

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

		GROUP		COMPANY	
	NOTE	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) attributable to:					
Owners of the parent		**25,356**	5,325	**(146,652)**	(19,145)
Non-controlling interests		**(155)**	1,188	**–**	–
		25,201	6,513	**(146,652)**	(19,145)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**42,220**	(39,391)	**(146,652)**	(19,145)
Non-controlling interests		**254**	262	**–**	–
		42,474	(39,129)	**(146,652)**	(19,145)
Basic and diluted earnings per ordinary share attributable to equity holders of the Company (sen)					
From continuing and discontinued operations	13	**4.62**	0.97	**–**	–
From continuing operations	13	**5.50**	6.18	**–**	–

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTE	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**400,982**	423,265	**71**	171
Intangible assets	15	**159,431**	161,587	**–**	–
Investments in subsidiaries	16	**–**	–	**310,844**	414,318
Investments in associates	17	**–**	–	**–**	–
Available-for-sale financial assets	18	**2,467**	2,725	**–**	–
Pension Trust Fund	19	**134,608**	134,172	**134,608**	134,172
Deferred tax assets	20	**116,905**	113,003	**–**	–
		814,393	834,752	**445,523**	548,661
Current assets					
Inventories	21	**250,654**	260,181	**–**	16
Receivables, deposits and prepayments	22	**322,264**	336,442	**292,451**	310,411
Tax recoverable		**7,703**	2,557	**198**	198
Pension Trust Fund	19	**16,256**	16,692	**16,256**	16,692
Deposits, cash and bank balances	23	**52,414**	62,898	**3,554**	4,081
		649,291	678,770	**312,459**	331,398
TOTAL ASSETS		**1,463,684**	1,513,522	**757,982**	880,059
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	24	**618,887**	553,296	**618,887**	553,296
Share premium		**–**	65,591	**–**	65,591
Foreign currency translation reserves		**(62,043)**	(76,829)	**–**	–
Equity-settled employee benefits	24(c)	**226**	226	**226**	226
(Accumulated losses)/Retained profits		**(105,080)**	(116,426)	**(146,161)**	491
Treasury shares, at cost	24(b)	**(5,150)**	(5,150)	**(5,150)**	(5,150)
		446,840	420,708	**467,802**	614,454
Non-controlling interests		**284**	3,621	**–**	–
Total equity		**447,124**	424,329	**467,802**	614,454

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

		GROUP		COMPANY	
	NOTE	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current liabilities					
Post-employment benefit obligations	25	**311,230**	361,468	**–**	–
Borrowings	27	**49,684**	48,223	**11,000**	–
Deferred tax liabilities	20	**17,042**	18,069	**–**	–
		377,956	427,760	**11,000**	–
Current liabilities					
Payables	28	**209,516**	232,592	**131,609**	71,692
Derivative liabilities	26	**–**	412	**–**	–
Borrowings	27	**388,954**	361,166	**147,571**	193,913
Current tax liabilities		**40,134**	67,263	**–**	–
		638,604	661,433	**279,180**	265,605
Total liabilities		**1,016,560**	1,089,193	**290,180**	265,605
TOTAL EQUITY AND LIABILITIES		**1,463,684**	1,513,522	**757,982**	880,059

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

GROUP	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	NON-DISTRIBUTABLE SHARE PREMIUM RM'000	NON-DISTRIBUTABLE FOREIGN CURRENCY TRANSLATION RESERVES RM'000	NON-DISTRIBUTABLE EQUITY-SETTLED EMPLOYEE BENEFITS RM'000	ACCUMULATED LOSSES RM'000	ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
At 1 January 2016		553,296	(5,150)	65,591	(90,105)	226	(63,712)	460,146	3,312	463,458
Profit for the financial year		–	–	–	–	–	5,325	5,325	1,188	6,513
Other comprehensive income/(loss)		–	–	–	13,276	–	(57,992)	(44,716)	(926)	(45,642)
Total comprehensive income/(loss)		–	–	–	13,276	–	(52,667)	(39,391)	262	(39,129)
Transactions with owners:										
(Dilution)/Accretion from changes in subsidiary's stake		–	–	–	–	–	(47)	(47)	47	–
At 31 December 2016		553,296	(5,150)	65,591	(76,829)	226	(116,426)	420,708	3,621	424,329
At 1 January 2017		**553,296**	**(5,150)**	**65,591**	**(76,829)**	**226**	**(116,426)**	**420,708**	**3,621**	**424,329**
Adjustments for effects of Companies Act 2016		**65,591**	**–**	**(65,591)**	**–**	**–**	**–**	**–**	**–**	**–**
Profit/(loss) for the financial year		**–**	**–**	**–**	**–**	**–**	**25,356**	**25,356**	**(155)**	**25,201**
Other comprehensive income		**–**	**–**	**–**	**14,786**	**–**	**2,078**	**16,864**	**409**	**17,273**
Total comprehensive income		**–**	**–**	**–**	**14,786**	**–**	**27,434**	**42,220**	**254**	**42,474**
Transactions with owners:										
Acquisition of shares from non-controlling interests	16(b)	**–**	**–**	**–**	**–**	**–**	**(16,088)**	**(16,088)**	**(3,591)**	**(19,679)**
At 31 December 2017		**618,887**	**(5,150)**	**–**	**(62,043)**	**226**	**(105,080)**	**446,840**	**284**	**447,124**

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

			NON-DISTRIBUTABLE			
COMPANY	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	EQUITY-SETTLED EMPLOYEE BENEFITS RM'000	RETAINED PROFITS/ (ACCUMULATED LOSSES) RM'000	TOTAL EQUITY RM'000
At 1 January 2016	553,296	(5,150)	65,591	226	19,636	633,599
Loss for the financial year/ Total comprehensive loss	–	–	–	–	(19,145)	(19,145)
At 31 December 2016	553,296	(5,150)	65,591	226	491	614,454
At 1 January 2017	**553,296**	**(5,150)**	**65,591**	**226**	**491**	**614,454**
Adjustments for effects of Companies Act 2016	**65,591**	**–**	**(65,591)**	**–**	**–**	**–**
Loss for the financial year/ Total comprehensive loss	**–**	**–**	**–**	**–**	**(146,652)**	**(146,652)**
At 31 December 2017	**618,887**	**(5,150)**	**–**	**226**	**(146,161)**	**467,802**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	GROUP 2017 RM'000	GROUP 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**1,346,630**	1,326,388
Cash paid to suppliers and employees		**(1,310,506)**	(1,271,818)
		36,124	54,570
Interest received		**299**	643
Interest paid		**(23,833)**	(19,942)
Taxation paid		**(51,761)**	(26,396)
Net cash (used in)/from operating activities		**(39,171)**	8,875
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest paid		**(2,558)**	(4,078)
Purchase of property, plant and equipment	14(d)	**(12,446)**	(18,682)
Proceeds from disposal of property, plant and equipment		**6,374**	17,280
Purchase of intangible assets	15	**(1,379)**	(1,381)
Proceeds from disposal of intangible assets		**11,754**	–
Net cash outflow arising from the deconsolidation of subsidiaries	16	**(1,708)**	–
Proceeds from de-recognition of a subsidiary		**–**	5,123
Proceeds from disposal of available-for-sale financial assets		**287**	142
Net cash from/(used in) investing activities		**324**	(1,596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits (pledged)/uplifted		**(736)**	6,494
Drawdowns of bank borrowings		**455,960**	413,945
Repayments of bank borrowings		**(403,319)**	(433,002)
Repayments of hire purchase and lease payables		**(425)**	(271)
Acquisitions of shares from non-controlling interests		**(19,679)**	(248)
Net cash from/(used in) financing activities		**31,801**	(13,082)
Net decrease in cash and cash equivalents during the financial year		**(7,046)**	(5,803)
Effects of exchange rate changes on cash and cash equivalents		**(1,279)**	(511)
Cash and cash equivalents at beginning of the financial year		**50,786**	57,100
Cash and cash equivalents at end of the financial year	23	**42,461**	50,786

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

	NOTE	COMPANY 2017 RM'000	COMPANY 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**101,098**	120,043
Cash paid to suppliers and employees		**(107,573)**	(111,148)
		(6,475)	8,895
Interest received		**18**	15
Interest paid		**(9,737)**	(8,742)
Net cash (used in)/from operating activities		**(16,194)**	168
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest paid		**(284)**	(2,794)
Dividends received		**300**	2,645
Purchase of property, plant and equipment	14(d)	**(47)**	–
Proceeds from disposal of property, plant and equipment		**–**	128
Acquisition of a subsidiary		**(1,415)**	–
Proceeds from disposal of a subsidiary		**–**	63,997
Repayments from subsidiaries		**53,401**	40,081
Net cash from investing activities		**51,955**	104,057
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits (pledged)/uplifted		**(230)**	6,494
Drawdowns of bank borrowings		**142,289**	166,902
Repayments of bank borrowings		**(158,540)**	(280,729)
Repayments of hire purchase and lease payables		**(43)**	(70)
Acquisitions of shares from non-controlling interests		**(19,679)**	(248)
Net cash used in financing activities		**(36,203)**	(107,651)
Net decrease in cash and cash equivalents during the financial year		**(442)**	(3,426)
Effects of exchange rate changes on cash and cash equivalents		**(315)**	86
Cash and cash equivalents at beginning of the financial year		**3,801**	7,141
Cash and cash equivalents at end of the financial year	23	**3,044**	3,801

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

1. CORPORATE INFORMATION

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

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

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

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 29 March 2018.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries include manufacturing and distribution of writing instruments, art, painting and hobby products, school and office stationery, 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 other than as disclosed in Note 16 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

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

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

4. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

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

In the current financial year, the Group has applied a number of new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2017. The adoption of these new and revised MFRSs did not have any material impact on the financial statements of the Group and the Company.

4.2 New and revised MFRSs in issue but not yet effective

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

MFRSs, AMENDMENTS TO MFRSs AND IC INTERPRETATIONS		EFFECTIVE FOR FINANCIAL PERIODS BEGINNING ON OR AFTER
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB)	1 January 2018
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)	1 January 2018
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle	
	• Amendments to MFRS 3 Business Combinations	1 January 2019
	• Amendments to MFRS 112 Income Taxes	1 January 2019
	• Amendments to MFRS 123 Borrowing Costs	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
MFRS 16	Leases	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-Term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

5. SEGMENT INFORMATION

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

The Group is organised on a worldwide basis into four (4) main geographical units:

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

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

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

Segment revenue, expenses and results include transfers between operating segments. These transfers are eliminated on consolidation. The segment revenue and results reported on the next pages does not include any amounts for the discontinued operations, which are described in more detail in Note 16 to the financial statements.

