



# Fine Writing Instruments

The year 2018 marked the celebration of Pelikan's 180<sup>th</sup> anniversary. In keeping with Pelikan's tradition, the occasion was commemorated with the release of a very unique limited edition FWI, the "Spirit of 1838".

"Spirit of 1838" is a wonderful fountain pen that harks back to Pelikan's history with a specially engraved barrel made of Sterling Silver and a specially embossed nib. It was launched in April, the month of the anniversary, and was sold out in days.

More fine writing instruments were released in various segments during the year. The most successful was the launch of the Premium range Souverän® 600 Turquoise-White. These colourful special editions that merged new vibrance with the traditional striped design were very well received by our target group.



“ Souverän® Series 600 Turquoise-White won the award for feminine elegance at the Trophées du Stylographe, an award presented by the well-known French magazine Le Stylographe.



At the Pen World's Readers' Choice Award 2018, Pelikan also won the award in the category "Pen of The Year" for its limited edition The Statue of Zeus that was launched in 2017. This award is based on the votes of the readers of Pen World magazine.

For the Classic range, we shone the spotlight on the special edition M205 demonstrator which sold extremely well in the Japanese market, where demonstrator products always seem to attract a large audience.

The Edelstein®Ink of the Year 2018 – Olivine – also received much appreciation and accolades. The initial production plan for the full year was sold after 6 months.

Many other Limited and Special Editions were launched in the FWI category to continuously rejuvenate our collection.

We continue to concentrate on special editions in the range of Souverän® and Classic Series as it represents Pelikan best and are our customers favourite range. These were the new products launch in 2018:



Known for our quality products, craftsmanship, know-how, experience and history in the field of Fine Writing, Pelikan has over the years evolved into a niche market for an enthusiastic global base of fans of fine writing. Our core markets extend across Japan, China, USA and Germany, and we actively developed more markets to continuously grow our business.

In ensuring consumer satisfaction of our products we commit to production at the highest quality level. We also listen carefully to our fans' expectations and wishes, and keep up our close communication with them via social media, newsletters and other relevant channels in order to better satisfy their desires.

Following our anniversary campaign under the slogan "180 Years of Passion", we published the first issue of our global end user magazine "Passion" in 2018. This magazine combines interesting facts and background information on Pelikan with special information on handwriting and writing culture. We printed 40,000 copies of the Passion magazine and the feedback of the readers was overwhelming.

Another successful engagement activity continues to be our global hubs. In September 2018, our global HUB meetings celebrated their 5<sup>th</sup> anniversary. This event has become a fixed date for all Pelikan pen lovers and pen enthusiasts all around the world. In 2018, the number of participants grew to about 4,700 people.

## A NEW UPCOMING CELEBRATION

There is another anniversary that Pelikan will celebrate. In 1929, Pelikan launched its first fountain pen equipped with the differential piston mechanism. As a tribute to that milestone, in 2019, we will launch a very precious limited edition called "Herzstück 1929".

Herzstück is a German word that means core piece and it refers to the piston mechanism that is at the heart of every Pelikan fountain pen. The pen has a special window in the barrel which allows you to see the gold-plated piston mechanism that is engraved with the original patent number from 1929.

As in previous years, we will continue the very successful story of Classic 200 series matching our chosen 2019 Edelstein® Ink of the Year colour - Star Ruby - a burgundy-pink colour.

We are very happy to announce that the second edition of our Passion magazine will come to the market in August 2019. Through this, we will continue to bring interesting stories about handwriting and about Pelikan to our large fan base.

Finally, we will continue to organise the worldwide Hubs event, which will take place on 20 September in 2019. We all look forward to gathering with our fan bases from different parts of the world once again, on this great day.

# 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 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](http://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](http://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 and supported by two (2) 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.

Save for the current vacancy in the ARMC to be filled, 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 2018, 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 2018 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 <i>(Resigned on 4 December 2018)</i>	5 out of 5	100
Datin Normimy Binti Mohamed Noor <i>(Resigned on 31 January 2019)</i>	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 Committee and the Remuneration Committee. All the assessments have been properly documented in compliance with the Code.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 during financial year 2018 and that there is appropriate mix of knowledge, skills, attributes and core competencies in the composition of the Board. The Nomination Committee is currently identifying new candidates to be elected to the Board to fill in vacancies due to resignation of Directors at the end of 2018 and early 2019.

### 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, Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor ("Tan Sri Abi Musa") and Mr Loo Hooi Keat ("Mr. Loo") are due to retire pursuant to Article 127 of the Articles. Tan Sri Abi Musa and Mr. Loo 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 2019 Tax Budget Briefing, 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 2018 are presented on pages 050 to 052 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
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor (Appointed on 21 February 2019)	Member Independent Non-Executive Director
Datin Normimy Binti Mohamed Noor (Resigned on 31 January 2019)	Member Non-Independent Non-Executive Director

The Nomination Committee met once during the financial year ended 31 December 2018 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.

For financial year 2018, 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. Due to the resignation from the Board at the end of year 2018 and early 2019, the Nomination Committee is currently in the process to fill in the Board vacancies.

The Nomination Committee also assess and recommends relevant programmes 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### (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
Dato' Lua Choon Hann <i>(Appointed on 21 February 2019)</i>	Member Independent Non-Executive Director
Datin Normimy Binti Mohamed Noor <i>(Resigned on 31 January 2019)</i>	Member Non-Independent Non-Executive Director

The Remuneration Committee met once during the financial year ended 31 December 2018 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 the following members:

Name of ESOS Committee members	
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Chairman Independent Non-Executive Director
Loo Hooi Keat	Member President/Chief Executive Officer
Datuk Rozaida binti Omar (Resigned on 4 December 2018)	Member Non-Independent Non-Executive Director

The ESOS Committee did not meet during the financial year ended 31 December 2018. The Company's ESOS has expired on 28 February 2018 and no new employee schemes are proposed to date. Further thereto, the Board has not appointed any replacement for the resigned ESOS Committee member as there is no existing ESOS Schemes at the moment.

## 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 2018 are as follows:

NAME OF DIRECTORS	FEES (RM)	SALARIES (RM)	ALLOWANCES (RM)	DEFINED	BENEFIT- IN-KIND (RM)	TOTAL (RM)
				CONTRIBUTION PLAN (RM)		
<b>Executive Director</b>						
Loo Hooi Keat	-	1,878,000	-	208,800	111,048	2,197,848
<b>Non-Executive Directors</b>						
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	55,500	-	7,000	-	-	62,500
Dato' Lua Choon Hann	70,000	-	7,500	-	-	77,500
Datin Normimy binti Mohamed Noor	60,000	-	4,750	-	-	64,750
<b>Total</b>	<b>365,500</b>	<b>1,878,000</b>	<b>32,250</b>	<b>208,800</b>	<b>111,048</b>	<b>2,595,598</b>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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

No. 9, Jalan Pemaju U1/15, Seksyen U1

Hicom Glenmarie Industrial Park

40150 Shah Alam, Selangor Darul Ehsan

Tel: +603 5569 5511 ext 205

Fax: +603 5569 2299

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

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

### 2. DIALOGUE BETWEEN THE COMPANY AND INVESTORS

The Group values dialogue with shareholders and investors as a means of effective communication that enables the Board to convey information with regards to the Group's performance, corporate strategy and other matters that affect shareholders' interest. The Company holds discussion with analysts and institutional shareholders regularly. Presentations based on permissible disclosures 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; 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 3. INTERNAL AUDIT FUNCTION

In line with paragraph 15.27 of the Listing Requirements, the Group 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 PLT 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 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.

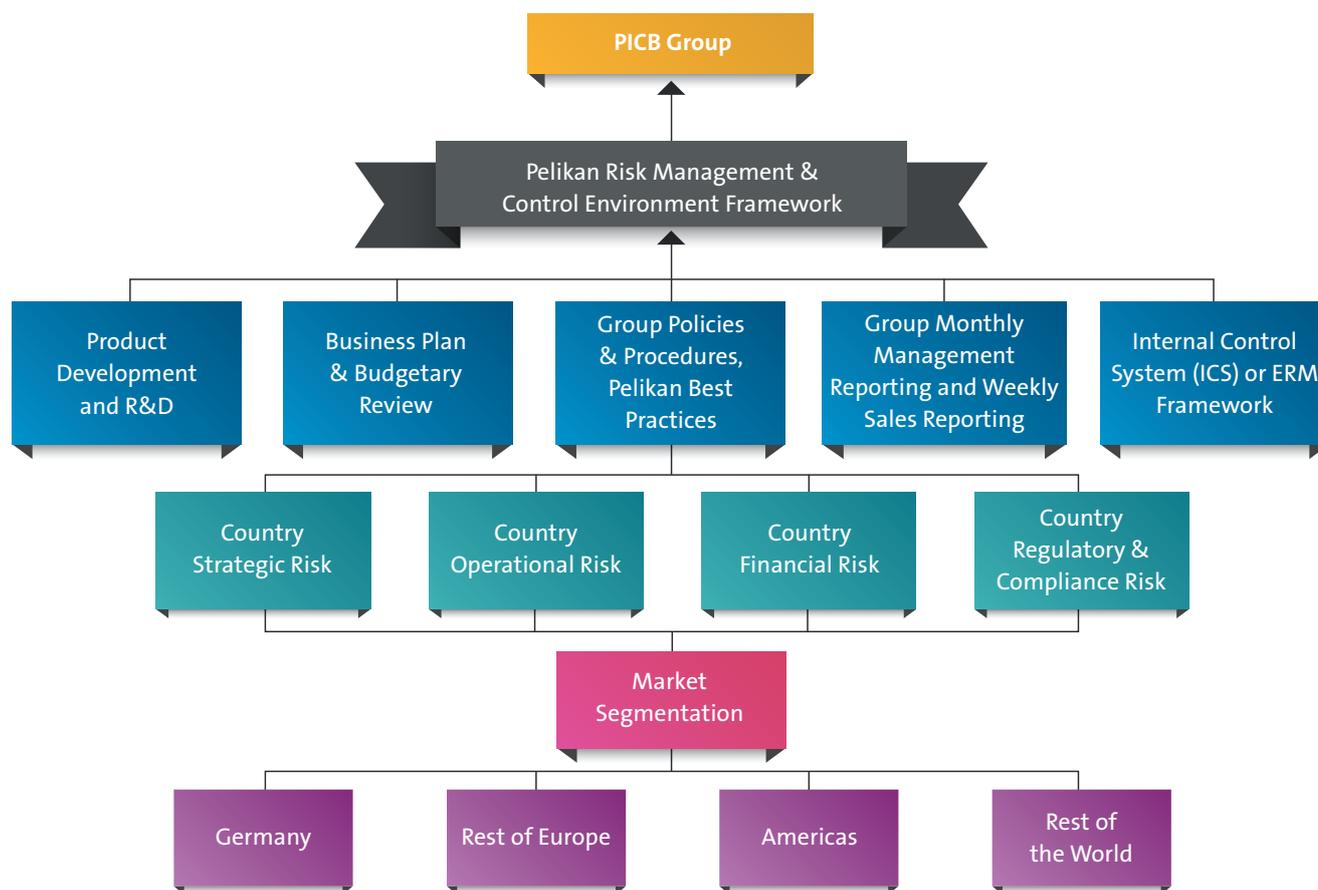
The Board has delegated to executive management the implementation of processes for identifying, evaluating, monitoring, reporting and responding of significant risks and internal controls pertinent to the achievement of the Company’s overall corporate objectives, while the Board through its Audit and 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 control on an on-going basis.

## RISK MANAGEMENT FRAMEWORK

The Group has in place a formal and systematic risk management process 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



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 022 to 029 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 programmes 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 21 March 2019.

## 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") 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 a 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 2018 amounted to RM143,479.

# 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 (“ARMC”) for the financial year ended 31 December 2018.

## MEMBERSHIP AND MEETINGS OF ARMC

The ARMC currently comprises two (2) members who are Independent Non-Executive Directors. There is currently one vacancy in the ARMC after Datuk Rozaida binti Omar resigned on 4 December 2018 and the Board has received an extension from Bursa Malaysia Securities Berhad till 4 June 2019 to fill in the vacancy. The Chairman of the ARMC is an Independent Non-Executive Director. 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 ( <i>Chairman</i> ) <i>Independent Non-Executive Director</i>	5 out of 5	100
Dato’ Affuddin bin Abdul Kadir <i>Independent Non-Executive Director</i>	5 out of 5	100
Datuk Rozaida binti Omar <i>Non-Independent Non-Executive Director</i> <i>(Resigned on 4 December 2018)</i>	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:

- 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 cooperate as requested by members of the ARMC;
- have full and unrestricted access to any information, records, properties and personnel of the Company and of any other companies within the Group;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the ARMC’s meetings (if required) and to brief the ARMC;
- 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
- 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 2018, 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.

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### 3. INTERNAL AUDIT AND RISK MANAGEMENT

- a) Reviewed the Group's internal audit plan;
- b) Reviewed the internal audit reports which highlighted the audit issues, recommendation and the management's responses and directed actions to be taken by the management to rectify and improve the system of internal control;
- c) Monitored the implementation programme recommended by the Group IARM department arising from its audits in order to obtain assurance that all key risks and controls have been fully dealt with; and
- d) Reviewed the performance of members of IA Essential.

# SUSTAINABILITY STATEMENT



“

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 subsidiary 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.

## SUSTAINABILITY STATEMENT

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 22 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 2018, the Group had a total headcount of 1,735 employees (2017: 1,916). Out of the total workforce, 1,085 (62.5%) of the Group's employees were based in Europe, 575 (33.1%) from offices in Americas, and 75 (4.4%) were based in Rest of the World regions.

