

Company No. 63611 - U

**PELIKAN INTERNATIONAL CORPORATION BERHAD  
(Incorporated in Malaysia)**

**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2010**

**PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
Interim report for the financial year ended 31 December 2010  
*The figures have not been audited.*

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial year ended	
		31/12/2010 RM' 000	31/12/2009 RM' 000	31/12/2010 RM' 000	31/12/2009 RM' 000
Revenue		487,828	261,300	1,786,698	1,202,494
Other operating income		14,606	6,773	196,711	26,880
Expenses excluding finance cost and tax		(493,727)	(273,351)	(1,802,062)	(1,159,999)
Finance cost		(6,715)	(5,557)	(22,329)	(22,879)
Share of results of associates after tax		(2,589)	592	8,608	3,647
(Loss) / profit before taxation		<u>(597)</u>	<u>(10,243)</u>	<u>167,626</u>	<u>50,143</u>
Taxation	B1	(3,044)	(422)	(16,820)	(10,509)
(Loss) / profit for the financial period / year		<u>(3,641)</u>	<u>(10,665)</u>	<u>150,806</u>	<u>39,634</u>
Other comprehensive (loss) / income:					
Net gain on revaluation of financial investments available-for-sale		(1,941)	-	879	-
Exchange differences on translation of foreign operations		(13,471)	(2,620)	(54,559)	6,192
Total other comprehensive (loss) / income		<u>(15,412)</u>	<u>(2,620)</u>	<u>(53,680)</u>	<u>6,192</u>
Total comprehensive (loss) / income for the period / year		<u>(19,053)</u>	<u>(13,285)</u>	<u>97,126</u>	<u>45,826</u>
Total (loss) / profit attributable to:					
Owners of the parent		(7,489)	(7,784)	144,166	36,391
Minority Interest		3,848	(2,881)	6,640	3,243
		<u>(3,641)</u>	<u>(10,665)</u>	<u>150,806</u>	<u>39,634</u>
Total comprehensive (loss) / income attributable to:					
Owners of the parent		(21,463)	(7,932)	95,532	43,377
Minority Interest		2,410	(5,353)	1,594	2,449
		<u>(19,053)</u>	<u>(13,285)</u>	<u>97,126</u>	<u>45,826</u>
(Loss) / earnings per share attributable to equity holders of the parent	B15	sen (1.39)	sen (2.11)	sen 28.08	sen 9.84
Declared/ proposed dividend per share	A8/ B13	2.00	2.00	2.00	2.00

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**Interim report as at 31 December 2010**  
*The figures have not been audited.*

	Note	31/12/2010 RM'000	Audited 31/12/2009 RM'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment		610,174	359,502
Trademarks		14,932	19,122
Development costs		25,532	26,951
Goodwill		107,846	118,604
Computer software licence		3,447	2,893
Investment in associates		36,958	34,557
Available-for-sale financial assets		3,722	16,146
Pension Trust Fund		188,776	188,776
Deferred tax assets		28,379	31,538
		<u>1,019,766</u>	<u>798,089</u>
<b>Current assets</b>			
Inventories		391,775	306,934
Receivables, deposits & prepayments		393,775	317,337
Tax recoverable		5,012	5,287
Pension Trust Fund		25,124	25,124
Deposits, cash and bank balances		109,278	62,709
		<u>924,964</u>	<u>717,391</u>
<b>Total Assets</b>		<u><b>1,944,730</b></u>	<u><b>1,515,480</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		512,796	343,169
Share premium		74,964	59,869
Currency translation		(65,333)	(27,902)
Retained profits		340,379	218,583
Treasury shares, at cost		(15,569)	(13,678)
		<u>847,237</u>	<u>580,041</u>
<b>Minority interest</b>		39,938	23,095
<b>Total Equity</b>		<u>887,175</u>	<u>603,136</u>
<b>Non current liabilities</b>			
Payables		5,842	11,527
Post employment benefit obligations	B8		
- Removable pension liabilities		158,341	202,458
- others		47,913	57,894
Borrowings	B5	193,345	152,921
Deferred tax liabilities		9,510	7,705
		<u>414,951</u>	<u>432,505</u>
<b>Current liabilities</b>			
Payables		362,366	223,892
Post employment benefit obligations	B8		
- Removable pension liabilities		9,901	11,909
- others		1,200	1,559
Provisions		22,981	422
Borrowings	B5	231,402	235,210
Current tax liabilities		14,754	6,847
		<u>642,604</u>	<u>479,839</u>
<b>Total Liabilities</b>		1,057,555	912,344
<b>Total Equity and Liabilities</b>		<u><b>1,944,730</b></u>	<u><b>1,515,480</b></u>
Net assets per share attributable to equity holders of the parent (RM)		1.65	1.69