5. SEGMENT INFORMATION (continued)

Analysis of the Group's revenue and results from continuing operations by geographical locations are as follows:

2017	GERMANY RM'000	REST OF EUROPE RM'000	AMERICAS RM'000	REST OF WORLD RM'000	ELIMINATION RM'000	GROUP RM'000
Continuing operations:						
Revenue:						
External customers	685,317	263,173	210,667	75,678	–	1,234,835
Inter-segment	409,701	39,585	17,323	133,451	(600,060)	–
Total revenue	1,095,018	302,758	227,990	209,129	(600,060)	1,234,835
Results:						
Segment result	22,005	(6,052)	38,381	36,653	(18,668)	72,319
Finance costs	(20,565)	(4,382)	(6,118)	(10,473)	15,812	(25,726)
Taxation	(2,553)	(3,669)	(6,391)	(3,980)	–	(16,593)
(Loss)/Profit for the financial year	(1,113)	(14,103)	25,872	22,200	(2,856)	30,000

Analysis of Group's other information by geographical locations are as follows:

2017	GERMANY RM'000	REST OF EUROPE RM'000	AMERICAS RM'000	REST OF WORLD RM'000	ELIMINATION RM'000	GROUP RM'000
Other segment information:						
Continuing operations:						
Interest income	3,702	1,383	3,889	4,185	(12,860)	299
Depreciation and amortisation	19,704	2,476	4,811	438	–	27,429
Other material non-cash items:						
Impairment / (Reversal of impairment) losses on receivables - net	102	436	(23)	–	–	515
Inventories / (Reversal of inventories) written down - net	127	289	(186)	86	–	316
Capital expenditure	7,782	5,197	4,538	74	–	17,591
Assets:						
Segment assets	829,583	163,313	180,571	139,353	–	1,312,820
Pension trust fund	–	–	–	150,864	–	150,864
						1,463,684
Liabilities:						
Segment liabilities	511,739	226,024	93,125	185,672	–	1,016,560

5. SEGMENT INFORMATION (continued)

Analysis of the Group's revenue and results from continuing operations by geographical locations are as follows:

2016	GERMANY RM'000	REST OF EUROPE RM'000	AMERICAS RM'000	REST OF WORLD RM'000	ELIMINATION RM'000	GROUP RM'000
Continuing operations:						
Revenue:						
External customers	644,805	251,447	206,024	78,213	–	1,180,489
Inter-segment	399,236	40,030	13,950	103,516	(556,732)	–
Total revenue	1,044,041	291,477	219,974	181,729	(556,732)	1,180,489
Results:						
Segment result	11,909	14,177	57,758	5,699	(16,021)	73,522
Finance costs	(17,828)	(6,108)	(3,669)	(11,593)	16,830	(22,368)
Taxation	8,062	(2,145)	(17,806)	(4,194)	–	(16,083)
Profit/(Loss) for the financial year	2,143	5,924	36,283	(10,088)	809	35,071

Analysis of Group's other information by geographical locations are as follows:

2016	GERMANY RM'000	REST OF EUROPE RM'000	AMERICAS RM'000	REST OF WORLD RM'000	ELIMINATION RM'000	GROUP RM'000
Other segment information:						
Continuing operations:						
Interest income	6,864	2,977	3,851	4,389	(17,438)	643
Depreciation and amortisation	18,932	2,257	4,341	586	–	26,116
Other material non-cash items:						
(Reversal of impairment) / Impairment losses on receivables - net	(3)	1,103	54	–	–	1,154
(Reversal of) / Inventories written down - net	(3,876)	324	(718)	45	–	(4,225)
Capital expenditure	10,775	2,803	6,059	426	–	20,063
Assets:						
Segment assets	837,951	207,305	187,570	129,832	–	1,362,658
Pension trust fund	–	–	–	150,864	–	150,864
						1,513,522
Liabilities:						
Segment liabilities	484,658	280,167	94,293	230,075	–	1,089,193

5. SEGMENT INFORMATION (continued)

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

Business segment information

	GROUP	
	2017 RM'000	2016 RM'000
Continuing operations:		
Revenue:		
Sale of goods	**1,190,339**	1,147,936
Logistics and related services	**25,821**	15,142
Information technology and related services	**18,675**	17,411
	1,234,835	1,180,489

6. REVENUE

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations:				
Sale of goods	**1,190,339**	1,147,936	**106,642**	102,439
Services rendered	**44,496**	32,553	**–**	–
	1,234,835	1,180,489	**106,642**	102,439

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

7. STAFF COSTS

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations:				
Wages, salaries and bonuses	**285,521**	266,187	**4,299**	3,862
Defined contribution plan	**55,442**	48,788	**474**	472
Defined benefit plan	**4,507**	5,446	**–**	–
Other employee related benefits	**8,822**	8,749	**208**	354
	354,292	329,170	**4,981**	4,688

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 PERSONNEL

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations:				
Salaries and bonuses	**17,636**	16,872	**1,788**	1,710
Defined contribution plan	**298**	280	**215**	205
Defined benefit plan	**300**	279	**–**	–
Other employee related benefits	**945**	857	**111**	111
	19,179	18,288	**2,114**	2,026

9. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations:				
Non-executive Directors				
Fees	**370**	370	**370**	370
Allowances	**32**	–	**32**	–
	402	370	**402**	370
Executive Director				
Salaries	**1,788**	1,710	**1,788**	1,710
Defined contribution plan	**215**	205	**215**	205
Estimated monetary value of benefits in kind	**111**	111	**111**	111
	2,516	2,396	**2,516**	2,396

10. PROFIT/(LOSS) FROM OPERATIONS

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) from operations is arrived at after charging/(crediting):				
Continuing operations:				
Auditors' remuneration:				
- statutory audit	**2,551**	2,564	**181**	165
- underprovision in prior years	**82**	244	**–**	–
Dividend income	**–**	–	**(300)**	(2,645)
External logistics, outward freight and packaging	**41,565**	41,131	**–**	–
Fair value adjustments on derivative liabilities	**(412)**	(1,551)	**–**	–
(Gain)/Loss on disposal of property, plant and equipment	**(9,731)**	70	**–**	(128)
Impairment losses on amounts due from subsidiaries	**–**	–	**75,649**	19,112
Impairment losses on investment in subsidiaries	**–**	–	**81,129**	44,888
Impairment losses on receivables - net	**515**	1,154	**–**	–
Intangible assets written off	**–**	201	**–**	–
Interest income from:				
- deposits with licensed banks and others	**(299)**	(643)	**(18)**	(15)
- subsidiaries	**–**	–	**(3,826)**	(4,206)
Inventories / (Reversal of inventories) written down - net	**316**	(4,225)	**–**	–
Net foreign exchange (gain)/loss	**(6,815)**	1,024	**(20,228)**	9,104
Operating lease payments recognised as expense	**19,719**	18,840	**141**	246
Property, plant and equipment written off	**92**	–	**–**	–
Research and development expenses	**11,556**	10,560	**–**	–
Sales promotion	**51,303**	48,604	**–**	5

11. FINANCE COSTS

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations				
Interest expense on bank borrowings	**23,068**	19,816	**7,821**	10,827
Factoring charges	**2,658**	2,552	**–**	–
Interest - others	**–**	–	**2,200**	709
	25,726	22,368	**10,021**	11,536

12. TAX EXPENSE

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current year tax expense based on profit for the financial year:				
- Malaysian tax	**–**	–	**–**	–
- Foreign tax	**19,212**	26,210	**–**	–
	19,212	26,210	**–**	–
Over-provision in prior years	**(97)**	(8,846)	**–**	–
	19,115	17,364	**–**	–
Deferred tax	**(2,472)**	176	**–**	–
Tax expense	**16,643**	17,540	**–**	–
Tax expense from:				
Continuing operations	**16,593**	16,083	**–**	–
Discontinued operations (Note 16)	**50**	1,457	**–**	–
	16,643	17,540	**–**	–
Deferred tax:				
Amounts recognised in profit or loss	**(2,472)**	176	**–**	–
Amounts recognised in other comprehensive income	**172**	530	**–**	–
Total (Note 20)	**(2,300)**	706	**–**	–

12. TAX EXPENSE (continued)

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the year. Tax expense for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

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

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before tax from:				
Continuing operations	**46,593**	51,154	**(146,652)**	(19,145)
Discontinued operations (Note 16)	**(4,749)**	(27,101)	**–**	–
	41,844	24,053	**(146,652)**	(19,145)
Tax expense at Malaysian statutory tax rate of 24% (2016: 24%)	**10,043**	5,773	**(35,196)**	(4,595)
Tax effects of:				
- different tax regime	**(1,474)**	1,453	**–**	–
- expenses not deductible for tax purposes	**7,306**	11,565	**33,411**	20,821
- income not subject to tax	**(5,150)**	(1,013)	**(994)**	(16,722)
- deferred tax assets not recognised in respect of current year's tax losses	**6,015**	8,608	**2,779**	496
- over-provision in prior years	**(97)**	(8,846)	**–**	–
Tax expense	**16,643**	17,540	**–**	–

13. EARNINGS/(LOSS) PER ORDINARY SHARE

	GROUP	
	2017	**2016**
Basic earnings/(loss) per ordinary share (sen):		
From continuing operations	**5.50**	6.18
From discontinued operations	**(0.88)**	(5.21)
Total basic earnings per ordinary share	**4.62**	0.97

Basic:

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

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

	GROUP	
	2017	**2016**
Profit attributable to owners of the parent (RM'000)	**25,356**	5,325
Loss for the financial year from discontinued operations used in the calculation of basic earnings per share from discontinued operations (RM'000)	**4,799**	28,558
Profit used in the calculation of basic earnings per share from continuing operations (RM'000)	**30,155**	33,883
Weighted average number of ordinary shares in issue ('000)	**548,368**	548,368

Diluted:

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

The 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. The ESOS has lapsed on 28 February 2018. Accordingly, the diluted earnings per ordinary share is the same as the basic earnings/(loss) per ordinary shares.