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

### 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.

#### VALUE CHAIN

Our beliefs in sustainability are embedded throughout our value chain, right from the start of a product being developed to it being used in the hands of our customers. We identify key sustainability issues within each level of process and tries to address them as best we can.

Value Chain	Sustainability Matters Considered
Product Development	<ul style="list-style-type: none"> <li>Product safety</li> </ul>
Material/ Merchandise Sourcing	<ul style="list-style-type: none"> <li>Certifications (for example: ISO)</li> <li>Environmental protection (for example: FSC)</li> <li>Supplier/vendor audits</li> <li>Supplier code of ethics</li> </ul>
Production	<ul style="list-style-type: none"> <li>Energy and water consumption</li> <li>Recycling of materials</li> <li>Workers working conditions</li> </ul>
Distribution	<ul style="list-style-type: none"> <li>Energy consumption</li> <li>Emissions</li> <li>Packaging materials</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Promoting environmentally safe products</li> <li>Promote recycling/reuse</li> </ul>



Pelikan products are renowned throughout the world and represent outstanding quality and safety. Over 1,700 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.

Some Pelikan and herlitz products are Blue Angel certified. The Blue Angel label guarantees that a product or service meets high standards when it comes to its environmental, health and performance characteristics. In the process, these products and services are always evaluated across their entire life cycle. Criteria are developed for each individual product group that must be fulfilled by those products and services awarded with the Blue Angel. In order to reflect technological advances, the Federal Environmental Agency (in Germany) reviews these criteria every three to four years. This process requires companies to constantly improve the environmental friendliness of their products over time.

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.

The Group's promotes the use of Forest Stewardship Council ("FSC") certified wood and paper based products in order to promote responsible management of the world forest. FSC is a non-profitable organisation that sets standard on forest products, along with certifying and labeling them as eco-friendly. In addition, the Group's German entities have also obtained the Programme for the Endorsement of Forest Certification ("PEFC") Chain of Custody certification.

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 2018. 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-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.

In addition, our Mexico plant has also been recertified as Environmentally Clean by the Mexican Government and the Poland plant was recertified with the Green Office Certification by the Polish Environmental Partnership Foundation.

As a responsible business with global manufacturing facilities, sustainable resource management is integral to Pelikan in maintaining its long-term ability to operate successfully. These relevant certifications are evidence of the Group's commitment as an environmentally friendly business and that efforts are made continually, for example, efficient use of energy and water consumption.

For the year, the major plants' consumption of energy and water were as follows:

	Electric (MWh)		Water (m <sup>3</sup> )	
	2018	2017	2018	2017
<b>Total</b>	<b>15,876</b>	16,077	<b>31,891</b>	34,420

## 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. Their 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.

#### Employment and Diversity

Pelikan Group operates a non-discriminatory policy and provides equal opportunity in all aspects of employment including gender diversity. As of 31 December 2018, the Group's employees mix for male and female was 56%: 44% (2017: mix for male and female was 57%: 43%).

It is unfortunate this year that two of our female Board members have resigned end of 2018 and early 2019. The Board is in the process of filling the vacancy and hopes that we will also be able to nominate new female Directors to the Board.

#### Health and Safety

It is important to us that the working conditions we offer are always 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.

For the year, the major plants' injuries and occupational illnesses incidence rate was 28 as compared to 40 in the prior year. The incident rate is well within industry standards and the Group will continue to monitor and improve the rates to ensure that the health and safety of our employees are well taken care off.

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 2019. In additions, we implemented periodical preventive medical checkups for workers facing potential side effects for hearing and seeing, noise control, driving/control/monitoring duties, fall risks, and special climate and environment conditions.

#### 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. The Group believes that the Group's business always grow together with our employees and much emphasis is put into ensuring our employees are equipped with the knowledge to perform their work and keep abreast of relevant market developments in addition to also having the right trainings/courses for employee's personal development. 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.

Throughout the year, the Group invested approximately RM714,000 (2017: RM586,000) in training and development of our employees to enhance knowledge or skills which are directly and indirectly related to our employees daily work.

#### Apprenticeship

Pelikan continues to engage in programmes that provide young people with skills and on-the-job training. We regard this as one of Pelikan's social responsibility - to provide job-related skills and basic work training to young people. In 2018, the Group hired 8 apprentices as permanent employees within the 81 ongoing apprentices training within several different technical and vocational departments, mainly in our production facilities.

#### 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.

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.

## COMMUNITIES

We want to have a 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, which is available at our website ([www.pelikan.com](http://www.pelikan.com)), 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. During the year, our Belgium office have also created a platform ([www.pikoo.eu](http://www.pikoo.eu)) for interactions with the teachers and pupils.



### 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 2018

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, we can play a part in enriching the lives of communities we operate in. By addressing the needs of the communities; be it students, teachers, or 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.

# SUSTAINABILITY STATEMENT

## Reaching Out and Giving Back

With Pelikan being a people focused business, our Group feels that it is important that we give back to our local communities. Our worldwide offices have participated in various charity events, and some initiatives were as follows:



### GERMANY



#### Helping socially disadvantaged children

DIE ARCHE is dedicated to helping socially disadvantaged children in particular. Pelikan promotes learning from an early age, and with this organisation's focus on education, Pelikan supports DIE ARCHE by donating school supplies. We have donated various learn-to-write products, school fountain pens, coloured pencils and homework books, which the kids can now use diligently to write, draw and do their homework.

Berliner Herz is a children day and night hospital in Berlin, which supports children and young adults, that are seriously ill. In cooperation with the work council, we have donated various products and monetary contributions, which were contributed by our people from the German office.

During the year, the German office have also made various contribution to other organisation, such as Missio (an organisation which supports the disadvantaged children in Africa) and NKR (the northern German bone marrow donors association).



### GREECE



#### Art lessons for children and adults

Sharing our passion for creative expression, Pelikan invested in teaching art methods and techniques using Pelikan colouring products to children in kindergartens and primary schools during their art lessons. Art lessons were also extended to university students and we participated in arts seminar for these undergraduates as a guest speaker.

#### Supporting nutrition awareness

We worked in cooperation with summer camps to add colour to the municipality nutrition programme. We engaged children to colour fruits and vegetables, and organised interactive games with the Pelikan mascot. Over 750 kids participated in these camps. We have participated in the closing festivities of these camps and managed to attract over 3,000 visitors to our booth.

#### Providing aid to help rebuild lives

We have assisted in the educational programmes and sponsoring of school materials to over 300 children in the Mati area outside of Athens, where almost the entire area was burnt down in July 2018 resulting in all schools destroyed and many families without a home in that area. As all the children were crowded up in a hotel, there was a real need to keep the children occupied. Pelikan Hellas along with volunteers from the Ministry of Education co-organised a programme to keep the children busy with education and playing for 4 - 6 hours a day over a course of 2 weeks.

### Read and colour inspiration for preschools and primary schools

In conjunction with Pelikan's 180th anniversary, we helped equip the art classes and school libraries of 180 schools. This was done in synergy with publication houses and International Board on Books for Young People ("IBBY").

### Sponsorship of educational activities

Pelikan, in cooperation with museums, municipality libraries and the GR University, actively sponsored educational events such as lectures for teachers and children programmes.



## MEXICO

### Meaningful contributions to the community



We have made contributions and donated products to cultural events and also sponsored a 5km race ("La Guía Rosa") to support the poor families in the local communities. In addition, the office have also organised an internal campaign to collect food for senior citizens in need.

We worked with Museo de la constancia to organise the "One day of Pelikan" children arts workshop every two months.

### Craft training programme for teachers

Pelikan organised a teacher training programme on innovative techniques for craft workshops which attracted 800 attendees. The objective was to allow skills learnt to cascade down to many more students as a multiplier effect.

### Dream night in African Safari

We worked together with African Safari, to organise safari and craft workshops for handicapped children.



## ARGENTINA

### Children and teacher workshops

We have organised two fun student and teacher workshops with a talented local art teacher, which served to celebrate creativity. The children role-played to be illustrators of books, and learnt different illustrative techniques through fun activities. Teachers were inspired by works of a local well-known artist and were tasked to design on cardboard with black markers and plasticine.

Beyond these, throughout the year from March to December teacher workshops for teachers of various levels, were conducted in the province to teach them various creative crafts using a diverse array of mixed techniques



## POLAND



### Supporting community events

Early in the year, Pelikan conducted crafting and colouring activities during the Grupa Azoty Przedszkoliada Tour. This was a series of events organised as part of Przedszkoliada.pl - a nationwide system of creativity development through painting, sports and motoring skills. There were 60 events organised in 39 locations throughout Poland. About 15,000 children took part in the events.

Later in July, Pelikan sponsored a special section for kids to colour and play during a two-day concert in Przemierowo, a location close to Herlitz Spolka z.o.o. headquarters location. About 1,500 people attended the event.

In December, supporting the local initiative of the Figurówka foundation, Herlitz Spolka z.o.o. was a co-sponsor of the paper and colouring award from the Ice Age series. There were about 250 participants for the event.

# SUSTAINABILITY STATEMENT

## MIDDLE EAST AND AFRICA



### Sponsorship of educational events

Pelikan was an active sponsor of educational events throughout the region. In Pakistan, we sponsored the Inter-School Scrabble Championship organised at Peshawar sports complex for students by Pakistan Scrabble Association. The entry forms, scoring sheets, and rule book for the event all carried the Pelikan brand. In addition, all giveaways, social media promotions and scrabble training session at Peshawar school was also funded by Pelikan.

In Kenya, Pelikan sponsored the Secondary School National Science Congress, an inter-city art and essay competition, Climate Change Competition, as well as several colouring and art competitions.



## HUNGARY

### Supported Interchurch Aid Organisation

In Hungary, we have made contributions and also performed voluntary work for programmes by the Interchurch Aid Organisation, mainly to support kids from poor families to attend schools.



## MALAYSIA

### Donations and recycling of schoolbags

We have made donations in kind for 210 students in a high school as part of the Malaysian volunteers' trip to Nepal. We also conducted a "Schoolbags Used for New" programme where customers donated their old schoolbags in return for a discount voucher for a new school bag. The collected bags were cleaned and then donated to children in charity homes.

# FINANCIAL CALENDAR

## 2018

<b>27 Feb</b>	Board Audit	Reviewed and approved the financial results for the 4 <sup>th</sup> 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
<b>29 Mar</b>	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
<b>24 May</b>	36 <sup>th</sup> AGM	Received the Audited Financial Statements for the financial year ended 31-12-2017 Approved the Directors' fees and re-appointment of External Auditors
<b>24 May</b>	Board Audit	Reviewed and approved the financial results for the 1 <sup>st</sup> quarter ended 31-03-2018
<b>28 Aug</b>	Board Audit	Reviewed and approved the financial results for the 2 <sup>nd</sup> quarter ended 30-06-2018
<b>15 Nov</b>	Board Audit	Reviewed and approved the financial results for the 3 <sup>rd</sup> quarter ended 30-09-2018 Presentation of Audit Plan for year 2019 Discussion of Proposed Meetings Calendar for year 2019

## 2019

<b>21 Feb</b>	Board Audit	Reviewed and approved the financial results for the 4 <sup>th</sup> quarter ended 31-12-2018
	Remuneration	Reviewed the remuneration package of Executive Director for year 2019
	Nomination	Reviewed the composition of the Board of Directors
<b>21 Mar</b>	Board Audit	Approved the Audited Financial Statements for the financial year ended 31-12-2018 Reviewed the statements and reports to be included in the Annual Report 2018
<b>23 May</b>	37 <sup>th</sup> AGM	Receive the Audited Financial Statements for the financial year ended 31-12-2018 Approve the Directors' fees and re-appointment of External Auditors
<b>23 May</b>	Board Audit	Review and approve the financial results for the 1 <sup>st</sup> quarter ended 31-03-2019
<b>22 Aug</b>	Board Audit	Review and approve the financial results for the 2 <sup>nd</sup> quarter ended 30-06-2019
<b>21 Nov</b>	Board Audit	Review and approve the financial results for the 3 <sup>rd</sup> quarter ended 30-09-2019 Presentation of Audit Plan for year 2020 Discussion of Proposed Meetings Calendar for year 2020



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## 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 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.

## RESULTS

	GROUP RM'000	COMPANY RM'000
Profit/(Loss) for the financial year	8,012	(91,265)
Attributable to:		
Owners of the parent	6,815	(91,265)
Non-controlling interests	1,197	-
	8,012	(91,265)

## DIVIDEND

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

## RESERVES AND PROVISIONS

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

## DIRECTORS

The 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  
Dato' Afifuddin bin Abdul Kadir  
Dato' Lua Choon Hann  
Datuk Rozaida binti Omar (resigned on 4 December 2018)  
Datin Normimy binti Mohamed Noor (resigned on 31 January 2019)

# DIRECTORS' REPORT

## 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  
Diego Alonso  
Dimiter Dimitrov  
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  
Sven Vergauwen  
Torsten Jahn  
Vincze Zóltan  
William Liu  
Yamil Valencia  
Janusz Godlewski (appointed on 1 September 2018)  
Malgorzata Zimmer-Mikolajczak (appointed on 1 September 2018)  
Werner Henning (retired on 31 March 2018)  
Gil Orfila (resigned on 1 June 2018)  
Frauke Wandrey (resigned on 30 June 2018)  
Daniel Frankenberg (resigned on 13 August 2018)  
Fred Ng (resigned on 31 December 2018)  
Flavio Monti (resigned on 17 January 2019)

## 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 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 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 Company granted 7,983,750 share options under the ESOS at an exercise price of RM1.35 per share option to the eligible executives and Directors. The ESOS expired on 28 February 2018 and no share options were exercised during the tenure of the ESOS.