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
Interim report for the financial year ended 31 December 2010  
*The figures have not been audited.*

	Share Capital	Share premium (non distributable)	Currency translation (non distributable)	Available-for-sales reserve (non distributable)	Retained profits (distributable)	Treasury shares, at cost (distributable)	Equity attributable to owners of the parent	Minority interest	Total equity
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
<b>Balance at 1 January 2010</b>	343,169	59,869	(27,902)	-	218,583	(13,678)	580,041	23,095	603,136
- effects of adopting FRS 139	-	-	12,095	(892)	(12,226)	-	(1,023)	(1)	(1,024)
<b>As restated</b>	343,169	59,869	(15,807)	(892)	206,357	(13,678)	579,018	23,094	602,112
Total comprehensive (loss) / income for the year	-	-	(49,526)	892	144,166	-	95,532	1,594	97,126
Acquisition of subsidiaries	-	-	-	-	-	-	-	31,209	31,209
Acquisition of shares in an existing subsidiary	-	-	-	-	-	-	-	(16,731)	(16,731)
Rights Issue, net of share issue costs	169,627	15,095	-	-	-	-	184,722	-	184,722
Purchase of own shares	-	-	-	-	-	(1,891)	(1,891)	-	(1,891)
Dividends	-	-	-	-	(10,144)	-	(10,144)	772	(9,372)
<b>Balance at 31 December 2010</b>	<b>512,796</b>	<b>74,964</b>	<b>(65,333)</b>	<b>-</b>	<b>340,379</b>	<b>(15,569)</b>	<b>847,237</b>	<b>39,938</b>	<b>887,175</b>
<b>Balance at 1 January 2009</b>	343,169	59,869	(34,888)	-	188,977	(13,501)	543,626	19,177	562,803
Total comprehensive income for the year	-	-	6,986	-	36,391	-	43,377	2,449	45,826
Acquisition of a subsidiary	-	-	-	-	-	-	-	1,469	1,469
Purchase of own shares	-	-	-	-	-	(177)	(177)	-	(177)
Dividends	-	-	-	-	(6,785)	-	(6,785)	-	(6,785)
<b>Balance at 31 December 2009</b>	<b>343,169</b>	<b>59,869</b>	<b>(27,902)</b>	<b>-</b>	<b>218,583</b>	<b>(13,678)</b>	<b>580,041</b>	<b>23,095</b>	<b>603,136</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
Interim report for the financial year ended 31 December 2010  
*The figures have not been audited.*