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 2016	32,565	274,117	115,183	21,021	1,078	5,977	449,941
Additions	–	2,065	5,578	4,168	128	6,743	18,682
Disposals	–	(8,785)	(706)	(204)	–	–	(9,695)
Transfers (Note 15)	–	63	1,828	643	–	(2,630)	(96)
Depreciation	–	(5,408)	(15,294)	(5,835)	(524)	–	(27,061)
Written off	–	(195)	(1,606)	(604)	–	(3)	(2,408)
De-recognition of a subsidiary	(3,908)	–	–	–	–	–	(3,908)
Foreign currencies translation	(1,111)	(256)	(293)	(392)	(27)	(111)	(2,190)
At 31 December 2016	27,546	261,601	104,690	18,797	655	9,976	423,265
Carrying amounts							
At 1 January 2017	**27,546**	**261,601**	**104,690**	**18,797**	**655**	**9,976**	**423,265**
Additions	**–**	**219**	**7,481**	**3,511**	**244**	**4,757**	**16,212**
Disposals	**–**	**(9,334)**	**(1,213)**	**(130)**	**(23)**	**(1,899)**	**(12,599)**
Transfers (Note 15)	**–**	**437**	**5,098**	**2,945**	**272**	**(9,082)**	**(330)**
Depreciation	**–**	**(5,669)**	**(14,768)**	**(5,126)**	**(424)**	**–**	**(25,987)**
Impairment	**–**	**(474)**	**(727)**	**–**	**–**	**–**	**(1,201)**
Written off	**–**	**–**	**(601)**	**(189)**	**–**	**(325)**	**(1,115)**
De-recognition of subsidiaries	**–**	**(2,635)**	**(1,520)**	**(39)**	**–**	**–**	**(4,194)**
Foreign currencies translation	**(760)**	**6,372**	**1,634**	**(346)**	**11**	**20**	**6,931**
At 31 December 2017	**26,786**	**250,517**	**100,074**	**19,423**	**735**	**3,447**	**400,982**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
At 31 December 2017							
Cost	**26,786**	**407,488**	**429,375**	**124,220**	**3,279**	**3,447**	**994,595**
Accumulated depreciation and impairment	**–**	**(156,971)**	**(329,301)**	**(104,797)**	**(2,544)**	**–**	**(593,613)**
Carrying amounts	**26,786**	**250,517**	**100,074**	**19,423**	**735**	**3,447**	**400,982**
At 31 December 2016							
Cost	27,546	409,152	440,270	134,108	3,728	9,976	1,024,780
Accumulated depreciation and impairment	–	(147,551)	(335,580)	(115,311)	(3,073)	–	(601,515)
Carrying amounts	27,546	261,601	104,690	18,797	655	9,976	423,265

COMPANY	MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	TOTAL RM'000
Carrying amounts				
At 1 January 2016	4	150	312	466
Depreciation	(1)	(67)	(227)	(295)
At 31 December 2016/1 January 2017	**3**	**83**	**85**	**171**
Additions	**–**	**47**	**–**	**47**
Depreciation	**(1)**	**(61)**	**(85)**	**(147)**
At 31 December 2017	**2**	**69**	**–**	**71**
At 31 December 2017				
Cost	**434**	**586**	**1,149**	**2,169**
Accumulated depreciation and impairment	**(432)**	**(517)**	**(1,149)**	**(2,098)**
Carrying amounts	**2**	**69**	**–**	**71**
At 31 December 2016				
Cost	434	539	1,149	2,122
Accumulated depreciation and impairment	(431)	(456)	(1,064)	(1,951)
Carrying amounts	3	83	85	171

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Property, plant and equipment are initially measured at cost. After initial recognition, the property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

	GROUP	
	2017 RM'000	**2016 RM'000**
Freehold land and buildings	**193,092**	202,040
Machinery and technical equipment	**4,633**	5,611
	197,725	207,651

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

	GROUP		COMPANY	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Purchase of property, plant and equipment	**16,212**	18,682	**47**	–
Financed by hire purchase arrangements	**(1,273)**	–	**–**	–
Payables	**(2,493)**	–	**–**	–
Cash payments on purchase of property, plant and equipment	**12,446**	18,682	**47**	–

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

	GROUP		COMPANY	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Machinery, technical equipment and mould	**1,250**	–	**–**	–
Office equipment, furniture and fittings	**54**	45	**–**	45
Motor vehicles	**–**	74	**–**	43
	1,304	119	**–**	88

(f) Depreciation from continuing operations and discontinued operations of the Group amounted to RM24,959,000 and RM1,028,000 (2016: RM23,779,000 and RM3,282,000) respectively.

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 2016	133,960	17,094	4,788	5,640	161,482
Additions	–	–	–	1,381	1,381
Transfer from property, plant and equipment (Note 14)	–	–	–	96	96
Amortisation	–	–	(1,911)	(2,029)	(3,940)
Written off	–	–	(201)	–	(201)
Foreign currencies translation	2,713	133	(128)	51	2,769
At 31 December 2016/1 January 2017	**136,673**	**17,227**	**2,548**	**5,139**	**161,587**
Additions	**–**	**–**	**–**	**1,379**	**1,379**
Disposals	**–**	**–**	**(889)**	**–**	**(889)**
Transfer from property, plant and equipment (Note 14)	**–**	**–**	**–**	**330**	**330**
Amortisation	**–**	**–**	**(680)**	**(2,036)**	**(2,716)**
Foreign currencies translation	**(3,017)**	**521**	**2,120**	**116**	**(260)**
At 31 December 2017	**133,656**	**17,748**	**3,099**	**4,928**	**159,431**
At 31 December 2017					
Cost	**138,640**	**28,190**	**22,071**	**64,969**	**253,870**
Accumulated amortisation and impairment	**(4,984)**	**(10,442)**	**(18,972)**	**(60,041)**	**(94,439)**
Carrying amounts	**133,656**	**17,748**	**3,099**	**4,928**	**159,431**
At 31 December 2016					
Cost	141,637	27,309	39,900	62,076	270,922
Accumulated amortisation and impairment	(4,964)	(10,082)	(37,352)	(56,937)	(109,335)
Carrying amounts	136,673	17,227	2,548	5,139	161,587

Amortisation from continuing operations and discontinued operations amounted to RM2,470,000 and RM246,000 (2016: RM2,337,000 and RM1,603,000) respectively.

15. INTANGIBLE ASSETS (continued)

Goodwill and Trademarks:

Allocation of goodwill and trademarks:

	GROUP	
	2017 RM'000	2016 RM'000
Goodwill		
Germany	**103,240**	103,999
Switzerland	**3,663**	3,873
Argentina	**13,634**	15,031
Japan	**12,043**	12,679
Taiwan	**1,076**	1,091
	133,656	136,673
Trademarks		
Germany	**17,748**	17,227

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

The Group determines whether goodwill and trademarks are impaired at least on an annual basis. This requires an estimation of the recoverable amount based on the value-in-use of the CGU to which goodwill and trademarks are allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of these cash flows. These calculation use cash flow projections based on financial budgets approved by management covering a three (3) years period. Cash flows beyond the 3 years period are extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:

	EBIT MARGIN		GROWTH RATE		DISCOUNT RATE	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Germany	**3.7**	3.0	**1.3**	1.3	**7.4**	7.5
Switzerland	**6.0**	5.5	**1.3**	1.3	**6.6**	7.5
Argentina	**4.9**	11.0	**7.5**	10.0	**19.5**	24.5
Japan	**22.6**	23.2	**1.5**	1.5	**7.6**	7.4
Taiwan	**38.5**	46.7	**1.5**	1.0	**7.5**	6.6

EBIT - budgeted earnings before interest and tax

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

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

15. INTANGIBLE ASSETS (continued)

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

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

Other Intangible Assets:

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

Development costs	Not exceeding 9 years
Computer software license (including computer software development costs)	3 - 5 years (for computer software license) Not exceeding 3 years (for computer software development costs)

16. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2017 RM'000	**2016 RM'000**
Quoted shares, at cost	**–**	139,941
Unquoted shares, at cost	**331,007**	169,972
Less: Impairment losses	**(24,540)**	(10,373)
	306,467	299,540
Amounts due from subsidiaries (Non-trade)	**106,227**	149,666
Less: Impairment losses	**(101,850)**	(34,888)
	4,377	114,778
	310,844	414,318
Market values of quoted shares	**–**	212,801

Investments in subsidiaries are stated at cost less any impairment losses.

The Group reviews the investments in subsidiaries for impairment when there is an indication of impairment. The recoverable amounts of the investments in subsidiaries are assessed by reference to the fair value less cost to sell of the underlying assets or the value-in-use of the respective subsidiaries. The value-in-use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate pre-tax discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to support their income and cash flows. Significant judgements and estimates had also been used to determine the key assumptions applied to the cash flow projections, which includes the projected earnings before interest and tax margins, growth rates, terminal values and the appropriate pre-tax discount rates used for each of the subsidiary. Impairment losses are made when the carrying amount of the investment in subsidiaries exceed its recoverable amount.