## 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 RM370,972 (2017: RM324,252).

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

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

SHARES IN THE COMPANY	NUMBER OF ORDINARY SHARES			
	BALANCE AS AT 1.1.2018	ADDITIONS	DISPOSALS	BALANCE AS AT 31.12.2018
Loo Hooi Keat				
- Direct	53,875,923	3,595,700	(1,833,000)	55,638,623
- Indirect	42,708,852	-	(1,580,000)	41,128,852

OPTIONS GRANTED PURSUANT TO THE ESOS OF THE COMPANY	NUMBER OF OPTIONS OVER ORDINARY SHARES			
	BALANCE AS AT 1.1.2018	GRANTED	LAPSED	BALANCE AS AT 31.12.2018
Loo Hooi Keat	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 the Company's interests.

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

## 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; 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 PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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 21 March 2019.

**TAN SRI DATO' SRI ABI MUSA ASA'ARI**

**BIN MOHAMED NOR**

Director

Selangor Darul Ehsan

21 March 2019

**LOO HOOI KEAT**

Director

# 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 074 to 131 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 2018 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 21 March 2019.

**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 074 to 131 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 21 March 2019 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 2018 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 074 to 131.

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 2018, 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 RM133,136,000 and RM17,257,000 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 management to exercise 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PELIKAN INTERNATIONAL CORPORATION BERHAD

## KEY AUDIT MATTERS (continued)

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

#### Audit response

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

- (i) Challenged the identification and allocation of goodwill and trademarks to appropriate CGUs with reference to our understanding of the business segments of the Group;
- (ii) Assessed the historical reliability of management's projections by comparing prior period projections to actual results;
- (iii) Verified projected EBIT margins, growth rates and terminal values to support the assumptions used in the projections by corroborating to 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 RM270,222,000 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 by management to determine the valuation of post-employment benefit obligations due to the actuarial assumptions applied in its valuation. The key actuarial 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 discount rate applied in determining the Group's post-employment benefits obligations by comparing it to benchmark ranges based on market conditions and available actuarial data; and
- (iii) Assessed whether the methods used to determine key assumptions were consistently applied and evaluated the rationale for any changes in approach.

### c) Recoverability of trade receivables

Trade receivables of the Group and of the Company as at 31 December 2018 were RM159,115,000 and RM3,385,000 respectively as disclosed in Note 22 to the financial statements.

During the financial year, the Group and the Company have impaired RM2,097,000 and RM821,000 respectively in respect of trade receivables.

We considered this to be a key audit matter because it requires management to exercise significant judgements in determining probability of default by trade receivables and appropriate forward looking information to assess the expected credit loss allowances.

## KEY AUDIT MATTERS (continued)

### c) Recoverability of trade receivables (continued)

#### Audit response

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

- (i) Recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;
- (ii) Recomputed the correlation coefficient between forward looking factors used by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and
- (iii) Obtained an understanding from management on the rationale underlying the relationship between the forward-looking information and expected credit losses for our assessment.

### d) Impairment assessment of the carrying amounts of investments in subsidiaries

As at 31 December 2018, investments in subsidiaries of the Company were RM306,469,000 as disclosed in Note 16 to the financial statements.

We considered this to be a key audit matter because the determination of recoverable amounts requires management to exercise significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries in determining their 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 historical reliability of management’s projections by comparing prior period projections to actual results;
- (iii) Verified projected EBIT margins, growth rates and terminal values to support the assumptions used in the projections by corroborating to the findings from other areas of our audit;
- (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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PELIKAN INTERNATIONAL CORPORATION BERHAD

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON (continued)

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.

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.

## 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: (continued)

- 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 PLT**  
LLP0018825-LCA & AF 0206  
Chartered Accountants

21 March 2019  
Kuala Lumpur

**REJEESH A/L BALASUBRAMANIAM**  
02895/08/2020 J  
Chartered Accountants

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	GROUP		COMPANY	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Continuing operations</b>					
Revenue	6	1,123,994	1,234,835	81,334	106,642
Other operating income		34,158	34,048	4,214	24,841
Materials used		(506,056)	(587,179)	(78,318)	(101,760)
Staff costs	7	(340,038)	(354,292)	(5,112)	(4,981)
Depreciation of property, plant and equipment	14	(23,603)	(24,959)	(32)	(147)
Amortisation of intangible assets	15	(2,490)	(2,470)	-	-
Other operating expenses		(233,037)	(227,664)	(83,681)	(161,226)
Profit/(Loss) from operations	10	52,928	72,319	(81,595)	(136,631)
Finance costs	11	(23,668)	(25,726)	(9,670)	(10,021)
Profit/(Loss) before tax		29,260	46,593	(91,265)	(146,652)
Tax expense	12	(21,248)	(16,593)	-	-
Profit/(Loss) for the financial year from continuing operations		8,012	30,000	(91,265)	(146,652)
<b>Discontinued operations</b>					
Loss for the financial year from discontinued operations	16	-	(4,799)	-	-
Profit/(Loss) for the financial year		8,012	25,201	(91,265)	(146,652)
<b>Other comprehensive (loss)/income:</b>					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations					
		(13,652)	1,685	-	-
Reclassification adjustments relating to foreign currency translation of foreign operations deconsolidated					
		(3,853)	13,476	-	-
Item that will not be reclassified subsequently to profit or loss:					
Actuarial gain on defined benefit plans					
	25	1,321	2,284	-	-
Income tax					
	12	86	(172)	-	-
		(16,098)	17,273	-	-
Total comprehensive (loss)/income		(8,086)	42,474	(91,265)	(146,652)

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

	NOTE	GROUP		COMPANY	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) attributable to:					
Owners of the parent		6,815	25,356	(91,265)	(146,652)
Non-controlling interests		1,197	(155)	-	-
		<b>8,012</b>	25,201	<b>(91,265)</b>	(146,652)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(8,266)	42,220	(91,265)	(146,652)
Non-controlling interests		180	254	-	-
		<b>(8,086)</b>	42,474	<b>(91,265)</b>	(146,652)
Basic and diluted earnings per ordinary share attributable to equity holders of the Company (sen)					
From continuing and discontinued operations	13	1.24	4.62	-	-
From continuing operations	13	1.24	5.50	-	-

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTE	GROUP		COMPANY	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	380,379	400,982	52	71
Intangible assets	15	157,670	159,431	-	-
Investments in subsidiaries	16	-	-	306,469	310,844
Investments in associates	17	24	-	-	-
Other financial assets	18	2,342	2,467	-	-
Pension Trust Fund	19	135,995	134,608	135,995	134,608
Deferred tax assets	20	110,973	116,905	-	-
		<b>787,383</b>	<b>814,393</b>	<b>442,516</b>	<b>445,523</b>
<b>Current assets</b>					
Inventories	21	239,891	250,654	-	-
Receivables, deposits and prepayments	22	253,016	322,264	282,845	292,451
Tax recoverable		14,375	7,703	198	198
Pension Trust Fund	19	14,869	16,256	14,869	16,256
Deposits, cash and bank balances	23	45,608	52,414	9,518	3,554
		<b>567,759</b>	<b>649,291</b>	<b>307,430</b>	<b>312,459</b>
<b>TOTAL ASSETS</b>		<b>1,355,142</b>	<b>1,463,684</b>	<b>749,946</b>	<b>757,982</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	24	618,887	618,887	618,887	618,887
Foreign currency translation reserves		(78,500)	(62,043)	-	-
Equity-settled employee benefits	24(c)	-	226	-	226
Accumulated losses		(96,663)	(105,080)	(237,200)	(146,161)
Treasury shares, at cost	24(b)	(5,150)	(5,150)	(5,150)	(5,150)
		<b>438,574</b>	<b>446,840</b>	<b>376,537</b>	<b>467,802</b>
Non-controlling interests		464	284	-	-
<b>Total equity</b>		<b>439,038</b>	<b>447,124</b>	<b>376,537</b>	<b>467,802</b>

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

	NOTE	GROUP		COMPANY	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-current liabilities</b>					
Post-employment benefit obligations	25	270,222	311,230	-	-
Payables	27	-	-	136,309	-
Borrowings	26	96,638	49,684	9,000	11,000
Deferred tax liabilities	20	15,255	17,042	-	-
		<b>382,115</b>	<b>377,956</b>	<b>145,309</b>	<b>11,000</b>
<b>Current liabilities</b>					
Payables	27	184,892	209,516	117,967	131,609
Borrowings	26	302,999	388,954	110,133	147,571
Current tax liabilities		46,098	40,134	-	-
		<b>533,989</b>	<b>638,604</b>	<b>228,100</b>	<b>279,180</b>
<b>Total liabilities</b>		<b>916,104</b>	<b>1,016,560</b>	<b>373,409</b>	<b>290,180</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,355,142</b>	<b>1,463,684</b>	<b>749,946</b>	<b>757,982</b>

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

GROUP	NOTE	NON-DISTRIBUTABLE					ACCUMULATED LOSSES	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON- CONTROLLING INTERESTS	TOTAL EQUITY
		SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	FOREIGN CURRENCY TRANSLATION RESERVES RM'000	EQUITY- SETTLED EMPLOYEE BENEFITS RM'000				
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(c)	-	-	-	-	-	(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
At 1 January 2018		618,887	(5,150)	-	(62,043)	226	(105,080)	446,840	284	447,124
Profit for the financial year		-	-	-	-	-	6,815	6,815	1,197	8,012
Other comprehensive (loss)/income		-	-	-	(16,457)	-	1,376	(15,081)	(1,017)	(16,098)
Total comprehensive (loss)/income		-	-	-	(16,457)	-	8,191	(8,266)	180	(8,086)
Transactions with owners:										
ESOS lapsed	24(c)	-	-	-	-	(226)	226	-	-	-
At 31 December 2018		618,887	(5,150)	-	(78,500)	-	(96,663)	438,574	464	439,038

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

COMPANY	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	NON-DISTRIBUTABLE			TOTAL EQUITY RM'000
				SHARE PREMIUM RM'000	EQUITY- SETTLED EMPLOYEE BENEFITS RM'000	RETAINED PROFITS/ (ACCUMULATED LOSSES) RM'000	
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
At 1 January 2018		<b>618,887</b>	<b>(5,150)</b>	-	<b>226</b>	<b>(146,161)</b>	<b>467,802</b>
Loss for the financial year/ Total comprehensive loss		-	-	-	-	(91,265)	(91,265)
Transactions with owners: ESOS lapsed	24(c)	-	-	-	(226)	226	-
At 31 December 2018		<b>618,887</b>	<b>(5,150)</b>	-	-	<b>(237,200)</b>	<b>376,537</b>

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		GROUP	
	NOTE	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		1,214,570	1,346,630
Cash paid to suppliers and employees		(1,139,797)	(1,310,506)
		<b>74,773</b>	36,124
Interest received		707	299
Interest paid		(19,709)	(23,833)
Taxation paid		(20,548)	(51,761)
Net cash from/(used in) operating activities		<b>35,223</b>	(39,171)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest paid		(3,949)	(2,558)
Purchase of property, plant and equipment	14(d)	(11,946)	(12,446)
Proceeds from disposal of property, plant and equipment		1,581	6,374
Purchase of intangible assets	15	(1,171)	(1,379)
Proceeds from disposal of intangible assets		-	11,754
Net cash inflow/(outflow) arising from the disposal/ deconsolidation of subsidiaries	16	4,474	(1,708)
Acquisition of additional interests in an associate		(24)	-
Proceeds from disposal of other financial assets		24	287
Net cash (used in)/from investing activities		<b>(11,011)</b>	324
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Deposits uplifted/(pledged)		498	(736)
Drawdowns of bank borrowings		461,565	455,960
Repayments of bank borrowings		(489,303)	(403,319)
Repayments of hire purchase and lease payables		(865)	(425)
Acquisitions of shares from non-controlling interests		-	(19,679)
Net cash (used in)/from financing activities		<b>(28,105)</b>	31,801
Net decrease in cash and cash equivalents during the financial year		<b>(3,893)</b>	(7,046)
Effects of exchange rate changes on cash and cash equivalents		1,025	(1,279)
Cash and cash equivalents at beginning of the financial year		42,461	50,786
Cash and cash equivalents at end of the financial year	23	<b>39,593</b>	42,461

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

	NOTE	COMPANY	
		2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		83,499	101,098
Cash paid to suppliers and employees		(95,585)	(107,573)
		(12,086)	(6,475)
Interest received		13	18
Interest paid		(8,781)	(9,737)
Net cash used in operating activities		(20,854)	(16,194)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest paid		(889)	(284)
Dividends received		-	300
Purchase of property, plant and equipment	14(d)	(13)	(47)
Acquisition of additional interest in a subsidiary		(2)	(1,415)
Repayments from subsidiaries		69,344	53,401
Net cash from investing activities		68,440	51,955
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Deposits pledged		(8)	(230)
Drawdowns of bank borrowings		170,985	142,289
Repayments of bank borrowings		(212,616)	(158,540)
Repayments of hire purchase and lease payables		-	(43)
Acquisitions of shares from non-controlling interests		-	(19,679)
Net cash used in financing activities		(41,639)	(36,203)
Net increase/(decrease) in cash and cash equivalents during the financial year		5,947	(442)
Effects of exchange rate changes on cash and cash equivalents		9	(315)
Cash and cash equivalents at beginning of the financial year		3,044	3,801
Cash and cash equivalents at end of the financial year	23	9,000	3,044

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 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 21 March 2019.