	Financial year ended	
	31/12/2010	31/12/2009
	RM' 000	RM' 000
<b>Operating activities</b>		
Cash receipts from customers	1,849,455	1,232,596
Cash paid to suppliers and employees	(1,797,309)	(1,168,424)
	52,146	64,172
Interest received	1,975	2,232
Interest paid	(11,409)	(14,715)
Taxation paid	(15,655)	(18,047)
<b>Net cash from operating activities</b>	<b>27,057</b>	<b>33,642</b>
<b>Investing activities</b>		
Acquisition of subsidiaries	(186,626)	(14,644)
Purchase of property, plant and equipment	(24,724)	(27,461)
Proceeds from disposal of property, plant and equipment	3,425	4,941
Proceeds from disposal of investments	17,659	3,748
Proceeds from disposal of intangible assets	29	90
Purchase of intangible assets	(479)	(790)
Purchase of investments	(2,681)	(15)
Development expenses paid	(8,417)	(12,259)
Interest paid	(7,324)	(4,771)
Dividends received	7,920	5,966
<b>Net cash used in investing activities</b>	<b>(201,218)</b>	<b>(45,195)</b>
<b>Financing activities</b>		
Drawdown of bank borrowings	641,699	245,547
Repayments of bank borrowings	(578,992)	(214,409)
Hire purchase and finance lease principal payments	(1,184)	(2,417)
Rights issue, net of share issue costs	184,722	-
Purchase of own shares	(1,891)	(177)
Dividends paid to shareholders	(10,144)	(6,785)
<b>Net cash from financing activities</b>	<b>234,210</b>	<b>21,759</b>
<b>Net increase in cash and cash equivalents during the financial year</b>	<b>60,049</b>	<b>10,206</b>
<b>Currency translation</b>	<b>(14,211)</b>	<b>(3,128)</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>50,926</b>	<b>43,848</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>96,764</b>	<b>50,926</b>
<b>Cash and cash equivalents comprise :</b>		
Cash and bank balances	109,278	62,709
Bank overdrafts	(12,514)	(11,783)
	<b>96,764</b>	<b>50,926</b>

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**A. Notes to the Interim Financial Report**  
**For the fourth quarter and financial year ended 31 December 2010**

**A1. Basis of Preparation**

The quarterly interim financial report is unaudited and has been prepared in accordance with FRS134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.

**A2. Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following:

<b>FRSs/Interpretations</b>	<b>Effective date</b>
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segment	1 July 2009
FRS 101, Presentation of Financial Statements	1 January 2010
FRS 123, Borrowing Costs	1 January 2010
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132, Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures, and IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11, FRS 2: Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13, Customer Loyalty Programmes	1 January 2010
IC Interpretation 14, FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

**A. Notes to the Interim Financial Report**  
**For the fourth quarter and financial year ended 31 December 2010**

**A2. Accounting Policies (cont'd)**

FRS 4 is not relevant to the Group's and the Company's operations.

Other than the implications as disclosed below, the adoptions of the above standards, amendments and interpretations do not have any material impact on the financial statements of the Group:

**(a) FRS 139, Financial Instruments: Recognition and Measurement, Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives**

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments.

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group categorises financial instruments as follows:

**Financial Assets**

**(i) Loans and receivables**

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

**A. Notes to the Interim Financial Report**  
**For the fourth quarter and financial year ended 31 December 2010**

**A2. Accounting Policies (cont'd)**

(ii) Available-for-sale financial assets

Available-for-sale category comprises investment in equity instruments that are not held for trading. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit and loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit and loss.

All financial assets, except for those measured at fair value, are subject to review for impairment.

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit and loss.

**Financial Liabilities**

All financial liabilities are subsequently measured at amortised cost, other than those measured at fair value.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit and loss.



**A. Notes to the Interim Financial Report**  
**For the fourth quarter and financial year ended 31 December 2010**

**A2. Accounting Policies (cont'd)**

In accordance with the transitional provisions of FRS 139, the changes in this accounting policy are applied prospectively and the comparatives as at 31 December 2009 are not restated. These changes will be accounted for by restating the opening balances in the statement of financial position as at 1 January 2010. The effects of the changes are summarised below:

	<b>As at 1 January 2010 RM'000</b>
Decrease in minority interest	(1)
Decrease in receivables, deposits and prepayments	(145)
Decrease in available-for-sale financial assets	(879)
Decrease in available-for-sale reserves (non-distributable)	(892)
Increase in currency translation	12,095
Decrease in retained profits (distributable)	(12,226)

**Investments in equity securities**

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associates were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorised and measured as available-for-sale financial assets.