16. INVESTMENTS IN SUBSIDIARIES (continued)

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

Amounts due from subsidiaries amounting to RM4,377,000 (2016: RM114,778,000) are 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 2017 %	2016 %	PRINCIPAL ACTIVITIES
Direct subsidiaries				
Pelikan Holding AG [+]	Switzerland	**97.36**	97.30	Investment holding
Pelikan Hardcopy Holding AG	Switzerland	**100.00**	100.00	Investment holding
Pelikan Group GmbH (formerly known as Pelikan Aktiengesellschaft, delisted on 11 December 2017 from Frankfurt Stock Exchange)*	Germany	**98.64**	97.15	Investment holding, production and distribution of stationery and office products
Ganymed Falkensee Grundstücksverwaltungs GmbH*	Germany	**100.00**	100.00	Dormant
Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG*	Germany	**99.93**	99.85	Property holding
Pelikan Production (Malaysia) Sdn. Bhd.	Malaysia	**100.00**	100.00	Dormant
Pelikan (Thailand) Co. Ltd.*	Thailand	**82.77**	82.77	Distribution of stationery and office supplies
Pelikan Singapore Pte. Ltd.*	Singapore	**100.00**	100.00	Distribution of stationery and office products
PT Pelikan Indonesia*	Indonesia	**99.00**	99.00	Dormant
Pelikan Trading India Private Limited*	India	**100.00**	100.00	Dormant
Pelikan Hardcopy CZ s.r.o.*[Ω]	Czech Republic	**100.00**	100.00	Production of office products

16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2017 %	2016 %	PRINCIPAL ACTIVITIES
Indirect subsidiaries				
Held through Pelikan Holding AG				
Pelikan Nederland B.V.*	Netherlands	**97.36**	97.30	Dormant
Pelikan Hellas Ltd.*	Greece	**97.36**	97.30	Distribution of stationery and office products
Pelikan Austria Gesellschaft m.b.H.*	Austria	**97.36**	97.30	Dormant
Pelikan PBS-Produktion Verwaltungs-GmbH*	Germany	**97.36**	97.30	Dormant
Pelikan PBS-Produktionsgesellschaft mbH & Co. KG	Germany	**97.36**	97.30	Production and distribution of stationery and office products
Pelikan GmbH	Germany	**97.36**	97.30	Investment holding
Pelikan France S.A.S.	France	**97.36**	97.30	Distribution of stationery and office products
Linea GmbH*	Germany	**97.36**	97.30	Dormant
Pelikan Nordic AB*^	Sweden	**–**	97.30	Voluntary liquidated
ReMerch GmbH*	Germany	**97.36**	97.30	Dormant
Pelikan Hardcopy Distribution GmbH & Co. KG	Germany	**97.36**	97.30	Distribution of stationery and office products
Pelikan Hardcopy Distribution Verwaltungs GmbH*	Germany	**97.36**	97.30	Dormant
Pelikan, Inc.*^	USA	**–**	97.30	Voluntary liquidated
Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd. Sirketi*	Turkey	**98.41**	98.38	Distribution of stationery and office products
Pelikan Asia Sdn. Bhd.	Malaysia	**97.36**	97.30	Distribution of stationery and office products

16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2017 %	2016 %	PRINCIPAL ACTIVITIES
Indirect subsidiaries (continued)				
Held through Pelikan Hardcopy Holding AG				
Pelikan Hardcopy Production AG	Switzerland	**100.00**	100.00	Production and distribution of office products
Pelikan Hardcopy B.V.*^	Netherlands	**–**	100.00	Voluntary liquidated
Pelikan Hardcopy Scotland Limited	United Kingdom	**–**	100.00	Production and distribution of office and industrial products
Greif Werke GmbH*	Germany	**100.00**	100.00	Dormant
Initio 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
Held through Pelikan Group GmbH				
eCom Logistik Verwaltungs GmbH*	Germany	**98.64**	97.15	Dormant
eCom Logistik GmbH & Co. KG*	Germany	**98.64**	97.15	Logistics services
Herlitz Papierverarbeitungs GmbH*	Germany	**98.64**	97.15	Dormant
Mercoline GmbH*	Germany	**98.64**	97.15	Production and distribution of software and provision of IT services
POS Servicegesellschaft mbH*	Germany	**–**	97.15	Point of sale services
Pelikan Vertriebsgesellschaft mbH & Co. KG*	Germany	**98.64**	97.15	Distribution of stationery and office products
Pelikan N.V./S.A.	Belgium	**98.64**	97.15	Distribution of stationery and office products
Pelikan S.A.#	Spain	**98.64**	97.30	Distribution of stationery and office products
Pelikan Italia S.p.A.	Italy	**98.64**	97.15	Distribution of stationery and office products

16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2017 %	2016 %	PRINCIPAL ACTIVITIES
Indirect subsidiaries (continued)				
Held through Pelikan Group GmbH (continued)				
Pelikan (Schweiz) AG	Switzerland	**98.64**	97.15	Distribution of stationery and office products
Convex Schreibwaren-Handels GmbH*	Germany	**98.64**	97.15	Distribution of stationery and office products
Herlitz Bulgaria EooD*	Bulgaria	**98.64**	97.15	Distribution of stationery and office products
Herlitz Hungária Kft.*	Hungary	**98.64**	97.15	Distribution of stationery and office products
Herlitz Spol s.r.o.*	Czech Republic	**98.64**	97.15	Distribution of stationery and office products
Herlitz România S.R.L.*	Romania	**50.31**	49.55	Distribution of stationery and office products
Herlitz Spolka z.o.o.*	Poland	**98.64**	97.15	Production and distribution of stationery and office products
Pelikan Vertrieb Verwaltungs-GmbH*	Germany	**98.64**	97.15	Dormant
Herlitz Slovakia s.r.o.*	Slovakia	**98.64**	97.15	Distribution of stationery and office products
Pelikan México S.A. de C.V.	Mexico	**98.64**	97.15	Production and distribution of stationery and office products
Pelikan Argentina S.A.	Argentina	**98.64**	97.15	Distribution of stationery and office products
Pelikan Colombia S.A.S.	Colombia	**98.64**	97.15	Production and distribution of stationery and office products
Pelikan Japan K.K.*	Japan	**98.64**	97.15	Distribution of stationery and office products
Pelikan Middle East FZE*	United Arab Emirates	**98.64**	97.15	Distribution of stationery and office products
Pelikan Taiwan Co., Ltd.*[μ]	Taiwan	**98.64**	97.15	Distribution of stationery and office products
Pelikan Procurement Sdn. Bhd.[∞]	Malaysia	**98.64**	–	Distribution of stationery and office products

16. INVESTMENTS IN SUBSIDIARIES (continued)

* Not audited by BDO or BDO member firms.

^ Liquidated during the financial year.

\+ Acquired additional interest in Pelikan Holding AG, thus increasing the effective interest in Pelikan Holding AG and its subsidiaries from 97.30% to 97.36%.

µ In the previous financial year, the Company disposed its entire equity stake in Pelikan Taiwan Co., Ltd to Pelikan Group GmbH and realised a gain on disposal of RM62,810,000.

∞ On 4 January 2017, the Group acquired Pelikan Procurement Sdn. Bhd. for a total consideration of RM1.00. There were no material financial effects to the Group arising from this acquisition.

Ω On 7 December 2017, Pelikan Hardcopy Production AG transferred its entire equity stake in Pelikan Hardcopy CZ s.r.o. to the Company for a total consideration of RM1,415,000.

\# On 29 December 2017, Pelikan Nederland B.V. transferred its entire equity stake in Pelikan S.A. to Pelikan Group GmbH. Arising thereto, the effective interest of the Group in Pelikan S.A. changed from 97.30% to 98.64%.

(a) Investments in subsidiaries amounting to RM181,678,511 (2016: RM163,752,779) were pledged as security for borrowings of the Company as disclosed in Note 27 to the financial statements.

(b) During the financial year, the Company purchased 110,000 Pelikan Aktiengesellschaft ("Pelikan AG") shares and on 7 March 2017, the Company had issued a notice to Pelikan AG of its intention to undertake a squeeze-out against cash compensation pursuant to Section 327a (1) of the German Stock Corporation Act ("Squeeze-out"). The non-controlling interests' shares of 3,348,927 shares, representing 1.38% of Pelikan AG's issued and paid-up capital has been transferred to the Company against a cash compensation of EUR1.11 per Pelikan AG share on 7 December 2017. The total consideration paid to acquire the non-controlling interests' shares in Pelikan AG during the financial year amounted to RM19,679,000. Arising thereto, the effective interest of the Group in Pelikan AG changed from 97.15% to 98.64%. Pelikan AG has on 11 December 2017 ceased to trade on the Frankfurt Stock Exchange and is now known as Pelikan Group GmbH.

(c) On 12 May 2017, Pelikan Group GmbH entered into a purchase and assignment agreement to sell its wholly-owned subsidiary, POS Servicegesellschaft mbH ("POSS") to a third party with effect from 31 May 2017 for a consideration of EUR1.00.

On 30 June 2017, the Group announced that the Group and its key subsidiaries involved in the manufacturing, sales and distribution of remanufactured toner, inkjet cartridge and nylon ribbons ("Printer Consumables") disposed its business undertakings in Germany, France, Czech Republic and China for an overall cash consideration of RM30.0 million. The disposal was completed on 30 June 2017.

16. INVESTMENTS IN SUBSIDIARIES (continued)

The results of the discontinued operations are as follows:

	GROUP	
	2017 RM'000	**2016 RM'000**
Revenue	**70,044**	140,812
Other operating income	**11,180**	9,774
Materials used	**(40,698)**	(52,663)
Staff costs	**(33,345)**	(69,793)
Depreciation of property, plant and equipment	**(1,028)**	(3,282)
Amortisation of intangible assets	**(246)**	(1,603)
Other operating expenses	**(9,880)**	(48,555)
Finance costs	**(776)**	(1,791)
Loss before tax	**(4,749)**	(27,101)
Tax expense	**(50)**	(1,457)
Loss for the financial year from discontinued operations (attributable to owners of the parent)	**(4,799)**	(28,558)

Other operating income includes loss on disposal of property, plant and equipment and gain on disposal of intangible assets amounted to RM869,000 and RM10,865,000 (2016: gain on disposal of property, plant and equipment of RM7,655,000) respectively.

The comparative consolidated statement of comprehensive income and the comparative loss from discontinued operations shown above have been re-presented to include those operations classified as discontinued in the current year.

In addition, the Group ceased to govern the financial and operating policies of Pelikan Hardcopy Scotland Limited ("PHSL") as it undertook a pre-packed insolvency plan to realise its assets and business undertaking for creditors' benefit mainly the pension fund. Accordingly, the Group derecognised the related assets and liabilities of PHSL on 1 January 2017.

The total effects of the disposal of POSS and deconsolidation of PHSL are as follows:

i. Consideration received

POSS was disposed for a consideration of EUR1.00 while the deconsolidation of PHSL does not involve any consideration.