### 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 logistics services and investment holding. The Group distributes its products through wholesalers, dealers, retailers, modern trade channels including hypermarkets, schools and specialised stores for luxury items. There have been no significant changes in the nature of the Group's activities during the financial year.

### 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 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 2018, including MFRS 9 Financial Instruments and MFRS 15 Revenue From Contract With Customers. The adoption of these new and revised MFRSs did not have any material impact on the financial statements of the Group and of the Company or any opening balance adjustment to the accumulated losses of the Group and of 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 MFRSs	Annual Improvements to MFRSs 2015-2017 Cycle <ul style="list-style-type: none"> <li>• Amendments to MFRS 3 Business Combinations</li> <li>• Amendments to MFRS 112 Income Taxes</li> <li>• Amendments to MFRS 123 Borrowing Costs</li> </ul>	1 January 2019 1 January 2019 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
Amendments to References to Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 for the financial year ended 31 December 2017 do not include any amounts for the discontinued operations in the previous financial year.

## 5. SEGMENT INFORMATION (continued)

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

2018	GERMANY RM'000	REST OF EUROPE RM'000	AMERICAS RM'000	REST OF WORLD RM'000	ELIMINATION RM'000	GROUP RM'000
<b>Revenue:</b>						
External customers	626,270	249,360	187,295	61,069	-	1,123,994
Inter-segment	364,371	30,627	12,704	120,593	(528,295)	-
<b>Total revenue</b>	<b>990,641</b>	<b>279,987</b>	<b>199,999</b>	<b>181,662</b>	<b>(528,295)</b>	<b>1,123,994</b>
<b>Results:</b>						
Segment result	822	6,351	34,101	26,579	(14,925)	52,928
Finance costs	(18,427)	(6,002)	(4,881)	(10,945)	16,587	(23,668)
Taxation	(3,478)	(2,851)	(11,495)	(3,424)	-	(21,248)
<b>(Loss)/Profit for the financial year</b>	<b>(21,083)</b>	<b>(2,502)</b>	<b>17,725</b>	<b>12,210</b>	<b>1,662</b>	<b>8,012</b>
<b>Other segment information:</b>						
Interest income	8,021	2,554	3,227	3,773	(16,868)	707
Depreciation and amortisation	17,550	3,465	4,824	254	-	26,093
Other material non-cash items:						
Impairment losses on receivables - net	278	784	92	900	-	2,054
(Reversal of inventories)/ Inventories written down - net	(1,217)	58	-	19	-	(1,140)
Capital expenditure	4,619	5,700	5,772	38	-	16,129
<b>Assets:</b>						
Segment assets	754,424	140,075	184,022	125,757	-	1,204,278
Pension trust fund	-	-	-	150,864	-	150,864
						<b>1,355,142</b>
<b>Liabilities:</b>						
Segment liabilities	488,119	205,646	82,908	139,431	-	916,104

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5. SEGMENT INFORMATION (continued)

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

2017	GERMANY RM'000	REST OF EUROPE RM'000	AMERICAS RM'000	REST OF WORLD RM'000	ELIMINATION RM'000	GROUP RM'000
<b>Revenue:</b>						
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)	-
<b>Total revenue</b>	<b>1,095,018</b>	<b>302,758</b>	<b>227,990</b>	<b>209,129</b>	<b>(600,060)</b>	<b>1,234,835</b>
<b>Results:</b>						
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)
<b>(Loss)/Profit for the financial year</b>	<b>(1,113)</b>	<b>(14,103)</b>	<b>25,872</b>	<b>22,200</b>	<b>(2,856)</b>	<b>30,000</b>
<b>Other segment information:</b>						
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
<b>Assets:</b>						
Segment assets	829,583	163,313	180,571	139,353	-	1,312,820
Pension trust fund	-	-	-	150,864	-	150,864
						<b>1,463,684</b>
<b>Liabilities:</b>						
Segment liabilities	511,739	226,024	93,125	185,672	-	1,016,560

## 5. SEGMENT INFORMATION (continued)

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

### Business segment information

	GROUP	
	2018 RM'000	2017 RM'000
Revenue:		
Sale of goods	1,085,487	1,190,339
Logistics and related services	30,417	25,821
Information technology and related services	8,090	18,675
	<b>1,123,994</b>	<b>1,234,835</b>

## 6. REVENUE

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods	1,085,487	1,190,339	81,334	106,642
Services rendered	38,507	44,496	-	-
	<b>1,123,994</b>	<b>1,234,835</b>	<b>81,334</b>	<b>106,642</b>

Revenue is recognised at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration arising from rebates and discounts given to its customers. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 5 to the financial statements, which has been presented based on geographical location from which the sale transactions originated.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 7. STAFF COSTS

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	264,994	285,521	4,313	4,299
Defined contribution plan	62,439	55,442	455	474
Defined benefit plan	4,271	4,507	-	-
Other employee related benefits	8,334	8,822	344	208
	<b>340,038</b>	<b>354,292</b>	<b>5,112</b>	<b>4,981</b>

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and bonuses	15,593	17,636	1,878	1,788
Defined contribution plan	298	298	209	215
Defined benefit plan	261	300	-	-
Other employee related benefits	837	945	111	111
	<b>16,989</b>	<b>19,179</b>	<b>2,198</b>	<b>2,114</b>

### 9. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-executive Directors</b>				
Fees	366	370	366	370
Allowances	32	32	32	32
	<b>398</b>	<b>402</b>	<b>398</b>	<b>402</b>
<b>Executive Director</b>				
Salaries	1,878	1,788	1,878	1,788
Defined contribution plan	209	215	209	215
Estimated monetary value of benefits in kind	111	111	111	111
	<b>2,596</b>	<b>2,516</b>	<b>2,596</b>	<b>2,516</b>

## 10. PROFIT/(LOSS) FROM OPERATIONS

Other than those disclosed elsewhere in the financial statements, profit/(loss) from operations is arrived at after charging/(crediting):

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:				
- statutory audit	1,902	2,551	230	181
- underprovision in prior years	-	82	-	-
Dividend income	-	-	-	(300)
External logistics, outward freight and packaging	39,467	41,565	-	-
Fair value adjustments on derivative liabilities	-	(412)	-	-
Impairment losses on investment in subsidiaries	-	-	4,377	55,605
Impairment losses on receivables - net	2,054	515	900	-
Interest income from:				
- deposits with licensed banks and others	(707)	(299)	(13)	(18)
- subsidiaries	-	-	(3,460)	(3,826)
Loss/(Gain) on disposal of property, plant and equipment	376	(9,731)	-	-
Loss compensation to a subsidiary	-	-	60,282	-
Loss on disposal of intangible asset	145	-	-	-
Net foreign exchange (gain)/loss	(4,063)	(6,815)	1,823	(20,228)
Operating lease payments recognised as expense	17,038	19,719	61	141
Research and development expenses	12,185	11,556	-	-
(Reversal of impairment)/impairment losses on amounts due from subsidiaries - net	-	-	(2,205)	101,173
(Reversal of inventories)/inventories written down - net	(1,140)	316	-	-
Sales promotion	49,513	51,303	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 11. FINANCE COSTS

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on bank borrowings	21,302	23,068	6,344	7,821
Factoring charges	2,366	2,658	-	-
Interest - others	-	-	3,326	2,200
	<b>23,668</b>	<b>25,726</b>	<b>9,670</b>	<b>10,021</b>

## 12. TAX EXPENSE

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current year tax expense based on profit for the financial year:				
- Malaysian tax	-	-	-	-
- Foreign tax	19,653	19,212	-	-
	<b>19,653</b>	<b>19,212</b>	<b>-</b>	<b>-</b>
Under/(Over)-provision in prior years	727	(97)	-	-
	<b>20,380</b>	<b>19,115</b>	<b>-</b>	<b>-</b>
Deferred tax	868	(2,472)	-	-
Tax expense	<b>21,248</b>	<b>16,643</b>	<b>-</b>	<b>-</b>
Tax expense from:				
Continuing operations	21,248	16,593	-	-
Discontinued operations	-	50	-	-
	<b>21,248</b>	<b>16,643</b>	<b>-</b>	<b>-</b>
Deferred tax:				
Amounts recognised in profit or loss	868	(2,472)	-	-
Amounts recognised in other comprehensive income	(86)	172	-	-
Total (Note 20)	<b>782</b>	<b>(2,300)</b>	<b>-</b>	<b>-</b>

## 12. TAX EXPENSE (continued)

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) before tax from:				
Continuing operations	29,260	46,593	(91,265)	(146,652)
Discontinued operations	-	(4,749)	-	-
	<b>29,260</b>	<b>41,844</b>	<b>(91,265)</b>	<b>(146,652)</b>
Tax expense at Malaysian statutory tax rate of 24% (2017: 24%)	7,022	10,043	(21,904)	(35,196)
Tax effects of:				
- different tax regime	(1,574)	(1,474)	-	-
- expenses not deductible for tax purposes	3,064	7,306	20,837	33,411
- income not subject to tax	(2,438)	(5,150)	(834)	(994)
- deferred tax assets not recognised in respect of current year's tax losses	14,447	6,015	1,901	2,779
- under/(over)-provision in prior years	727	(97)	-	-
Tax expense	<b>21,248</b>	<b>16,643</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

	GROUP	
	2018	2017
<b>Basic earnings/(loss) per ordinary share (sen):</b>		
From continuing operations	1.24	5.50
From discontinued operations	-	(0.88)
<b>Total basic earnings per ordinary share</b>	<b>1.24</b>	<b>4.62</b>

#### Basic:

Basic earnings per ordinary share 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	
	2018	2017
Profit attributable to owners of the parent (RM'000)	6,815	25,356
Loss for the financial year from discontinued operations used in the calculation of basic earnings per share from discontinued operations (RM'000)	-	4,799
<b>Profit used in the calculation of basic earnings per share from continuing operations (RM'000)</b>	<b>6,815</b>	<b>30,155</b>
<b>Weighted average number of ordinary shares in issue ('000)</b>	<b>548,368</b>	<b>548,368</b>

#### Diluted:

Diluted earnings per ordinary share 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 ESOS lapsed on 28 February 2018. Accordingly, the diluted earnings per ordinary share is the same as the basic earnings/(loss) per ordinary shares. In the previous financial year, 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 had an anti-dilution effect thereon.

## 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
<b>Carrying amounts</b>							
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
At 1 January 2018	26,786	250,517	100,074	19,423	735	3,447	400,982
Additions	-	52	2,988	3,002	223	8,693	14,958
Disposals	-	-	(1,129)	(785)	(43)	-	(1,957)
Transfers (Note 15)	-	5	5,843	2,152	-	(8,940)	(940)
Depreciation	-	(5,422)	(13,818)	(4,122)	(241)	-	(23,603)
Reversal of impairment/ (Impairment)	-	-	721	(109)	-	-	612
Written off	-	-	(153)	-	-	-	(153)
De-recognition of subsidiaries	-	-	-	(85)	-	-	(85)
Foreign currencies translation	(24)	(5,505)	(2,660)	(1,278)	13	19	(9,435)
At 31 December 2018	26,762	239,647	91,866	18,198	687	3,219	380,379

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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
<b>At 31 December 2018</b>							
Cost	26,762	398,177	402,211	118,495	3,345	3,219	952,209
Accumulated depreciation and impairment	-	(158,530)	(310,345)	(100,297)	(2,658)	-	(571,830)
Carrying amounts	26,762	239,647	91,866	18,198	687	3,219	380,379
<b>At 31 December 2017</b>							
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
<b>COMPANY</b>							
<b>Carrying amounts</b>							
At 1 January 2017				3	83	85	171
Additions				-	47	-	47
Depreciation				(1)	(61)	(85)	(147)
At 31 December 2017/1 January 2018				2	69	-	71
Additions				-	13	-	13
Depreciation				(2)	(30)	-	(32)
At 31 December 2018				-	52	-	52
<b>At 31 December 2018</b>							
Cost				434	599	1,149	2,182
Accumulated depreciation and impairment				(434)	(547)	(1,149)	(2,130)
Carrying amounts				-	52	-	52
<b>At 31 December 2017</b>							
Cost				434	586	1,149	2,169
Accumulated depreciation and impairment				(432)	(517)	(1,149)	(2,098)
Carrying amounts				2	69	-	71

## 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 26 to the financial statements are as follows:

	GROUP	
	2018 RM'000	2017 RM'000
Freehold land and buildings	183,131	193,092
Machinery and technical equipment	4,059	4,633
	<b>187,190</b>	<b>197,725</b>

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

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment	14,958	16,212	13	47
Financed by hire purchase arrangements	(922)	(1,273)	-	-
Payables	(2,090)	(2,493)	-	-
Cash payments on purchase of property, plant and equipment	<b>11,946</b>	<b>12,446</b>	<b>13</b>	<b>47</b>

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

	GROUP	
	2018 RM'000	2017 RM'000
Machinery, technical equipment and mould	1,154	1,250
Office equipment, furniture and fittings	-	54
	<b>1,154</b>	<b>1,304</b>

- (f) Depreciation from continuing operations and discontinued operations of the Group amounted to RM23,603,000 and RMNil (2017: RM24,959,000 and RM1,028,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 15. INTANGIBLE ASSETS

GROUP	GOODWILL RM'000	TRADEMARKS RM'000	DEVELOPMENT COSTS RM'000	COMPUTER SOFTWARE LICENSE RM'000	TOTAL RM'000
<b>Carrying amounts</b>					
At 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)
<b>At 31 December 2017/1 January 2018</b>	<b>133,656</b>	<b>17,748</b>	<b>3,099</b>	<b>4,928</b>	<b>159,431</b>
Additions	-	-	-	1,171	1,171
Disposals	-	-	-	(145)	(145)
Transfer from property, plant and equipment (Note 14)	-	-	-	940	940
Amortisation	-	-	(432)	(2,058)	(2,490)
De-recognition of subsidiaries	-	-	-	(100)	(100)
Foreign currencies translation	(520)	(491)	(84)	(42)	(1,137)
<b>At 31 December 2018</b>	<b>133,136</b>	<b>17,257</b>	<b>2,583</b>	<b>4,694</b>	<b>157,670</b>
<b>At 31 December 2018</b>					
Cost	137,825	26,826	21,461	58,737	244,849
Accumulated amortisation and impairment	(4,689)	(9,569)	(18,878)	(54,043)	(87,179)
<b>Carrying amounts</b>	<b>133,136</b>	<b>17,257</b>	<b>2,583</b>	<b>4,694</b>	<b>157,670</b>
<b>At 31 December 2017</b>					
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)
<b>Carrying amounts</b>	<b>133,656</b>	<b>17,748</b>	<b>3,099</b>	<b>4,928</b>	<b>159,431</b>

Amortisation from continuing operations and discontinued operations amounted to RM2,490,000 and RMNil (2017: RM2,470,000 and RM246,000) respectively.