**(b) FRS 8, Operating Segments**

Following the adoption of FRS 8, Operating Segments, effective 1 January 2010, an operating segment is a component of the Group that engages in business activities within a particular economic environment (geographical segment) from which it may earn revenues and incur expenses. The Group determines and presents operating segments based on information that is internally provided to the Chief Executive Officer, who is the Group's chief operation decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

**A. Notes to the Interim Financial Report**  
**For the fourth quarter and financial year ended 31 December 2010**

**A2. Accounting Policies (cont'd)**

**(c) FRS 101, Presentation of Financial Statements**

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only detail of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, have been re-presented to be in conformity with the revised standard. The adoption of this standard does not have any impact on the financial position and results of the Group.

**A3. Report of the Auditors to the Members**

The report of the auditors on the annual financial statements for the financial year ended 31 December 2009 was not subject to any qualification and did not include any adverse comments made under subsection (3) of Section 174 of the Companies Act, 1965.

**A4. Seasonality or Cyclicity of Interim Operations**

The Group's traditional business and the newly acquired Herlitz business dealing with stationery, especially for school and office, was affected by the "back to school" season in Europe which normally records higher sales in mid year. The gift business of Herlitz generates better results towards the end of the year. Sales of Pelikan Hardcopy Holding AG ("PHH") group and Geha GmbH (formerly known as German Hardcopy AG) ("Geha") group dealing with hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, are generally not influenced by seasonal fluctuation. The combined sales of the Group therefore have lesser effects of seasonality.

**A5. Exceptional and/or Extraordinary Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

Other than the negative goodwill resulting from the Herlitz acquisition as well as the related provision for merger and reorganisation expenses, and except as disclosed elsewhere in this interim financial report, there were no other exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash flows for the current quarter ended 31 December 2010.

**A. Notes to the Interim Financial Report**  
**For the fourth quarter and financial year ended 31 December 2010**

**A5. Exceptional and/or Extraordinary Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows (cont'd)**

In the current quarter ended 31 December 2010, there were revision to the net assets and fair value on identifiable assets and liabilities from the Herlitz acquisition, disclosed in the First Quarter 2010, which resulted in an increase in negative goodwill to RM157 million.

**A6. Material Effect of Changes in Estimates of Amounts Reported in the Prior Interim Periods of the Current Financial Year or Prior Financial Years**

There were no material changes in estimates of amounts reported in the current quarter, prior interim periods or prior financial years.

**A7. Debt and Equity Securities**

The Company repurchased a total of 1,667,400 of its shares from the open market for a total consideration of RM1,890,932 during the financial year ended 31 December 2010.

There was no repurchase of the Company's share during the quarter ended 31 December 2010.

The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with Section 67A (as amended) of the Companies Act, 1965.

The Company had completed the Rights Issue with the listing of and quotation for 169,627,220 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad with effect from 12 February 2010.

Other than mentioned above, there were no other issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current quarter ended 31 December 2010.

**A. Notes to the Interim Financial Report**  
**For the fourth quarter and financial year ended 31 December 2010**

**A8. Dividends**

For the financial year ended 31 December 2009, a final dividend of 2 sen per share single tier dividend\* (2008: 2 sen per share single tier dividend\*) amounted to RM10,144,487, which had been approved by the shareholders at the Annual General Meeting held on 21 June 2010, had been paid on 15 September 2010.

No dividends have been paid during the current quarter ended 31 December 2010.

\* - single tier dividend is non-tax deductible under Section 108 of the Income Tax Act, 1967 and is exempt from Income Tax in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the said Act.