16. INVESTMENTS IN SUBSIDIARIES (continued)

ii. Analysis of assets and liabilities over which control was lost from the disposal and deconsolidation of subsidiaries

	GROUP 2017 RM'000
Current assets	
Inventories	**5,553**
Receivables	**3,965**
Cash and bank balances	**2,326**
Non-current assets	
Property, plant and equipment	**4,194**
Current liabilities	
Payables	**(12,669)**
Borrowings, excluding bank overdrafts	**(292)**
Bank overdrafts	**(618)**
Non-current liabilities	
Post-employment benefit obligations	**(19,713)**
Borrowings, excluding bank overdrafts	**(645)**
Net asset disposed / deconsolidated	**(17,899)**
Transfer from foreign exchange reserve	**13,476**
Loss on disposal and deconsolidation of subsidiaries	**(4,423)**

iii. Net cash outflow arising from the disposal and deconsolidation of subsidiaries

	GROUP 2017 RM'000
Cash and bank balances	**2,326**
Bank overdrafts	**(618)**
	1,708

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

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

17. INVESTMENTS IN ASSOCIATES

The details of the associates are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP 2017 %	2016 %	PRINCIPAL ACTIVITIES
Indirect associates				
Artof C.A.*	Venezuela	**21.91**	21.91	Dormant
Kreuzer Produktion + Vertrieb GmbH*	Germany	**19.46**	19.46	Dormant

* Not audited by BDO or BDO member firms

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

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

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	GROUP 2017 RM'000	2016 RM'000
Quoted shares	**2,442**	2,701
Unquoted shares	**25**	24
	2,467	2,725
Market value of quoted shares	**2,442**	2,701

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

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

	2017 RM'000	2016 RM'000
Balance as at 1 January 2017	**24**	23
Foreign currencies translation	**1**	1
Balance as at 31 December 2017	**25**	24

19. PENSION TRUST FUND

	GROUP AND COMPANY	
	2017 RM'000	2016 RM'000
Current	**16,256**	16,692
Non-current	**134,608**	134,172
	150,864	150,864

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

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

	GROUP	
	2017 RM'000	2016 RM'000
Liabilities funded by Pension Trust Fund	**116,439**	127,153
Liabilities assumed by the Company	**65,087**	65,087
	181,526	192,240
Other post-employment benefit obligations of the Group	**129,704**	169,228
	311,230	361,468

20. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets:				
- subject to income tax	**116,905**	113,003	**–**	–
Deferred tax liabilities:				
- subject to income tax	**(12,191)**	(13,103)	**–**	–
- subject to capital gains tax	**(4,851)**	(4,966)	**–**	–
	(17,042)	(18,069)	**–**	–
	99,863	94,934	**–**	–
Movement in the deferred tax assets/(liabilities) in the current year were as follows:				
At 1 January	**94,934**	79,113	**–**	–
Credited/(charged) to statement of comprehensive income: (Note 12)				
- tax losses	**2,433**	(1,765)	**–**	–
- property, plant and equipment	**933**	185	**–**	–
- inventories	**551**	(1,113)	**–**	–
- others	**(1,617)**	1,987	**–**	–
	2,300	(706)	**–**	–
Foreign currencies translation	**2,629**	16,527	**–**	–
At 31 December	**99,863**	94,934	**–**	–
Subject to income tax:				
Deferred tax assets				
Tax losses	**76,830**	73,770	**–**	–
Others	**40,075**	39,233	**–**	–
	116,905	113,003	**–**	–
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**(12,191)**	(13,103)	**–**	–
Subject to capital gains tax:				
Deferred tax liabilities				
Property, plant and equipment	**(4,851)**	(4,966)	**–**	–

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

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

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unused tax losses	**314,365**	308,350	**14,849**	12,070

21. INVENTORIES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Raw materials	**37,143**	39,972	**–**	16
Work in progress	**35,793**	35,286	**–**	–
Finished goods	**129,278**	133,584	**–**	–
	202,214	208,842	**–**	16
At net realisable value				
Raw materials	**4,924**	5,381	**–**	–
Work in progress	**5,001**	6,191	**–**	–
Finished goods	**38,515**	39,767	**–**	–
	250,654	260,181	**–**	16

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

The cost of inventories of the Group recognised as expense during the financial year amounted to RM709,258,000 (2016: RM674,906,000).

Inventories of the Group pledged as security for borrowings amounted to RM46,180,000 (2016: RM5,752,000) as disclosed in Note 27 to the financial statements.

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
Third parties	**209,660**	232,091	**844**	818
Subsidiaries	**–**	–	**3,083**	1,781
Less: Impairment losses	**(8,129)**	(9,099)	**–**	–
	201,531	222,992	**3,927**	2,599
Other receivables				
Amounts due from:				
- Third parties	**114,310**	106,426	**69,393**	69,876
- Subsidiaries	**–**	–	**315,373**	258,260
Less: Impairment losses	**–**	–	**(96,695)**	(21,046)
	114,310	106,426	**288,071**	307,090
Prepayments	**5,550**	5,801	**296**	422
Deposits	**873**	1,223	**157**	300
	322,264	336,442	**292,451**	310,411

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

Trade receivables of the Group pledged as security for borrowings amounted to RM5,284,000 (2016: RM12,028,000) as disclosed in Note 27 to the financial statements.

Credit terms offered by the Group in respect of trade receivables range from 30 days to 120 days (2016: 30 days to 120 days) from date of invoices.

Amounts due from subsidiaries, which arose mainly from trade transactions, advances and payments made on behalf are unsecured, interest free and are repayable on demand, except for certain amounts due from subsidiaries, which are subject to floating interest rate ranging from 1.00% to 3.00% (2016: 2.19%) 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 with common major shareholders amounting to RM5,516,000 (2016: RM5,507,000), which arose from trade transactions, are unsecured, interest free and repayable on demand.

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
- EU Euro ("EUR")	**121,844**	127,624	**206,944**	190,714
- RM	**75,124**	77,428	**74,960**	109,113
- Colombian Peso ("COP")	**26,063**	29,071	**–**	–
- US Dollar ("USD")	**24,318**	23,682	**5,112**	5,137
- Romanian New Lei ("RON")	**16,843**	13,964	**–**	–
- Mexican Peso ("MXN")	**15,778**	14,904	**–**	–
- Argentine Peso ("ARS")	**14,557**	19,253	**–**	–
- Japanese Yen ("JPY")	**11,535**	9,738	**121**	132
- Polish Zloty ("PLN")	**7,638**	8,935	**–**	–
- Czech Koruna ("CZK")	**2,657**	2,725	**–**	–
- Hungarian Forint ("HUF")	**2,048**	1,785	**–**	–
- Singapore Dollar ("SGD")	**1,477**	1,763	**5,244**	5,279
- Swiss Franc ("CHF")	**1,467**	1,870	**–**	–
- Bulgarian Lev ("BGN")	**477**	340	**–**	–
- Thai Baht ("THB")	**384**	485	**70**	14
- New Taiwan Dollar ("TWD")	**54**	170	**–**	–
- British Pound ("GBP")	**–**	2,186	**–**	–
- Chinese Yuan Renminbi ("CNY")	**–**	453	**–**	–
- Indian Rupee ("INR")	**–**	48	**–**	–
- Swedish Krona ("SEK")	**–**	18	**–**	–
- Hong Kong Dollar ("HKD")	**–**	–	**–**	22
	322,264	336,442	**292,451**	310,411

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

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	**170,350**	186,976	**1,415**	65
0 to 30 days past due	**15,662**	17,784	**118**	1,142
31 to 60 days past due	**6,780**	6,820	**76**	621
61 to 90 days past due	**3,141**	2,708	**105**	273
More than 90 days past due	**13,727**	17,803	**2,213**	498
	209,660	232,091	**3,927**	2,599
Allowance for impairment	**(8,129)**	(9,099)	**–**	–
	201,531	222,992	**3,927**	2,599

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

As at 31 December 2017, the Group and Company have trade receivables amounting to RM30,648,000 (2016: RM35,728,000) and RM2,512,000 (2016: RM2,534,000) respectively that are past due at the end of the reporting period but not impaired. Trade receivables that are past due but not impaired relate to customers that have good track records with the Group and the Company. Based on past experience and no adverse information to-date, the Directors of the Group and Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered to be fully recoverable.

Receivables that are past due and impaired

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

GROUP	INDIVIDUALLY IMPAIRED RM'000	COLLECTIVELY IMPAIRED RM'000	TOTAL RM'000
2017			
Trade receivables, gross	**2,797**	**5,865**	**8,662**
Less: Impairment losses	**(2,763)**	**(5,366)**	**(8,129)**
	34	**499**	**533**
2016			
Trade receivables, gross	444	8,943	9,387
Less: Impairment losses	(444)	(8,655)	(9,099)
	–	288	288

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

22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**9,099**	9,721	**21,046**	1,934
Charged for the financial year	**803**	1,387	**75,649**	19,112
Reversal for the financial year	**(544)**	(560)	**–**	–
Written off	**(1,105)**	(1,337)	**–**	–
Foreign currencies translation	**(124)**	(112)	**–**	–
At 31 December	**8,129**	9,099	**96,695**	21,046

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

23. DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	**7,299**	4,222	**570**	340
Cash and bank balances	**45,115**	58,676	**2,984**	3,741
Deposits, cash and bank balances	**52,414**	62,898	**3,554**	4,081
Bank overdrafts (Note 27)	**(8,937)**	(11,832)	**–**	–
	43,477	51,066	**3,554**	4,081
Less: Deposits pledged to licensed banks	**(1,016)**	(280)	**(510)**	(280)
	42,461	50,786	**3,044**	3,801

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

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	
	2017	2016	2017	2016
	%	%	%	%
Deposits with licensed banks	**1.75 - 3.60**	3.60	**1.75 - 3.60**	3.60

The deposits of the Group and of the Company as at 31 December 2017 have a maturity period ranging between overnight and two months (2016: two months). Certain deposits have been pledged to financial institutions for borrowings as disclosed in Note 27 to the financial statements.