## 15. INTANGIBLE ASSETS (continued)

### Goodwill and Trademarks:

Allocation of goodwill and trademarks:

	GROUP	
	2018 RM'000	2017 RM'000
<b>Goodwill</b>		
Germany	102,002	103,240
Switzerland	3,698	3,663
Argentina	13,915	13,634
Japan	12,458	12,043
Taiwan	1,063	1,076
	<b>133,136</b>	<b>133,656</b>
<b>Trademarks</b>		
Germany	17,257	17,748

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.

Judgements and estimates had been used to determine the key assumptions used for value-in-use calculations:

	EBIT margin		Growth rate		Discount rate	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Germany	3.3	3.7	1.3	1.3	7.3	7.4
Switzerland	4.8	6.0	1.3	1.3	6.9	6.6
Argentina	14.6	4.9	15.5	7.5	26.5	19.5
Japan	21.5	22.6	1.5	1.5	7.7	7.6
Taiwan	21.9	38.5	3.5	1.5	7.5	7.5

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 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	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	331,009	331,007
Less: Impairment losses	(24,540)	(24,540)
	<b>306,469</b>	306,467
Amounts due from subsidiaries (Non-trade)	80,703	80,703
Less: Impairment losses	(80,703)	(76,326)
	-	4,377
	<b>306,469</b>	310,844

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. 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.

In the previous financial year, amounts due from subsidiaries amounting to RM4,377,000 were considered to be part of the Company's net investments in subsidiaries, which were stated at cost less accumulated impairment losses.

Details of the subsidiaries are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2018 %	2017 %	
<b>Direct subsidiaries</b>				
Pelikan Holding AG	Switzerland	97.36	97.36	Investment holding
Pelikan Hardcopy Holding AG	Switzerland	100.00	100.00	Investment holding
Pelikan Group GmbH*	Germany	98.64	98.64	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	99.93	Investment 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.*	Czech Republic	100.00	100.00	Dormant

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2018 %	2017 %	
<b>Indirect subsidiaries</b>				
<b>Held through Pelikan Holding AG</b>				
Pelikan Nederland B.V.*	Netherlands	97.36	97.36	Dormant
Pelikan Hellas Single Member Ltd. (formerly known as Pelikan Hellas Ltd.)*	Greece	97.36	97.36	Distribution of stationery and office products
Pelikan Austria Gesellschaft m.b.H.*	Austria	97.36	97.36	Dormant
Pelikan PBS-Produktion Verwaltungs-GmbH*	Germany	97.36	97.36	Dormant
Pelikan PBS-Produktionsgesellschaft mbH & Co. KG	Germany	97.36	97.36	Production and distribution of stationery and office products
Pelikan GmbH	Germany	97.36	97.36	Investment holding
Pelikan France S.A.S.	France	97.36	97.36	Distribution of stationery and office products
Linea GmbH*	Germany	97.36	97.36	Dormant
ReMerch GmbH*	Germany	97.36	97.36	Dormant
Pelikan Hardcopy Distribution GmbH & Co. KG	Germany	97.36	97.36	Dormant
Pelikan Hardcopy Distribution Verwaltungs GmbH*	Germany	97.36	97.36	Dormant
Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd. Sirketi*	Turkey	98.41	98.41	Distribution of stationery and office products
Pelikan Asia Sdn. Bhd.	Malaysia	97.36	97.36	Distribution of stationery and office products
<b>Held through Pelikan Hardcopy Holding AG</b>				
Pelikan Hardcopy Production AG	Switzerland	100.00	100.00	Dormant
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	Voluntary liquidated
Pelikan Hardcopy Asia Pacific Ltd.*	Hong Kong	100.00	100.00	Dormant

## 16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2018 %	2017 %	
<b>Indirect subsidiaries (continued)</b>				
<b>Held through Pelikan Group GmbH</b>				
eCom Logistik GmbH (formerly known as eCom Logistik Verwaltungs GmbH)*	Germany	98.64	98.64	Logistics services
eCom Logistik GmbH & Co. KG*Ω	Germany	-	98.64	Logistics services
Herlitz Papierverarbeitings GmbH*Ω	Germany	-	98.64	Dormant
Mercoline GmbH*	Germany	-	98.64	Production and distribution of software and provision of IT services
Pelikan Vertriebsgesellschaft mbH & Co. KG*	Germany	98.64	98.64	Distribution of stationery and office products
Pelikan N.V./S.A.	Belgium	98.64	98.64	Distribution of stationery and office products
Pelikan S.A.	Spain	98.64	98.64	Distribution of stationery and office products
Pelikan Italia S.p.A.	Italy	98.64	98.64	Distribution of stationery and office products
Pelikan (Schweiz) AG	Switzerland	98.64	98.64	Distribution of stationery and office products
Convex Schreibwaren-Handels GmbH*	Germany	98.64	98.64	Distribution of stationery and office products
Herlitz Bulgaria EooD*	Bulgaria	98.64	98.64	Distribution of stationery and office products
Herlitz Hungária Kft.*	Hungary	98.64	98.64	Distribution of stationery and office products
Herlitz Spol s.r.o.*	Czech Republic	98.64	98.64	Distribution of stationery and office products
Herlitz România S.R.L.*	Romania	50.31	50.31	Distribution of stationery and office products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 16. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2018 %	2017 %	
<b>Indirect subsidiaries (continued)</b>				
<b>Held through Pelikan Group GmbH (continued)</b>				
Herlitz Spolka z.o.o.*	Poland	<b>98.64</b>	98.64	Production and distribution of stationery and office products
Pelikan Vertrieb Verwaltungs-GmbH*	Germany	<b>98.64</b>	98.64	Dormant
Herlitz Slovakia s.r.o.*	Slovakia	<b>98.64</b>	98.64	Distribution of stationery and office products
Pelikan México S.A. de C.V.	Mexico	<b>98.64</b>	98.64	Production and distribution of stationery and office products
Pelikan Argentina S.A.	Argentina	<b>98.64</b>	98.64	Distribution of stationery and office products
Pelikan Colombia S.A.S.	Colombia	<b>98.64</b>	98.64	Production and distribution of stationery and office products
Pelikan Japan K.K.*	Japan	<b>98.64</b>	98.64	Distribution of stationery and office products
Pelikan Middle East FZE*	United Arab Emirates	<b>98.64</b>	98.64	Distribution of stationery and office products
Pelikan Taiwan Co., Ltd.*	Taiwan	<b>98.64</b>	98.64	Distribution of stationery and office products
Pelikan Procurement Sdn. Bhd.	Malaysia	<b>98.64</b>	98.64	Distribution of stationery and office products

\* Not audited by BDO or BDO member firms.

^ Liquidated during the financial year.

Ω During the year, the business (including assets and liabilities) of eCom Logistik GmbH & Co. KG (“eCom”) and Herlitz Papierverarbeitungs GmbH (“HPV”) had been merged into eCom Logistik GmbH (formerly known as eCOM Logistik Verwaltungs GmbH) and Pelikan Group GmbH respectively. eCom and HPV were dissolved and there were no material financial effects arising therefrom.

## 16. INVESTMENTS IN SUBSIDIARIES (continued)

- (a) Investments in subsidiaries amounting to RM139,840,141 (2017: RM181,678,511) were pledged as security for borrowings of the Company as disclosed in Note 26 to the financial statements.
- (b) On 31 May 2018, the Group disposed of Mercoline GmbH, a wholly owned subsidiary of Pelikan Group GmbH to a third party. In addition, during the current financial year, Dongguan Pelikan Hardcopy Ltd. was voluntarily liquidated. The effects of the assets, liabilities and net cash flow are as follows:

	GROUP 2018 RM'000
<b>Current assets</b>	
Receivables	3,072
Cash and bank balances	4,884
<b>Non-current assets</b>	
Property, plant and equipment	85
Intangible assets	100
<b>Current liabilities</b>	
Payables	(4,498)
Net assets disposed / liquidated	3,643
Total consideration	(9,358)
	(5,715)
Transfer from foreign exchange reserve	(3,853)
Gain on disposal and liquidation of subsidiaries	(9,568)
	GROUP 2018 RM'000
Total consideration	9,358
Cash and bank balances	(4,884)
Net cash inflow	4,474

- (c) In the previous financial year,
- i. a total consideration of RM19,679,000 was paid to acquire the non-controlling interests' shares in Pelikan Group GmbH;
  - ii. the Group disposed of the point-of-sale and printer consumable business and classified it as discontinued operation. The loss from discontinued operations was RM4,799,000 as disclosed in the statements of comprehensive income; and
  - iii. the Group also ceased to govern the financial and operating policies of Pelikan Hardcopy Scotland Limited ("PHSL"). The disposal of the point-of sale business and deconsolidation of PHSL resulted in a loss on disposal and deconsolidation of subsidiaries and net cash outflow of RM4,423,000 and RM1,708,000 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 16. INVESTMENTS IN SUBSIDIARIES (continued)

- (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		PRINCIPAL ACTIVITIES
		2018 %	2017 %	
<b>Indirect associates</b>				
Artof C.A.*	Venezuela	<b>21.91</b>	21.91	Dormant
Kreuzer Produktion + Vertrieb GmbH*	Germany	<b>19.46</b>	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. OTHER FINANCIAL ASSETS

	GROUP	
	2018 RM'000	2017 RM'000
Quoted shares	2,342	2,442
Unquoted shares	-	25
	<b>2,342</b>	<b>2,467</b>
Market value of quoted shares	<b>2,342</b>	<b>2,442</b>

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:

	2018 RM'000	2017 RM'000
At 1 January	25	24
Disposal	(24)	-
Foreign currencies translation	(1)	1
At 31 December	-	25

## NOTES TO THE FINANCIAL STATEMENTS

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### 19. PENSION TRUST FUND

	GROUP AND COMPANY	
	2018	2017
	RM'000	RM'000
Current	14,869	16,256
Non-current	135,995	134,608
	<b>150,864</b>	<b>150,864</b>

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	
	2018	2017
	RM'000	RM'000
Liabilities funded by Pension Trust Fund	95,581	116,439
Liabilities assumed by the Company	65,087	65,087
	<b>160,668</b>	<b>181,526</b>
Other post-employment benefit obligations of the Group	109,554	129,704
	<b>270,222</b>	<b>311,230</b>

## 20. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Presented after appropriate offsetting as follows:</b>				
Deferred tax assets				
- subject to income tax	110,973	116,905	-	-
Deferred tax liabilities:				
- subject to income tax	(10,506)	(12,191)	-	-
- subject to capital gains tax	(4,749)	(4,851)	-	-
	(15,255)	(17,042)	-	-
	<b>95,718</b>	<b>99,863</b>	-	-
Movement in the deferred tax assets/(liabilities) were as follows:				
At 1 January	99,863	94,934	-	-
Credited/(charged) to statement of comprehensive income: (Note 12)				
- tax losses	(620)	2,433	-	-
- property, plant and equipment	3,251	933	-	-
- inventories	747	551	-	-
- others	(4,160)	(1,617)	-	-
	(782)	2,300	-	-
Foreign currencies translation	(3,363)	2,629	-	-
At 31 December	<b>95,718</b>	<b>99,863</b>	-	-
<b>Subject to income tax:</b>				
<b>Deferred tax assets</b>				
Tax losses	74,086	76,830	-	-
Others	36,887	40,075	-	-
	<b>110,973</b>	<b>116,905</b>	-	-
<b>Deferred tax liabilities</b>				
Property, plant and equipment and intangible assets	(10,506)	(12,191)	-	-
<b>Subject to capital gains tax:</b>				
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(4,749)	(4,851)	-	-

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unused tax losses	288,762	274,315	16,229	14,328

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 21. INVENTORIES

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>At cost</b>				
Raw materials	33,048	37,143	-	-
Work in progress	30,289	35,793	-	-
Finished goods	140,739	129,278	-	-
	<b>204,076</b>	202,214	-	-
<b>At net realisable value</b>				
Raw materials	4,456	4,924	-	-
Work in progress	2,152	5,001	-	-
Finished goods	29,207	38,515	-	-
	<b>239,891</b>	250,654	-	-

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 RM600,805,000 (2017: RM709,258,000).

Inventories of the Group pledged as security for borrowings amounted to RM45,848,000 (2017: RM46,180,000) as disclosed in Note 26 to the financial statements.

## 22. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Trade receivables</b>				
Amounts due from:				
- Third parties	168,355	209,660	821	844
- Subsidiaries	-	-	3,385	3,083
	168,355	209,660	4,206	3,927
Less: Impairment losses	(9,240)	(8,129)	(821)	-
	159,115	201,531	3,385	3,927
<b>Other receivables</b>				
Amounts due from:				
- Third parties	88,732	114,310	117,558	117,205
- Subsidiaries	-	-	281,169	293,085
	88,732	114,310	398,727	410,290
Less: Impairment losses	-	-	(120,093)	(122,219)
	88,732	114,310	278,634	288,071
Prepayments	4,300	5,550	669	296
Deposits	869	873	157	157
	253,016	322,264	282,845	292,451

Receivables and deposits are classified and measured at amortised cost using the effective interest method.

Trade receivables of the Group pledged as security for borrowings amounted to RM8,307,000 (2017: RM5,284,000) as disclosed in Note 26 to the financial statements.

Credit terms offered by the Group in respect of trade receivables range from 30 days to 120 days (2017: 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 repayable on demand, except for certain amounts due from subsidiaries amounting to RM111,212,000 (2017: RM116,606,000), which are subject to floating interest rate ranging from 1.00% to 3.00% (2017: ranging from 1.00% to 3.00%) 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 RM5,508,000 (2017: RM5,516,000), which arose from trade transactions, are unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
- RM	72,170	75,124	70,317	74,960
- EU Euro ("EUR")	60,677	121,844	210,315	206,944
- Colombian Peso ("COP")	25,337	26,063	-	-
- US Dollar ("USD")	23,189	24,318	1,927	5,112
- Mexican Peso ("MXN")	20,407	15,778	-	-
- Romanian New Lei ("RON")	15,820	16,843	-	-
- Japanese Yen ("JPY")	11,677	11,535	286	121
- Polish Zloty ("PLN")	7,701	7,638	-	-
- Argentine Peso ("ARS")	7,089	14,557	-	-
- Czech Koruna ("CZK")	2,739	2,657	-	-
- Hungarian Forint ("HUF")	2,044	2,048	-	-
- Singapore Dollar ("SGD")	1,394	1,477	-	5,244
- New Taiwan Dollar ("TWD")	1,290	54	-	-
- Swiss Franc ("CHF")	1,029	1,467	-	-
- Bulgarian Lev ("BGN")	324	477	-	-
- Thai Baht ("THB")	120	384	-	70
- Turkish Lira ("TRY")	9	-	-	-
	<b>253,016</b>	<b>322,264</b>	<b>282,845</b>	<b>292,451</b>

The Group applies the MFRS 9 simplified approach in measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for trade receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") of the countries in which it sell its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on the expected changes in this factor. Judgement and estimates had been used to determine the expected loss rate and appropriate forward-looking information in measuring the ECL.

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for the financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring at the reporting date with the risk of a default occurring at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of MFRS 9) was determined as follows for trade receivables.

	CURRENT RM'000	0 TO 30 DAYS PAST DUE RM'000	31 TO 60 DAYS PAST DUE RM'000	61 TO 90 DAYS PAST DUE RM'000	MORE THAN 90 DAYS PAST DUE RM'000	TOTAL RM'000
<b>GROUP</b>						
<b>At 31 December 2018</b>						
Expected loss rate	0.7%	10.6%	11.3%	24.8%	39.9%	
Gross carrying amount						
- trade receivables	131,851	14,187	5,872	2,748	13,697	168,355
Loss allowance	923	1,504	664	682	5,467	9,240
<b>At 1 January 2018</b>						
Expected loss rate	0.9%	9.1%	13.1%	14.5%	27.9%	
Gross carrying amount						
- trade receivables	170,350	15,662	6,780	3,141	13,727	209,660
Loss allowance	1,533	1,425	888	455	3,828	8,129
<b>COMPANY</b>						
<b>At 31 December 2018</b>						
Expected loss rate	0.0%	0.0%	0.0%	0.0%	26.4%	
Gross carrying amount						
- trade receivables	656	190	231	21	3,108	4,206
Loss allowance	_*	_*	_*	_*	821	821
<b>At 1 January 2018</b>						
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount						
- trade receivables	1,415	118	76	105	2,213	3,927
Loss allowance	_*	_*	_*	_*	_*	-

\* The effects of ECL are insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 22. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	8,129	9,099	122,219	21,046
Charged for the financial year	2,097	803	25,561	101,173
Reversal for the financial year	(43)	(544)	(26,866)	-
Written off	(526)	(1,105)	-	-
Foreign currencies translation	(417)	(124)	-	-
At 31 December	9,240	8,129	120,914	122,219

### 23. DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	3,829	7,299	579	570
Cash and bank balances	41,779	45,115	8,939	2,984
Deposits, cash and bank balances	45,608	52,414	9,518	3,554
Bank overdrafts (Note 26)	(5,497)	(8,937)	-	-
	40,111	43,477	9,518	3,554
Less: Deposits pledged to licensed banks	(518)	(1,016)	(518)	(510)
	39,593	42,461	9,000	3,044

Deposits, cash and bank balances and bank overdrafts are classified and measured at amortised cost using the effective interest method. No expected credit losses were recognised arising from the deposits, cash and bank balances because the probability of default by these financial institutions were negligible. 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	
	2018 %	2017 %	2018 %	2017 %
Deposits with licensed banks	2.80 - 3.60	1.75 - 3.60	2.80 - 3.60	1.75 - 3.60

The deposits of the Group and of the Company as at 31 December 2018 have a maturity period ranging between overnight and two months (2017: ranging between overnight and two months). Certain deposits have been pledged to financial institutions for borrowings as disclosed in Note 26 to the financial statements.

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

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
- EUR	16,274	15,587	1,042	601
- USD	14,013	15,938	7,674	1,309
- RON	2,692	3,323	-	-
- CHF	2,048	3,414	14	14
- ARS	1,944	2,924	-	-
- CZK	1,315	584	-	-
- COP	1,258	1,109	-	-
- RM	1,104	1,864	675	1,621
- PLN	1,074	-	-	-
- MXN	993	1,946	-	-
- BGN	842	569	-	-
- SGD	821	787	-	-
- JPY	464	496	5	5
- HUF	355	258	-	-
- TWD	151	3,261	-	1
- THB	122	77	-	-
- British Pound ("GBP")	107	2	107	2
- Indian Rupee ("INR")	30	32	-	-
- Chinese Yuan Renminbi ("CNY")	1	214	1	1
- Hong Kong Dollar ("HKD")	-	29	-	-
	<b>45,608</b>	<b>52,414</b>	<b>9,518</b>	<b>3,554</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 24. SHARE CAPITAL

	GROUP AND COMPANY			
	2018		2017	
	NUMBER OF SHARES '000	AMOUNT RM'000	NUMBER OF SHARES '000	AMOUNT RM'000
<b>Issued and fully paid:</b>				
At 1 January	553,296	618,887	553,296	553,296
Adjustments for effects of Companies Act 2016	-	-	-	65,591
At 31 December	553,296	618,887	553,296	618,887

(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.

In the previous financial year, the balance within the share premium account of RM65,590,691 was transferred to the share capital account pursuant to the Companies Act 2016, which came into effect on 31 January 2017.

(b) Treasury shares

	GROUP AND COMPANY			
	2018		2017	
	NUMBER OF SHARES '000	AMOUNT RM'000	NUMBER OF SHARES '000	AMOUNT RM'000
<b>At cost:</b>				
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 2018, the Company held 4,928,011 (2017: 4,928,011) treasury shares, with carrying amount of RM5,149,918 (2017: 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. The equity-settled employee benefits reserve in relation to the unexercised options has been transferred to accumulated losses upon the expiry of the ESOS scheme on 28 February 2018.

## 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. Judgement and estimates had been used to determine the valuation of the plans and the latest actuarial valuations of the plans were carried out in 2018.

	REMOVABLE PENSION LIABILITIES			GROUP TOTAL RM'000
	FUNDED BY PENSION TRUST FUND RM'000	ASSUMED BY THE COMPANY RM'000	OTHERS RM'000	
	At 31 December 2018	95,581	65,087	
At 31 December 2017	116,439	65,087	129,704	311,230

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.

The post-employment benefit obligations of the Group includes liabilities arising from obligations for pension liabilities of discontinued operations in 2017.

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

	GROUP	
	2018 RM'000	2017 RM'000
Service cost:		
Current service cost	1,226	1,329
Net interest expense	3,045	3,178
Components of defined benefit costs recognised in staff costs in profit or loss	4,271	4,507
Re-measurement on the net defined benefit obligations:		
Return on plan assets (excluding amounts included in net interest expense)	(128)	(253)
Actuarial gains and losses arising from changes in demographic assumptions	1,506	-
Actuarial gains and losses arising from changes in financial assumptions	(3,445)	(1,910)
Actuarial gains and losses arising from experience adjustments	746	(121)
Components of defined benefit costs recognised in other comprehensive income	(1,321)	(2,284)
Total	2,950	2,223

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 25. POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

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

	GROUP	
	2018 RM'000	2017 RM'000
Present value of funded defined benefit obligations	20,876	19,398
Fair value of plan assets	(12,541)	(11,341)
Status of funded plans	8,335	8,057
Present value of unfunded defined benefit obligations	261,887	303,173
	270,222	311,230

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

	GROUP	
	2018 RM'000	2017 RM'000
Opening defined benefit obligations	322,571	576,038
Current service cost	1,226	1,329
Interest expense	3,197	3,304
Re-measurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	1,506	-
Actuarial gains and losses arising from changes in financial assumptions	(3,445)	(1,910)
Actuarial gains and losses arising from experience adjustments	746	(121)
Liabilities extinguished on settlements	(13,699)	(85,710)
Benefits paid	(20,733)	(20,193)
De-recognition of subsidiaries	-	(154,911)
Foreign currencies translation and others	(8,606)	4,745
Closing defined benefit obligations	282,763	322,571

## 25. POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

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

	GROUP	
	2018 RM'000	2017 RM'000
Opening fair value of plan assets	11,341	214,570
Interest income	152	126
Re-measurement gains:		
Return on plan assets (excluding amounts included in net interest expense)	128	253
Contributions from the employer	394	408
Contributions from plan participants	257	292
Assets distributed on settlements	-	(66,953)
Benefits paid	266	(1,084)
De-recognition of subsidiaries	-	(135,198)
Foreign currencies translation and others	3	(1,073)
Closing fair value of plan assets	12,541	11,341

The major categories of plan assets are as follows:

	GROUP	
	2018 RM'000	2017 RM'000
Debt instruments	5,511	5,288
Equity instruments	3,463	2,797
Alternative investments	1,949	2,073
Properties	1,500	1,100
Cash and others	118	83
	12,541	11,341

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

	GROUP	
	2018 %	2017 %
Discount rate	0.95 - 10.50	0.70 - 9.00

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 25. POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

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
<b>At 31 December 2018</b>		
(Decrease)/Increase on defined benefit obligations	(8,523)	9,227
<b>At 31 December 2017</b>		
(Decrease)/Increase on defined benefit obligations	(9,753)	10,597

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. BORROWINGS

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Current</b>				
Bank overdrafts	5,497	8,937	-	-
Revolving credits	127,529	176,929	47,164	83,400
Discounted bills	68,131	70,635	60,917	62,111
Hire purchase and lease payables	421	399	-	-
Short term loans	92,056	122,711	-	-
Term loans	9,365	9,343	2,052	2,060
	<b>302,999</b>	<b>388,954</b>	<b>110,133</b>	<b>147,571</b>
<b>Non-current</b>				
Hire purchase and lease payables	1,164	1,172	-	-
Term loans	95,474	48,512	9,000	11,000
	<b>96,638</b>	<b>49,684</b>	<b>9,000</b>	<b>11,000</b>
<b>Total</b>				
Bank overdrafts (Note 23)	5,497	8,937	-	-
Revolving credits	127,529	176,929	47,164	83,400
Discounted bills	68,131	70,635	60,917	62,111
Hire purchase and lease payables	1,585	1,571	-	-
Short term loans	92,056	122,711	-	-
Term loans	104,839	57,855	11,052	13,060
	<b>399,637</b>	<b>438,638</b>	<b>119,133</b>	<b>158,571</b>

Borrowings are classified and measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**26. BORROWINGS (continued)**

Contractual terms of borrowings:

	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
<b>GROUP</b>									
<b>2018</b>									
<b>Secured</b>									
Bank overdrafts	6.90 - 7.15	EUR	3,841	3,841	-	-	-	-	-
Bank overdrafts	72.00	USD	681	681	-	-	-	-	-
Revolving credits	2.17	EUR	60,986	60,986	-	-	-	-	-
Revolving credits	5.35 - 5.79	USD	47,164	47,164	-	-	-	-	-
Revolving credits	5.79	RM	750	750	-	-	-	-	-
Discounted bills	3.25 - 5.10	USD	40,322	40,322	-	-	-	-	-
Discounted bills	1.77 - 3.75	EUR	15,403	15,403	-	-	-	-	-
Discounted bills	5.65	RM	2,640	2,640	-	-	-	-	-
Hire purchase and lease payables	5.77 - 5.87	EUR	1,585	421	402	336	270	156	-
Short term loans	2.22 - 4.81	EUR	72,514	72,514	-	-	-	-	-
Term loans	2.47	EUR	91,246	7,005	6,811	12,110	16,273	18,165	30,882
Term loans	6.97 - 7.25	RM	11,052	2,052	3,000	3,000	3,000	-	-
Term loans	3.32	PLN	2,541	308	1,107	1,126	-	-	-
			350,725	254,087	11,320	16,572	19,543	18,321	30,882
<b>Unsecured</b>									
Bank overdrafts	7.10 - 8.50	EUR	975	975	-	-	-	-	-
Revolving credits	8.94 - 8.99	MXN	18,629	18,629	-	-	-	-	-
Discounted bills	4.00 - 5.25	USD	5,850	5,850	-	-	-	-	-
Discounted bills	2.04 - 4.70	EUR	3,916	3,916	-	-	-	-	-
Short term loans	2.28 - 2.92	USD	19,542	19,542	-	-	-	-	-
			48,912	48,912	-	-	-	-	-
			399,637	302,999	11,320	16,572	19,543	18,321	30,882