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
- USD	**15,938**	7,126	**1,309**	939
- EUR	**15,587**	31,495	**601**	2,661
- CHF	**3,414**	1,614	**14**	14
- RON	**3,323**	4,363	**–**	–
- TWD	**3,261**	2,230	**1**	1
- ARS	**2,924**	959	**–**	–
- MXN	**1,946**	5,728	**–**	–
- RM	**1,864**	612	**1,621**	458
- COP	**1,109**	430	**–**	–
- SGD	**787**	90	**–**	–
- CZK	**584**	1,549	**–**	–
- BGN	**569**	397	**–**	–
- JPY	**496**	3,112	**5**	5
- HUF	**258**	1,355	**–**	–
- CNY	**214**	88	**1**	1
- THB	**77**	100	**–**	–
- INR	**32**	33	**–**	–
- HKD	**29**	226	**–**	–
- GBP	**2**	147	**2**	2
- PLN	**–**	1,218	**–**	–
- SEK	**–**	21	**–**	–
- Turkish Lira ("TRY")	**–**	5	**–**	–
	52,414	62,898	**3,554**	4,081

24. SHARE CAPITAL

	GROUP AND COMPANY			
	2017		2016	
	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	**1,000,000**	**1,000,000**	1,000,000	1,000,000
Adjustments for effects of Companies Act 2016	**(1,000,000)**	**(1,000,000)**	–	–
As at 31 December	–	–	1,000,000	1,000,000
Issued and fully paid:				
As at 1 January	**553,296**	**553,296**	553,296	553,296
Adjustments for effects of Companies Act 2016	**–**	**65,591**	–	–
As at 31 December	**553,296**	**618,887**	553,296	553,296

(a) Issued and fully paid shares

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

With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM65,590,691 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

(b) Treasury shares

	GROUP AND COMPANY			
	2017		2016	
	NUMBER OF SHARES '000	AMOUNT RM'000	NUMBER OF SHARES '000	AMOUNT RM'000
At cost:				
As at 1 January/31 December	**4,928**	**5,150**	4,928	5,150

The Company did not make any purchase of its own shares and none of the treasury shares held were resold or cancelled during the financial year. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

Treasury shares have no rights to voting, dividends or participation in other distribution. As at 31 December 2017, the Company held 4,928,011 (2016: 4,928,011) treasury shares, with carrying amount of RM5,149,918 (2016: RM5,149,918).

(c) Equity-settled employee benefits

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

25. POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group operates both funded and unfunded defined benefit plans for its employees. The defined benefit plans, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields, at the end of each reporting period, of government securities which have currency and terms to maturity approximating the terms of the related liability. The latest actuarial valuations of the plans were carried out in 2017.

	REMOVABLE PENSION LIABILITIES			
	FUNDED BY PENSION TRUST FUND RM'000	ASSUMED BY THE COMPANY RM'000	OTHERS RM'000	GROUP TOTAL RM'000
At 31 December 2017	**116,439**	**65,087**	**129,704**	**311,230**
At 31 December 2016	127,153	65,087	169,228	361,468

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

As at 31 December 2017, the post-employment benefit obligations of the Group includes liabilities arising from obligations for the settlement of shortfall between the retirement fund and the estimated pension liabilities of discontinued operations.

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

	GROUP	
	2017 RM'000	2016 RM'000
Service cost:		
Current service cost	**1,329**	5,751
Past services cost, including gains from settlements or curtailments	**–**	(2,222)
Net interest expense	**3,178**	6,872
Components of defined benefit costs recognised in staff costs in profit or loss	**4,507**	10,401
Re-measurement on the net defined benefit obligations:		
Return on plan assets (excluding amounts included in net interest expense)	**(253)**	(8,536)
Actuarial gains and losses arising from changes in demographic assumptions	**–**	(1,353)
Actuarial gains and losses arising from changes in financial assumptions	**(1,910)**	64,635
Actuarial gains and losses arising from experience adjustments	**(121)**	2,973
Components of defined benefit costs recognised in other comprehensive income	**(2,284)**	57,719
Total	**2,223**	68,120

25. POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

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

	GROUP	
	2017 RM'000	2016 RM'000
Present value of funded defined benefit obligations	**19,398**	360,380
Fair value of plan assets	**(11,341)**	(214,570)
Status of funded plans	**8,057**	145,810
Present value of unfunded defined benefit obligations	**303,173**	215,658
	311,230	361,468

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

	GROUP	
	2017 RM'000	2016 RM'000
Opening defined benefit obligations	**576,038**	562,943
Current service cost	**1,329**	5,751
Interest expense	**3,304**	12,245
Re-measurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	**–**	(1,353)
Actuarial gains and losses arising from changes in financial assumptions	**(1,910)**	64,635
Actuarial gains and losses arising from experience adjustments	**(121)**	2,973
Past services cost, including gains from settlements or curtailments	**–**	(2,222)
Liabilities extinguished on settlements	**(85,710)**	(301)
Benefits paid	**(20,193)**	(40,037)
De-recognition of subsidiaries	**(154,911)**	–
Foreign currencies translation and others	**4,745**	(28,596)
Closing defined benefit obligations	**322,571**	576,038

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

	GROUP	
	2017 RM'000	2016 RM'000
Opening fair value of plan assets	**214,570**	240,303
Interest income	**126**	5,373
Re-measurement gains:		
Return on plan assets (excluding amounts included in net interest expense)	**253**	8,536
Contributions from the employer	**408**	1,219
Contributions from plan participants	**292**	840
Assets distributed on settlements	**(66,953)**	(246)
Benefits paid	**(1,084)**	(21,565)
De-recognition of subsidiaries	**(135,198)**	–
Foreign currencies translation and others	**(1,073)**	(19,890)
Closing fair value of plan assets	**11,341**	214,570

25. POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

The major categories of plan assets are as follows:

	GROUP	
	2017 RM'000	2016 RM'000
Debt instruments	**5,288**	89,506
Equity instruments	**2,797**	66,281
Alternative investments	**2,073**	32,630
Properties	**1,100**	12,321
Qualifying insurance policies	**–**	9,407
Cash and others	**83**	4,425
	11,341	214,570

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

	GROUP	
	2017 %	2016 %
Discount rate	**0.70 - 9.00**	0.50 - 8.75

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

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

	GROUP DISCOUNT RATE	
	INCREASE BY 50 BASIS POINT RM'000	DECREASE BY 50 BASIS POINT RM'000
At 31 December 2017		
(Decrease)/Increase on defined benefit obligations	**(9,753)**	**10,597**
At 31 December 2016		
(Decrease)/Increase on defined benefit obligations	(24,996)	26,045

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

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

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

26. DERIVATIVE LIABILITIES

	2017		2016	
	CONTRACT/ NOTIONAL AMOUNT EUR'000	LIABILITIES RM'000	CONTRACT/ NOTIONAL AMOUNT EUR'000	LIABILITIES RM'000
Group				
Interest rate swap	–	–	10,000	412

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

The Group had entered into interest rate swap contracts with a total of EUR10 million, which resulted 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 rates were exchanged on the basis of the 3-month Euribor interest at 3.15%.

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

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

27. BORROWINGS

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Bank overdrafts	**8,937**	11,832	**–**	–
Bankers' acceptances/Trust receipts	**–**	2,390	**–**	–
Revolving credits	**176,929**	200,407	**83,400**	125,550
Discounted bills	**70,635**	69,558	**62,111**	68,320
Hire purchase and lease payables	**399**	429	**–**	43
Short term loans	**122,711**	69,196	**–**	–
Term loans	**9,343**	7,354	**2,060**	–
	388,954	361,166	**147,571**	193,913
Non-current				
Hire purchase and lease payables	**1,172**	285	**–**	–
Term loans	**48,512**	47,938	**11,000**	–
	49,684	48,223	**11,000**	–

27. BORROWINGS (continued)

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total				
Bank overdrafts (Note 23)	**8,937**	11,832	**–**	–
Bankers' acceptances/Trust receipts	**–**	2,390	**–**	–
Revolving credits	**176,929**	200,407	**83,400**	125,550
Discounted bills	**70,635**	69,558	**62,111**	68,320
Hire purchase and lease payables	**1,571**	714	**–**	43
Short term loans	**122,711**	69,196	**–**	–
Term loans	**57,855**	55,292	**13,060**	–
	438,638	409,389	**158,571**	193,913

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

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

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

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

27. BORROWINGS (continued)

Contractual terms of borrowings:

GROUP 2017	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	6.90 - 7.15	EUR	6,607	6,607	–	–	–	–	–
Bank overdrafts	31.00	ARS	1,245	1,245	–	–	–	–	–
Revolving credits	5.25 - 5.79	USD	83,400	83,400	–	–	–	–	–
Revolving credits	2.70 - 3.50	EUR	72,978	72,978	–	–	–	–	–
Discounted bills	3.33 - 4.09	USD	18,589	18,589	–	–	–	–	–
Discounted bills	1.77	EUR	3,660	3,660	–	–	–	–	–
Discounted bills	5.20	RM	3,411	3,411	–	–	–	–	–
Hire purchase and lease payables	5.77 - 5.87	EUR	1,571	399	345	263	204	199	161
Short term loans	2.02 - 3.50	EUR	93,265	93,265	–	–	–	–	–
Short term loans	23.75 - 30.45	ARS	4,379	4,379	–	–	–	–	–
Short term loans	29.38	COP	15	15	–	–	–	–	–
Term loans	1.80 - 3.92	EUR	44,795	7,283	7,640	7,640	7,640	7,640	6,952
Term loans	6.92	RM	13,060	2,060	2,000	3,000	3,000	3,000	–
			346,975	297,291	9,985	10,903	10,844	10,839	7,113
Unsecured									
Bank overdrafts	7.10 - 8.50	EUR	1,002	1,002	–	–	–	–	–
Bank overdrafts	33.00	ARS	83	83	–	–	–	–	–
Revolving credits	8.05 - 8.40	MXN	19,801	19,801	–	–	–	–	–
Revolving credits	5.79	RM	750	750	–	–	–	–	–
Discounted bills	2.75 - 4.50	USD	27,080	27,080	–	–	–	–	–
Discounted bills	2.06 - 4.70	EUR	17,895	17,895	–	–	–	–	–
Short term loans	1.11 - 2.11	USD	21,899	21,899	–	–	–	–	–
Short term loans	1.48	JPY	1,620	1,620	–	–	–	–	–
Short term loans	0.24 - 0.26	ARS	1,533	1,533	–	–	–	–	–
			91,663	91,663	–	–	–	–	–
			438,638	388,954	9,985	10,903	10,844	10,839	7,113

27. BORROWINGS (continued)

Contractual terms of borrowings (continued):

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

27. BORROWINGS (continued)

Contractual terms of borrowings (continued):