## 26. BORROWINGS (continued)

### Contractual terms of borrowings (continued):

GROUP	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
<b>2017</b>									
<b>Secured</b>									
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
<b>Unsecured</b>									
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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 26. BORROWINGS (continued)

Contractual terms of borrowings (continued):

COMPANY	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
<b>2018</b>									
<b>Secured</b>									
Revolving credits	5.35 - 5.79	USD	47,164	47,164	-	-	-	-	-
Discounted bills	3.25 - 5.10	USD	40,176	40,176	-	-	-	-	-
Discounted bills	1.77 - 3.75	EUR	14,324	14,324	-	-	-	-	-
Term loans	6.97 - 7.25	RM	11,052	2,052	3,000	3,000	3,000	-	-
			112,716	103,716	3,000	3,000	3,000	-	-
<b>Unsecured</b>									
Discounted bills	4.00 - 5.25	USD	5,850	5,850	-	-	-	-	-
Discounted bills	2.04 - 2.08	EUR	567	567	-	-	-	-	-
			6,417	6,417	-	-	-	-	-
			119,133	110,133	3,000	3,000	3,000	-	-
<b>2017</b>									
<b>Secured</b>									
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	-
<b>Unsecured</b>									
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	-

## 26. BORROWINGS (continued)

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum hire purchase and lease payments:				
- Not later than 1 year	440	418	-	-
- Later than 1 year and not later than 5 years	1,197	1,231	-	-
	<b>1,637</b>	1,649	-	-
Future finance charges	(52)	(78)	-	-
	<b>1,585</b>	1,571	-	-
Present value of hire purchase and lease payables:				
- Not later than 1 year	421	399	-	-
- Later than 1 year and not later than 5 years	1,164	1,172	-	-
	<b>1,585</b>	1,571	-	-

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.

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 and revolving credits 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 26. BORROWINGS (continued)

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 RMNil (2017: RM5,896,000) and RM1,585,000 (2017: RM1,571,000) respectively, out of which RM1,164,000 (2017: RM6,227,000) are repayable later than one (1) year.

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
<b>As at 31 December 2018</b>				
<b>Group</b>				
<b>Financial liabilities:</b>				
Borrowings/Total undiscounted financial liabilities	306,142	73,998	31,644	411,784
<b>Company</b>				
<b>Financial liabilities:</b>				
Borrowings/Total undiscounted financial liabilities	110,920	10,280	-	121,200
<b>As at 31 December 2017</b>				
<b>Group</b>				
<b>Financial liabilities:</b>				
Borrowings/Total undiscounted financial liabilities	391,808	48,354	7,386	447,548
<b>Company</b>				
<b>Financial liabilities:</b>				
Borrowings/Total undiscounted financial liabilities	148,475	13,007	-	161,482

## 26. BORROWINGS (continued)

### 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	429,701	397,557	158,571	193,913
Financing cash flows	(28,603)	52,216	(41,631)	(16,294)
Non-cash flows:				
De-recognition of subsidiaries	-	(937)	-	-
Effect of changes in foreign exchange rates	(7,880)	(20,408)	2,193	(19,048)
Other changes:				
Additions to property, plant and equipment which was financed by hire purchase arrangements	922	1,273	-	-
At 31 December	394,140	429,701	119,133	158,571

## 27. PAYABLES

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Current</b>				
Trade payables	97,272	112,056	7,842	7,877
Amounts due to subsidiaries	-	-	105,175	113,742
Accruals:				
- Staff costs	21,474	30,144	144	130
- Bonus to customers	35,190	35,662	-	-
- Others	19,207	20,550	814	739
Employee related benefits	3,233	4,282	-	-
Other payables	8,516	6,822	3,992	9,121
	184,892	209,516	117,967	131,609
<b>Non-current</b>				
Amounts due to subsidiaries	-	-	136,309	-
	184,892	209,516	254,276	131,609

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 27. PAYABLES (continued)

Payables are classified and measured at amortised cost using the effective interest method.

The carrying amounts of 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.

Credit terms of trade payables granted to the Group and to the Company range from 1 day to 120 days (2017: 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, except for the Company's non-current amounts due to subsidiaries which amounted to undiscounted financial liabilities of RM140,985,000.

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 amounting to RM148,812,000 (2017: RM69,476,000), which are subject to floating interest rate ranging from 1.48% to 6.38% (2017: 1.48% to 5.56%) per annum and trade transactions, which are subject to normal trade credit terms.

The currencies exposure profiles of payables are as follows:

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
- EUR	123,789	132,809	182,090	82,197
- MXN	16,610	17,627	-	-
- USD	13,647	14,388	32,638	27,095
- PLN	6,968	7,045	-	-
- COP	5,548	6,339	-	-
- RON	3,836	3,751	-	-
- ARS	3,122	5,683	-	-
- CZK	2,938	2,293	-	-
- RM	2,430	10,834	5,653	20,809
- JPY	1,981	1,728	72	1,508
- CHF	1,659	3,704	31,713	-
- HUF	1,592	1,479	-	-
- TWD	285	-	-	-
- Indonesian Rupiah ("IDR")	244	240	-	-
- SGD	164	301	-	-
- BGN	42	44	-	-
- HKD	19	-	2,110	-
- GBP	13	5	-	-
- TRY	5	-	-	-
- CNY	-	1,246	-	-
	<b>184,892</b>	<b>209,516</b>	<b>254,276</b>	<b>131,609</b>

## 28. CAPITAL COMMITMENTS

	GROUP	
	2018 RM'000	2017 RM'000
Authorised and contracted for:		
- Property, plant and equipment	11,423	10,907

## 29. OPERATING LEASE COMMITMENTS

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum lease payments under operating lease commitments:				
Not later than 1 year	11,217	12,664	221	221
Later than 1 year and not later 5 years	12,181	13,773	92	313
	23,398	26,437	313	534

## 30. 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 legal claims brought by Original Equipment Manufacturers ("OEM") for perceived breach of patents with an assessed potential maximum exposure of EUR2.5 million (equivalent to RM11.8 million) (2017: EUR2.5 million or equivalent to RM12.2 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 RM156,857,000 (2017: RM169,402,000). 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.

## 31. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods to subsidiaries - net	-	-	81,334	106,642

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 32. 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 2018 and 31 December 2017.

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 0.81 times (2017: 0.86 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, market price risk and foreign currency 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.

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.

## 32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management (continued)

#### (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 and Note 27 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.

The following table illustrates the effect of changes in interest rates at 31 December 2018. 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:

	2018 RM'000	2017 RM'000
<b>Group</b>		
Increase by 25 basis points	(1,048)	(1,060)
<b>Company</b>		
Increase by 25 basis points	(347)	(441)

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

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

#### (b) Financial risk management (continued)

##### (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 2018. 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	2018 RM'000	2017 RM'000
<b>Group</b>		
United States Dollar	2,700	3,800
<b>Company</b>		
European Euro	(400)	(3,300)
United States Dollar	3,500	4,500

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.

## 32. 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:

	2018	2017
	RM	RM
<b>Foreign currency</b>		
GBP (British Pound)	5.2640	5.4796
EUR (EU Euro)	4.7305	4.8652
CHF (Swiss Franc)	4.2000	4.1600
USD (US Dollar)	4.1337	4.0616
SGD (Singapore Dollar)	3.0313	3.0381
AUD (Australian Dollar)	2.9153	3.1700
BGN (Bulgarian Lev)	2.4187	2.4813
AED (Arab Emirates Dirham)	1.1253	1.1057
PLN (Polish Zloty)	1.1000	1.1641
RON (Romanian New Lei)	1.0136	1.0391
TRY (Turkish Lira)	0.7809	1.0725
CNY (Chinese Yuan Renminbi)	0.6009	0.6241
HKD (Hong Kong Dollar)	0.5278	0.5197
NOK (Norwegian Kroner)	0.4760	0.4941
SEK (Swedish Krona)	0.4627	0.4942
MXN (Mexican Peso)	0.2103	0.2063
CZK (Czech Koruna)	0.1837	0.1902
TWD (New Taiwan Dollar)	0.1351	0.1367
THB (Thai Baht)	0.1274	0.1244
ARS (Argentine Peso)	0.1097	0.2178
INR (Indian Rupee)	0.0594	0.0636
JPY (Japanese Yen)	0.0376	0.0361
HUF (Hungarian Forint)	0.0147	0.0157
COP (Colombian Peso in thousand)	1.2700	1.3600
IDR (Indonesian Rupiah in thousand)	0.2900	0.3000

# 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 had 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 executives and Directors. The ESOS expired on 28 February 2018 and no share options were exercised during the tenure of the ESOS.

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

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

## 3. Non-audit fees

The non-audit fees paid or payable to the external auditors of the Company and its subsidiaries for the financial year ended 31 December 2018 amounted to RM44,000.

## 4. Material contracts

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

# ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2019

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	758	18.07	26,258	0.01
100 - 1,000	339	8.08	130,794	0.02
1,001 - 10,000	1,973	47.02	8,564,702	1.56
10,001 - 100,000	919	21.90	28,144,368	5.13
100,001 to less than 5% of the issued shares	204	4.86	272,854,030	49.76
5% and above of issued shares	3	0.07	238,647,898	43.52
<b>Total</b>	<b>4,196</b>	<b>100.00</b>	<b>548,368,050</b>	<b>100.00</b>

\* After netting off the 4,928,011 treasury shares of Pelikan International Corporation Berhad ("PICB") held as at 21 March 2019.

## DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

NAME OF DIRECTORS	DIRECT INTEREST	NO. OF SHARES HELD		%*
		%*	INDIRECT INTEREST	
1. Loo Hooi Keat	55,779,323	10.17	41,128,852 <sup>(1)</sup>	7.50
2. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	-	-	-	-
3. Dato' Afifuddin bin Abdul Kadir	-	-	-	-
4. Dato' Lua Choon Hann	-	-	-	-

Notes:

<sup>(1)</sup> 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 21 March 2019.

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

## ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2019

### SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(Based on the Register of Substantial Shareholders)

NAME OF SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST	NO. OF SHARES HELD		
		%*	INDIRECT INTEREST	%*
1. Loo Hooi Keat	55,779,323	10.17	40,989,928 <sup>(1)</sup>	7.47
2. Urusharta Jamaah Sdn Bhd	157,185,498	28.66	-	-
3. PBS Office Supplies Holding Sdn Bhd	40,968,975	7.47	-	-
4. Marktrade Sdn Bhd	-	-	40,968,975 <sup>(2)</sup>	7.47
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 <sup>(3)</sup>	0.23
7. Caprice Capital International Ltd and Nominees	26,411,000	4.82	-	-
8. Poh Yang Hong and Nominees	2,000,000	0.36	26,411,000 <sup>(4)</sup>	4.82
9. Gan Kong Hiok	25,950,200	4.73	2,000,000 <sup>(3)</sup>	0.36

**Notes:**

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

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

<sup>(3)</sup> Deemed interested by virtue of shares held by his wife.

<sup>(4)</sup> 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 21 March 2019.

## LIST OF TOP THIRTY (30) SHAREHOLDERS

(Based on the Record of Depositors)

	NAME OF SHAREHOLDERS	NO. OF SHARES	%*
1	Urusharta Jamaah Sdn Bhd	157,185,498	28.664
2	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat	42,400,000	7.732
3	HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	39,062,400	7.123
4	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Caprice Capital International Ltd	26,411,000	4.816
5	Public Invest Nominees (Asing) Sdn Bhd Exempt An for Phillip Securities Pte Ltd (Clients)	25,647,100	4.676
6	Kenanga Capital Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd	23,476,195	4.281
7	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	21,278,798	3.880
8	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (001)	14,885,040	2.714
9	CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)	13,970,428	2.547
10	Kenanga Nominees (Tempatan) Sdn Bhd ECM Libra Partners Sdn Bhd Pledged Securities Account for PBS Office Supplies Holding Sdn Bhd	11,462,780	2.090
11	HSBC Nominees (Asing) Sdn Bhd Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	8,055,500	1.468
12	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	7,297,600	1.330
13	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Hon Chung Lip (8678-1102)	7,000,000	1.276
14	PBS Office Supplies Holding Sdn Bhd	6,030,000	1.099
15	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (Margin)	5,818,625	1.061

## ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2019

### LIST OF TOP THIRTY (30) SHAREHOLDERS

(Based on the Record of Depositors) (continued)

	NAME OF SHAREHOLDERS	NO. OF SHARES	%*
16	Ambank (M) Berhad Pledged Securities Account for Gan Kong Hiok (Smart)	5,666,000	1.033
17	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Siew Chin (CEB)	5,139,096	0.937
18	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Hooi Keat (MX3665)	4,860,000	0.886
19	Gan Kong Hiok	2,864,800	0.522
20	Kenanga Nominees (Tempatan) Sdn Bhd Lim Meng Sin (001)	2,408,000	0.439
21	Cheung Fung Nay	2,366,500	0.431
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	Pristine Acres Sdn Bhd	2,000,000	0.364
25	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An for Bank of Singapore Limited	1,944,500	0.354
26	APEX-PAL Malaysia Sdn Bhd	1,918,000	0.349
27	HSBC Nominees (Tempatan) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-TEMP)	1,630,900	0.297
28	Tan Jing Jeong	1,564,300	0.285
29	Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-NR)	1,549,800	0.282
30	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Monteiro Gerard Clair	1,542,800	0.281

\* After netting off the 4,928,011 treasury shares of PICB held as at 21 March 2019.