COMPANY 2017	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									
Revolving credits	5.25 - 5.79	USD	83,400	83,400	–	–	–	–	–
Discounted bills	3.33 - 4.09	USD	18,589	18,589	–	–	–	–	–
Discounted bills	1.77	EUR	3,660	3,660	–	–	–	–	–
Term loans	6.92	RM	13,060	2,060	2,000	3,000	3,000	3,000	–
			118,709	107,709	2,000	3,000	3,000	3,000	–
Unsecured									
Discounted bills	2.75 - 4.50	USD	27,080	27,080	–	–	–	–	–
Discounted bills	2.06 - 2.75	EUR	12,782	12,782	–	–	–	–	–
			39,862	39,862	–	–	–	–	–
			158,571	147,571	2,000	3,000	3,000	3,000	–

COMPANY 2016	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									
Revolving credits	4.53 - 4.93	USD	67,258	67,258	–	–	–	–	–
Discounted bills	2.11 - 3.92	USD	24,143	24,143	–	–	–	–	–
Discounted bills	0.96 - 2.77	EUR	3,885	3,885	–	–	–	–	–
Hire purchase and lease payables	3.50	RM	43	43	–	–	–	–	–
			95,329	95,329	–	–	–	–	–
Unsecured									
Revolving credits	3.00 - 4.95	USD	58,292	58,292	–	–	–	–	–
Discounted bills	2.90 - 4.50	USD	27,124	27,124	–	–	–	–	–
Discounted bills	2.06 - 2.75	EUR	13,168	13,168	–	–	–	–	–
			98,584	98,584	–	–	–	–	–
			193,913	193,913	–	–	–	–	–

27. BORROWINGS (continued)

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum hire purchase and lease payments:				
- Not later than 1 year	**418**	448	**–**	50
- Later than 1 year and not later than 5 years	**1,231**	290	**–**	–
	1,649	738	**–**	50
Future finance charges	**(78)**	(24)	**–**	(7)
	1,571	714	**–**	43
Present value of hire purchase and lease payables:				
- Not later than 1 year	**399**	429	**–**	43
- Later than 1 year and not later than 5 years	**1,172**	285	**–**	–
	1,571	714	**–**	43

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

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

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

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

Term loans and hire purchase and lease payables which are subject to fixed interest rates amounted to RM5,896,000 (2016: RM6,638,000) and RM1,571,000 (2016: RM714,000) respectively, out of which RM6,227,000 (2016: RM6,014,000) are repayable later than one (1) year.

27. BORROWINGS (continued)

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

	ON DEMAND OR WITHIN ONE YEAR RM'000	ONE TO FIVE YEARS RM'000	OVER FIVE YEARS RM'000	TOTAL RM'000
As at 31 December 2017				
Group				
Financial liabilities:				
Borrowings/Total undiscounted financial liabilities	**391,808**	**48,354**	**7,386**	**447,548**
Company				
Financial liabilities:				
Borrowings/Total undiscounted financial liabilities	**148,475**	**13,007**	**–**	**161,482**
As at 31 December 2016				
Group				
Financial liabilities:				
Borrowings/Total undiscounted financial liabilities	362,316	37,843	15,079	415,238
Company				
Financial liabilities:				
Borrowings/Total undiscounted financial liabilities	193,913	–	–	193,913

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statements of cash flows as cash flows from financing activities.

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January 2017	**397,557**	409,159	**193,913**	301,425
Financing cash flows	**52,216**	(19,328)	**(16,294)**	(113,897)
Non-cash flows:				
De-recognition of subsidiaries	**(937)**	–	**–**	–
Effect of changes in foreign exchange rates	**(20,408)**	7,726	**(19,048)**	6,385
Other changes:				
Additions to property, plant and equipment which was financed by hire purchase arrangements	**1,273**	–	**–**	–
At 31 December 2017	**429,701**	397,557	**158,571**	193,913

28. PAYABLES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables	**112,056**	130,397	**7,877**	13,019
Amounts due to subsidiaries	**–**	–	**113,742**	57,447
Accruals:				
- Staff costs	**30,144**	32,607	**130**	193
- Bonus to customers	**35,662**	42,478	**–**	–
- Others	**20,550**	16,618	**739**	769
Employee related benefits	**4,282**	5,437	**–**	–
Other payables	**6,822**	5,055	**9,121**	264
	209,516	232,592	**131,609**	71,692

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

Credit terms of trade payables granted to the Group and to the Company range from 1 day to 120 days (2016: 1 day to 120 days). The maturity profile of payables of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

Amounts due to subsidiaries, which arose mainly from trade transactions, advances and payments made on behalf are unsecured, interest free and repayable on demand, except for certain amounts due to subsidiaries which are subject to floating interest rate ranging from 1.48% to 5.56% (2016: 1.48% to 4.70%) per annum and trade transactions, which are subject to normal trade credit terms.

28. PAYABLES (continued)

The currencies exposure profiles of payables are as follows:

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
- EUR	**132,809**	156,626	**82,197**	31,690
- MXN	**17,627**	16,698	**–**	–
- USD	**14,388**	16,610	**27,095**	31,505
- RM	**10,834**	2,414	**20,809**	2,907
- PLN	**7,045**	5,596	**–**	–
- COP	**6,339**	6,106	**–**	–
- ARS	**5,683**	6,592	**–**	–
- RON	**3,751**	3,920	**–**	–
- CHF	**3,704**	6,524	**–**	–
- CZK	**2,293**	3,438	**–**	–
- JPY	**1,728**	1,920	**1,508**	5,576
- HUF	**1,479**	1,280	**–**	–
- CNY	**1,246**	755	**–**	–
- SGD	**301**	332	**–**	–
- Indonesian Rupiah ("IDR")	**240**	211	**–**	–
- BGN	**44**	38	**–**	–
- GBP	**5**	2,861	**–**	–
- TWD	**–**	510	**–**	–
- HKD	**–**	161	**–**	–
- THB	**–**	–	**–**	14
	209,516	232,592	**131,609**	71,692

29. CAPITAL COMMITMENTS

	GROUP	
	2017 RM'000	2016 RM'000
Authorised and contracted for:		
- Property, plant and equipment	**10,907**	1,573
Authorised but not contracted for:		
- Property, plant and equipment	**–**	1,506

30. OPERATING LEASE COMMITMENTS

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments under operating lease commitments:				
Not later than 1 year	**12,664**	11,736	**221**	92
Later than 1 year and not later 5 years	**13,773**	15,732	**313**	–
	26,437	27,468	**534**	92

31. CONTINGENT LIABILITIES

(a) In the ordinary course of business, the business of Pelikan Hardcopy Holding AG and German Hardcopy AG groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the "Hardcopy business") is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers ("OEM") for perceived breach of patents with an assessed potential maximum exposure of EUR2.5 million (RM12.2 million) (2016: EUR5.0 million or RM23.6 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group has been successful in defending most cases and management remains confident that the Group's exposure to these claims can be reduced or can be successfully defended, especially when it has now exited the Hardcopy business. 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) The Company has provided corporate guarantees to financial institutions for financing arrangements of certain subsidiaries, which are accounted for as insurance contracts and amounted to RM169,402,000 (2016: RM286,206,000). At the end of the reporting period, the Company do not consider that it is probable that a claim will be made against the Company under these corporate guarantees.

32. EXECUTIVES' SHARE OPTION SCHEME

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

The salient features of the ESOS are as follows:

(i) The Board of Directors has appointed the Option Committee to administer the ESOS.

(ii) The Company may from time to time grant option to eligible employees of the Group to subscribe for new ordinary shares of RM1.00 each.

(iii) Subject to the determination and discretion of the Option Committee, ESOS may be granted to any Director named in the Register of Directors of the Company or any employee who is a confirmed full-time employee of the Company and/or its eligible subsidiaries and if that person is servicing under a fixed term of contract of employment, the contract (including any period of employment which that person has already served) should be for a duration of at least one (1) year of continuous service.

(iv) The total number of shares to be issued under the ESOS shall not exceed five percent (5%) of the issued and paid-up share capital of the Company at any point of time throughout the duration of the ESOS and of which not more than fifty percent (50%) of the Company's new shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than ten percent (10%) of the Company's new shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through person connected with the eligible employee, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.

(v) The option price for each share shall be the higher of the weighted average market price of the Company's shares, as quoted on Bursa Malaysia Securities Berhad, for the five (5) market days immediately preceding the date of offer of the option with a discount of not more than ten percent (10%), or the par value of the shares of the Company of RM1.00 each.

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

The Company granted 7,983,750 share options under the ESOS at an exercise price of RM1.35 per share option to the eligible employees and Directors. As of 31 December 2017, 6,290,000 options remained outstanding. No share options were exercised during or at the end of the financial year. The ESOS expired on 28 February 2018 and no ESOS was exercised during the duration of the scheme.

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

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

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods to subsidiaries - net	–	–	**106,642**	102,439

34. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

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 0.86 times (2016: 0.82 times). The Group's policy is to keep its gearing within manageable levels.

(b) Financial risk management

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

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

(i) Credit risk

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

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.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

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

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

(ii) Liquidity and cash flow risk

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

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

(iii) Interest rate risk

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

As disclosed in Note 26 to the financial statements, the Group had entered into interest rate swap contracts to manage exposures of its borrowings to interest rate risk. The contractual repricing allows the Group to receive interest at fixed rates and to pay interest at floating rates on notional principal amounts.