# 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	Straße der Einheit 142-148 14612 Falkensee Germany	252,464 sqm	Logistic Centre	134,644 sqm	24 years 31/12/2001	Freehold	173,316
2 Pelikan GmbH	Factory Vöhrum Pelikanstrasse 11 D-31228 Peine Germany	68,873 sqm	Production	46,373 sqm	22 - 48 years 17/12/1973	Freehold	52,811
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	39 years 30/4/1981	Freehold	15,811
4 Pelikan Hardcopy CZ s.r.o	Svatoborska 1355/100 CZ-69701 Kyjov Czech Republic	9,933 sqm	Vacant	5,376 sqm	17 years 29/1/2015	Freehold	9,650
5 Herlitz Spolka z.o.o.	ul. Szamotulska 2 Baranowo k. Poznania 62081 Przemierowo Poland	37,563 sqm	Office building, production & warehouse	12,000 sqm	19 years 1/1/1999	Freehold	9,513
6 Pelikan Colombia S.A.S.	Carrera 65B No. 18ª-17 Bogotá Colombia	4,478 sqm	Production	5,845 sqm	39 years 8/1/2007	Freehold	5,270
7 Herlitz România S.R.L.	Sediu Central Str. Depozitelor nr.22 540240 Targu Mures Romania	861 sqm	Land	-	- 15/3/1995	Freehold	38
							266,409

# PELIKAN GROUP OF COMPANIES DIRECTORY

## PRODUCTION

### Colombia

Pelikan Colombia S.A.S.  
Carrera 65B No. 18<sup>a</sup> - 17  
Bogotá  
Tel : +571 261 1711  
Email : [servicioclientes@pelikan.com.co](mailto:servicioclientes@pelikan.com.co)

### Germany

Pelikan Group GmbH  
Straße der Einheit 142-148  
14612 Falkensee  
Tel : +49 (0)3322 26 0  
Fax : +49 (0)3322 26 3408  
Email : [info@pelikan.com](mailto:info@pelikan.com)  
Website : [www.pelikan.com](http://www.pelikan.com)

### Germany

Pelikan PBS-Produktionsgesellschaft  
mbH & Co. KG  
Factory Vöhrum  
Pelikanstrasse 11  
D - 31228 Peine  
Tel : +49 5171 299 0  
Fax : +49 5171 299 205  
Email : [produktion@pelikan.com](mailto:produktion@pelikan.com)

### Mexico

Pelikan México S.A. de C.V.  
Carretera a Tehuacán 1033  
Col. Maravillas  
C.P. 72220 Puebla  
Tel : + 52 222 309 8000  
Fax : + 52 222 309 8049  
Email : [buzon@pelikan.com.mx](mailto:buzon@pelikan.com.mx)  
Website : [www.pelikan.com](http://www.pelikan.com)

### Poland

Herlitz Spolka z.o.o.  
ul. Szamotulska 2  
Baranowo k. Poznania  
62081 Przemierowo  
Tel : +48 61 6501 100  
Fax : +48 61 6501 199  
Email : [pytania@herlitz.pl](mailto:pytania@herlitz.pl)  
Website : [www.herlitz.pl](http://www.herlitz.pl)

## INVESTMENT HOLDINGS

### Malaysia

Pelikan International Corporation  
Berhad  
No. 9 Jalan Pemaju U1/15  
Seksyen U1  
Hicom Glenmarie Industrial Park  
40150 Shah Alam  
Selangor Darul Ehsan  
Tel : +603 5569 5511  
Fax : +603 5569 5500  
Email : [picb@pelikan.com.my](mailto:picb@pelikan.com.my)

### Switzerland

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

### Germany

Pelikan Group GmbH  
Straße der Einheit 142-148  
14612 Falkensee  
Tel : +49 (0)3322 26 0  
Fax : +49 (0)3322 26 3408  
Email : [info@pelikan.com](mailto:info@pelikan.com)  
Website : [www.pelikan.com](http://www.pelikan.com)

## SALES

### EUROPE

#### Austria

Pelikan Austria Gesellschaft m.b.H.  
Dr. Kraitschekgasse 7-9  
A-2486 Pottendorf  
Tel : +43 2623 74166  
Fax : +43 2236 44200

#### Belgium

Pelikan N.V./S.A.  
Stationsstraat 73  
1702 Groot-Bijgaarden  
Tel : +32 2 481 87 00  
Fax : +32 2 481 87 19  
Email : [info@pelikan.be](mailto:info@pelikan.be)  
Website : [www.pelikan.be](http://www.pelikan.be)

#### Bulgaria

Herlitz Bulgaria EooD  
10 Poruchik Nedelcho Bonchev str.  
1528 Sofia  
Tel : +359 2 973 20 20  
Fax : +359 2 973 21 51  
Email : [office@herlitzbg.com](mailto:office@herlitzbg.com)  
Website : [www.herlitzbg.com](http://www.herlitzbg.com)

#### Czech Republic

Herlitz Spol. s r.o.  
Bucharova 1281/2  
CZ 158 00  
Praha 5 - Stodůlky  
Tel : +420 296 544 111  
Fax : +420 296 544 445  
Email : [info@herlitz.cz](mailto:info@herlitz.cz)  
Website : [www.herlitz.cz](http://www.herlitz.cz)

#### Germany

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

## SALES

### Greece

Pelikan Hellas Single Member Ltd.  
(fka Pelikan Hellas Ltd.)  
8th km of Vari-Koropi Avenue  
P.O. Box 9602  
194 41 Koropi  
Tel : +30 210 66 25 129  
Fax : +30 210 66 27 953  
Email : pelikan@pelikan.gr

### Hungary

Herlitz Hungária Kft.  
Campona str.1  
1225 Budapest  
Tel : +06 1 305 2000  
Fax : +06 1 305 2035  
Email : herlitz@herlitz.hu  
Website : www.herlitz.hu

### Italy

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

### Poland

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

### Romania

Herlitz România S.R.L.  
Sediul Central  
Str. Depozitelor nr.22  
540240 Targu Mures  
Tel : +40 (0)265 253722, 253583  
Fax : +40 (0)265 253582  
Email : herlitz@herlitzromania.ro  
Website : www.herlitzromania.ro

### Slovakia

Herlitz Slovakia s.r.o.  
Odborárska 52  
83102 Bratislava  
Tel : +421 2 444 617 66  
Fax : +421 2 446 444 02  
Website : www.herlitz.sk

### Switzerland

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

### Turkey

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

## AMERICAS

### Argentina

Pelikan Argentina S.A.  
Juan Zufriategui 621/627 P.1º  
B1638CAA Vicente López  
Buenos Aires  
Tel : +54 11 4118 3100  
Fax : +54 11 4118 3199  
Email : info@pelikan.com.ar

### Colombia

Pelikan Colombia S.A.S.  
Carrera 65B No. 18ª - 17  
Bogotá  
Tel : +571 261 1711  
Email : servicioclientes@pelikan.com.co

### Mexico

Pelikan México S.A. de C.V.  
Carretera a Tehuacán 1033  
Col. Maravillas  
C.P. 72220 Puebla  
Tel : + 52 222 309 8000  
Fax : + 52 222 309 8049  
Email : buzon@pelikan.com.mx  
Website : www.pelikan.com

# PELIKAN GROUP OF COMPANIES DIRECTORY

## SALES

### ASIA & MIDDLE EAST

#### Japan

Pelikan Japan K.K.  
Unizo Suehirocho Bldg. 5 Floor  
1-1-12 Ueno  
Taito-ku  
Tokyo 110-0005  
Tel : +81 3 3836 6541  
Fax : +81 3 3836 6545  
Email : pel.cs@pelikan.co.jp

#### Malaysia

Pelikan Asia Sdn Bhd  
No. 9 Jalan Pemaju U1/15  
Seksyen U1  
Hicom Glenmarie Industrial Park  
40150 Shah Alam  
Selangor Darul Ehsan  
Tel : +603 5569 5511  
Fax : +603 5567 0618  
Email : enquiry@pelikan.com.my

#### Singapore

Pelikan Singapore Pte. Ltd.  
18 Tannery Lane  
#01-03/04 Lum Kong Building  
Singapore 347780  
Tel : +65 6258 5231  
Fax : +65 6258 4157  
Email : enquiry@pelikan.com.sg

#### Taiwan

Pelikan Taiwan Co., Ltd.  
1F 32 Lane 21 Hwang Chi Street  
Taipei Taiwan 111  
Tel : +886 2 8866 5818  
Fax : +886 2 8866 3102  
Email : info@pelikan.com.tw

#### Thailand

Pelikan (Thailand) Co. Ltd.  
38/2 Bangbon 3 Road  
Nong Khaem  
Nong Khaem Khet  
Bangkok 10160  
Tel : +662 4456535  
Fax : +662 4457066  
Email : benjaporn@pelikan.co.th

#### United Arab Emirates

Pelikan Middle East FZE  
Sharjah Airport International  
Free Zone  
Area 04-202  
P.O.Box 120318 Sharjah  
Tel : +9716 5574 571  
Fax : +9716 5574 572  
Email : nalatrash@pelikan.ae

## SERVICES

#### Germany

eCom Logistik GmbH  
Straße der Einheit 142-148  
14612 Falkensee  
Tel : +49 (0)3322 26 0  
Fax : +49 (0)3322 26 5680  
Email : kontakt@ecomlogistik.de  
Website : www.ecomlogistik.de

#### Malaysia

Pelikan Procurement Sdn Bhd  
No. 9 Jalan Pemaju U1/15  
Seksyen U1  
Hicom Glenmarie Industrial Park  
40150 Shah Alam  
Selangor Darul Ehsan  
Tel : +603 5569 5511  
Fax : +603 5569 5500  
Email : picb@pelikan.com.my

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh 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, 23 May 2019 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 2018 and the Reports of the Directors and Auditors thereon.  | (Please refer to Explanatory Note 1) |
| 2. To approve the payment of Directors' fees and allowances of RM365,500.00 and RM32,250.00 respectively for the financial year ended 31 December 2018.                                      | (Ordinary Resolution 1)              |
| 3. To approve the payment of the Directors' benefits to the Non-Executive Directors up to RM60,000.00 from 23 May 2019 until the next Annual General Meeting.                                | (Ordinary Resolution 2)              |
| 4. To re-elect Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor who retires pursuant to Article 127 of the Company's Articles of Association.  | (Ordinary Resolution 3)              |
| 5. To re-elect Mr Loo Hooi Keat who retires pursuant to Article 127 of the Company's Articles of Association.  | (Ordinary Resolution 4)              |
| 6. To re-appoint Messrs. BDO PLT 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."

## NOTICE OF ANNUAL GENERAL MEETING

8. Proposed Adoption of a New Constitution of the Company.

(Special Resolution)

“THAT, approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in Appendix A despatched together with the Company’s Annual Report 2018, be and is hereby adopted as the Constitution of the Company (“Proposed Adoption”);

AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendments as may be required by the relevant authorities (if any) and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Adoption.”

9. 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

24 April 2019

**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 13 May 2019 shall be entitled to attend, speak and vote at the Thirty-Seventh (37<sup>th</sup>) 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-Sixth Annual General Meeting held on 24 May 2018. 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.

### **3. Item 8 of the Agenda**

#### **Special Resolution - Proposed Adoption of a New Constitution of the Company**

The proposed Special Resolution is undertaken primarily to streamline the existing Memorandum and Articles of Association ("M&A") of the Company with the Companies Act 2016, which was effective from 31 January 2017. The Proposed Adoption is also to align the existing M&A with the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad on 29 November 2017, and to provide clarity to certain provision thereof and to render consistency throughout in order to facilitate and further enhance administrative efficiency.

Please refer to the Appendix A for further information.

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# FORM OF PROXY



PELIKAN INTERNATIONAL CORPORATION BERHAD  
(Company No. 63611-U)  
(Incorporated in Malaysia)

Number of Shares Held	
CDS Account No.	

I/We \_\_\_\_\_ (Full name in capital letters)

NRIC No./Company No. \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ (Full address)

being a Member of PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U), hereby appoint

**(Proxy A)** \_\_\_\_\_ (Full name in capital letters)

NRIC No. \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ (Full address)

\*and/or failing him/her

**(Proxy B)** \_\_\_\_\_ (Full name in capital letters)

NRIC No. \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ (Full address)

and/or failing him/her, \*the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us and on my/our behalf at the Thirty-Seventh 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, 23 May 2019 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 Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor as Director of the Company		
4.	To re-elect Mr Loo Hooi Keat as Director of the Company		
5.	To re-appoint Messrs. BDO PLT 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		

Special Resolution	For	Against
To approve the adoption of a New Constitution of the Company		

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2019

*\*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).
5. Only depositors whose names appear in the Record of Depositors as at 13 May 2019 shall be entitled to attend, speak and vote at the Thirty-Seventh (37<sup>th</sup>) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.
6. The proxy form, to be valid, must be deposited at the registered office at No. 9 Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

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STAMP

**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)

No. 9, Jalan Pemaju U1/15  
Seksyen U1  
Hicom Glenmarie Industrial Park  
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