The following table illustrates the effect of changes in interest rates at 31 December 2017. 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:

	2017 RM'000	2016 RM'000
Group		
Increase by 25 basis points	**(1,060)**	(1,032)
Company		
Increase by 25 basis points	**(441)**	(619)

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

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Market price risk

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

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

(v) 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 2017. 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	2017 RM'000	2016 RM'000
Group		
United States Dollar	**3,760**	5,290
Company		
European Euro	**(3,270)**	(4,340)
United States Dollar	**4,500**	6,070

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

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

34. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(v) Foreign currency risk (continued)

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

	2017 RM	2016 RM
Foreign currency		
GBP (British Pound)	**5.4796**	5.5140
EUR (EU Euro)	**4.8652**	4.7224
CHF (Swiss Franc)	**4.1600**	4.3982
USD (US Dollar)	**4.0616**	4.4824
AUD (Australian Dollar)	**3.1700**	3.2390
SGD (Singapore Dollar)	**3.0381**	3.0990
BGN (Bulgarian Lev)	**2.4813**	2.4083
TRY (Turkish Lira)	**1.0725**	1.2713
AED (Arab Emirates Dirham)	**1.1057**	1.2201
PLN (Polish Zloty)	**1.1641**	1.0693
RON (Romanian New Lei)	**1.0391**	1.0400
CNY (Chinese Yuan Renminbi)	**0.6241**	0.6450
HKD (Hong Kong Dollar)	**0.5197**	0.5780
SEK (Swedish Krona)	**0.4942**	0.4931
NOK (Norwegian Kroner)	**0.4941**	0.5198
ARS (Argentine Peso)	**0.2178**	0.2819
MXN (Mexican Peso)	**0.2063**	0.2166
CZK (Czech Koruna)	**0.1902**	0.1747
TWD (New Taiwan Dollar)	**0.1367**	0.1386
THB (Thai Baht)	**0.1244**	0.1249
INR (Indian Rupee)	**0.0636**	0.0659
JPY (Japanese Yen)	**0.0361**	0.0384
HUF (Hungarian Forint)	**0.0157**	0.0152
COP (Colombian Peso in thousand)	**1.3600**	1.4900
IDR (Indonesian Rupiah in thousand)	**0.3000**	0.3300

ADDITIONAL COMPLIANCE INFORMATION

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

1. Utilisation of proceeds raised from corporate proposals

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

2. Options or convertible securities

The shareholders of the Company had on 17 December 2009 during the Extraordinary General Meeting of the Company approved an Executives' Share Option Scheme ("ESOS") for the eligible executives and Directors of the Company. The ESOS was 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 period of three (3) years to 28 February 2018.

The Company granted 7,983,750 shares options under the ESOS at an exercise price of RM1.35 per share option to the eligible employees and Directors. As of 31 December 2017, 6,290,000 options remained outstanding. No share options were exercised during or at the end of the financial year.

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

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

The ESOS expired on 28 February 2018 and no ESOS was exercised during the duration of the scheme.

3. Non-audit fees

The non-audit fees paid or payable to the external auditors of the Company and its subsidiaries for the financial year ended 31 December 2017 amounted to RM165,000.

4. Material contracts

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

The total number of issued shares of the Company stands at 553,296,061 ordinary shares, with voting right of one vote per ordinary share.

DISTRIBUTION OF SHAREHOLDINGS

(Based on the Record of Depositors)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%*	NO. OF SHARES	%*
1 - 99	748	18.00	25,928	0.00
100 - 1,000	344	8.28	134,450	0.02
1,001 - 10,000	1,974	47.51	8,400,186	1.53
10,001 - 100,000	890	21.42	28,062,667	5.12
100,001 to less than 5% of the issued shares	194	4.67	210,494,141	38.39
5% and above of issued shares	5	0.12	301,250,678	54.94
Total	4,155	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 30 March 2018.*

DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

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

* *After netting off the 4,928,011 treasury shares of PICB held as at 30 March 2018.*

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

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	53,875,923	9.82	42,569,928[1]	7.76
2. Lembaga Tabung Haji	157,185,498	28.66	–	–
3. PBS Office Supplies Holding Sdn Bhd	42,548,975	7.76	–	–
4. Marktrade Sdn Bhd	–	–	42,548,975[2]	7.76
5. Auctus Ventures Ltd and Nominees	36,500,000	6.66	–	–
6. Chia Chor Meng and Nominees	33,526,000	6.11	1,233,900[3]	0.23
7. Caprice Capital International Ltd and Nominees	29,200,000	5.32	–	–
8. Poh Yang Hong and Nominees	2,000,000	0.36	29,200,000[4]	5.32

Notes:

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

[2] *Deemed interested by virtue of its substantial shareholdings in PBS Office Supplies Holding Sdn Bhd.*

[3] *Deemed interested by virtue of shares held by his wife.*

[4] *Deemed interested by virtue of his interest in Caprice Capital International Ltd and Nominees.*

* *After netting off the 4,928,011 treasury shares of PICB held as at 30 March 2018.*

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 Pledged Securities Account for Loo Hooi Keat	41,300,000	7.531
3	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	41,102,400	7.495
4	Kenanga Nominees (Tempatan) Sdn Bhd ECM Libra Partners Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd	32,462,780	5.919
5	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Caprice Capital International Ltd	29,200,000	5.324
6	Public Invest Nominees (Asing) Sdn Bhd Exempt An for Phillip Securities Pte Ltd (Clients)	25,647,100	4.676
7	CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	20,790,428	3.791
8	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	19,778,798	3.606
9	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (001)	14,425,040	2.630
10	HSBC Nominees (Asing) Sdn Bhd Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	8,055,500	1.468
11	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd	6,000,000	1.094
12	Ambank (M) Berhad Pledged Securities Account for Gan Kong Hiok (Smart)	5,666,000	1.033
13	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Kim Teck (471848)	5,604,300	1.021
14	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Siew Chin (CEB)	5,139,096	0.937
15	Loo Hooi Keat	5,125,825	0.934

LIST OF TOP THIRTY (30) SHAREHOLDERS

(Based on the Record of Depositors) (continued)

	NAME OF SHAREHOLDERS	NO. OF SHARES	%*
16	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	4,380,300	0.798
17	PBS Office Supplies Holding Sdn Bhd	4,056,195	0.739
18	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (MX3665)	3,660,000	0.667
19	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Monteiro Gerard Clair	2,924,000	0.533
20	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Prakash A/L K V P Menon	2,917,000	0.531
21	Kenanga Nominees (Tempatan) Sdn Bhd Lim Meng Sin (001)	2,408,000	0.439
22	Tan Jing Jeong	2,223,100	0.405
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	Loo Hooi Keat	1,579,000	0.287
26	Pristine Acres Sdn Bhd	1,430,500	0.260
27	Tan Jing Jeong	1,394,300	0.254
28	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore for IAM Traditional Asian Growth Fund	1,381,100	0.251
29	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok	1,325,000	0.241
30	Chin Chin Seong	1,314,500	0.239

* *After netting off the 4,928,011 treasury shares of PICB held as at 30 March 2018.*

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 Group GmbH (fka Pelikan Aktiengesellschaft)	Straße der Einheit 142-148 14612 Falkensee Germany	252,464 sqm	Logistic Centre	134,644 sqm	23 years 31/12/2001	Freehold	179,788
2	Pelikan GmbH	Factory Vöhrum Pelikanstrasse 11 D-31228 Peine Germany	68,873 sqm	Production	46,373 sqm	21 - 47 years 17/12/1973	Freehold	55,083
3	Pelikan México S.A. de C.V.	Carretera a Tehuacán 1033 Col. Maravillas C.P. 72220, Puebla Mexico	80,109 sqm	Production	18,485 sqm	38 years 30/4/1981	Freehold	15,914
4	Herlitz Spolka z.o.o.	ul. Szamotulska 2 Baranowo k. Poznania 62081 Przezmierowo Poland	37,563 sqm	Office building, production & warehouse	12,000 sqm	18 years 1/1/1999	Freehold	10,368
5	Pelikan Hardcopy CZ s.r.o	Svatoborska 1355/100 CZ-69701 Kyjov Czech Republic	9,933 sqm	Vacant	5,376 sqm	16 years 29/1/2015	Freehold	10,190
6	Pelikan Colombia S.A.S.	Carrera 65B No 18ª-17 Bogotá Colombia	4,478 sqm	Production	5,845 sqm	38 years 8/1/2007	Freehold	5,921
7	Herlitz România S.R.L.	Str. Depozitelor nr.22 540240 Targu Mures Romania	861 sqm	Land	–	– 15/3/1995	Freehold	39
								277,303

PELIKAN GROUP OF COMPANIES
DIRECTORY

PRODUCTION

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NOTICE IS HEREBY GIVEN THAT the Thirty-Sixth 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 Thursday, 24 May 2018 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 2017 and the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees of RM370,000.00 for the financial year ended 31 December 2017. (Ordinary Resolution 1)

3. To approve the payment of the Directors' benefits to the Non-Executive Directors up to RM60,000.00 from 24 May 2018 until the next Annual General Meeting. (Ordinary Resolution 2)

4. To re-elect Dato' Afifuddin bin Abdul Kadir who retires pursuant to Article 127 of the Company's Articles of Association. (Ordinary Resolution 3)

5. To re-elect Dato' Lua Choon Hann who retires pursuant to Article 127 of the Company's Articles of Association. (Ordinary Resolution 4)

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

AS SPECIAL BUSINESS

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

7. To approve the proposed renewal of authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016. (Ordinary Resolution 6)

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

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

BY ORDER OF THE BOARD

HO MING HON (MICPA 3814)
CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretaries

Selangor Darul Ehsan
25 April 2018

NOTES:

1. A Member who is entitled to attend and vote at the meeting is entitled to appoint at least (1) proxy to attend and vote in his stead. Where a Member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor, and shall be in the form as set out in the Articles of Association of the Company (or in a form as near to it as circumstances allow or in any other form which is usual or which the Directors may approve).
5. Only depositors whose names appear in the Record of Depositors as at 17 May 2018 shall be entitled to attend, speak and vote at the Thirty-Sixth (36th) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.
6. The proxy form, to be valid, must be deposited at the registered office at No. 9 Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

Explanatory Notes on Ordinary and Special Business:

1. Item 1 of the Agenda

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

2. Item 7 of the Agenda
Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

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

The general mandate sought for issue of securities is a renewal to a general mandate sought in the preceding year. As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirty-Fifth Annual General Meeting held on 24 May 2017. 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)
(Incorporated in Malaysia)

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-Sixth 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 Thursday, 24 May 2018 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 approve the payment of the Directors' benefit		
3.	To re-elect Dato' Afifuddin bin Abdul Kadir as Director of the Company		
4.	To re-elect Dato' Lua Choon Hann as Director of the Company		
5.	To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration		
6.	To approve the proposed renewal of authority for Directors to issue shares		

Signed this _____ day of _____, 2018

_____

**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).
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PELIKAN INTERNATIONAL CORPORATION BERHAD
No. 9 Jalan Pemaju U1/15
Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

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

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