**A9. Segment Information**

	Germany RM'000	Switzerland RM'000	Italy RM'000	Rest of Europe RM'000	Latin- America RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>12 months ended 31 December 2010</b>								
External revenue	1,057,393	103,024	54,838	321,197	171,276	78,970	-	1,786,698
Intersegment revenue	747,412	221,470	225	46,350	12,336	124,594	(1,152,387)	-
	<u>1,804,805</u>	<u>324,494</u>	<u>55,063</u>	<u>367,547</u>	<u>183,612</u>	<u>203,564</u>	<u>(1,152,387)</u>	<u>1,786,698</u>
Segment result	48,951	(16,282)	(2,892)	(7,909)	25,031	3,943	(14,841)	36,001
Unallocated income (net of cost)								<u>145,436</u>
Profit from operations								<u>181,347</u>
<b>3 months ended 31 December 2010</b>								
External revenue	314,060	27,363	11,686	72,814	42,097	19,808	-	487,828
Intersegment revenue	397,725	45,578	(31)	11,423	3,000	26,970	(484,665)	-
	<u>711,785</u>	<u>72,941</u>	<u>11,655</u>	<u>84,237</u>	<u>45,097</u>	<u>46,778</u>	<u>(484,665)</u>	<u>487,828</u>
Segment result	14,237	(13,990)	(1,372)	(1,234)	5,180	1,001	(3,915)	(93)
Unallocated income (net of cost)								<u>8,800</u>
Profit from operations								<u>8,707</u>

**A. Notes to the Interim Financial Report**  
**For the fourth quarter and financial year ended 31 December 2010**

**A10. Valuation of Property, Plant and Equipment**

There were no valuations of property, plant and equipment during the current quarter.

**A11. Changes in the Composition of the Group**

The Company increased its interest in Herlitz AG from 70.79% to 70.92% during the current quarter ended 31 December 2010.

**A12. Events Subsequent to the End of the Reporting Period**

There is no event subsequent to the financial year ended 31 December 2010.

**A13. Contingent Liabilities**

(a) In the ordinary course of business, the business of PHH and Geha groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the "Hardcopy business") is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers ("OEM") for perceived breach of patents with an assessed potential maximum exposure of EUR26.1 million (RM106.7 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 successfully be defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material effect on the Group's financial statements.

(b) Based on the latest actuaries assumptions as at 31 December 2010, the Company's wholly owned subsidiary Pelikan Hardcopy Scotland Limited ("PHSL")'s retirement fund has GBP21.1 million (RM100.7 million) assets to meet pension liabilities of GBP28.6 million (RM136.5 million). An amount of GBP1.3 million (RM6.0 million) has been recognised as a pension liability in the financial statements of PHSL as at 31 December 2010 in accordance with the FRS 119, Employee Benefits.

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

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B1. Taxation**

	3 months ended		Financial year ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Taxation (charged)/ credited in respect of current financial period / year				
- income tax	(1,022)	(1,987)	(13,758)	(13,228)
- deferred tax	(2,022)	1,565	(3,062)	2,719
	<u>(3,044)</u>	<u>(422)</u>	<u>(16,820)</u>	<u>(10,509)</u>

The Group's effective tax rate is lower than the statutory income tax rate in Malaysia mainly due to utilisation of prior year tax losses and differing tax rates in different countries where the Group operates.

**B2. Unquoted investment and/or properties**

During the financial year ended 31 December 2010, Pelikan Colombia S.A.S. disposed of a piece of land for a total consideration of COP350,000,000 (approximately RM595,000), where a loss on disposal of COP124,509,000 (approximately RM212,000) was recognised in the profit and loss.

There was no purchase or disposal of unquoted investments or properties during the current quarter ended 31 December 2010.

**B3. Quoted securities**

The Company increased its quoted shares investments by RM2,680,965 during the financial year ended 31 December 2010.

The Group disposed of its quoted shares investments by RM17,808,204 resulted in a gain of RM3,145,079 in the current quarter. Other than this disposal, there was no additional purchase or disposal of securities during the current quarter.

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B4. Proposed Utilisation of Proceeds raised from Rights Issues**

The Rights Issue was completed on 12 February 2010.

The utilisation of proceeds raised from Rights Issues as at 31 December 2010 is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
	RM'000	RM'000		RM'000	%	
Working capital	184,790	184,749	Within one (1) year	41	0.02	-
Estimated expenses	1,800	1,841	Within three (3) months	(41)	(2.3)	Excess adjusted to working capital
<b>Total</b>	<b>186,590</b>	<b>186,590</b>				

**B5. Borrowings**

Details of the Group's borrowings as at 31 December 2010 are as set out below:

Currency	Short Term		Long Term	Total
	Secured RM' 000	Unsecured RM' 000	Secured RM' 000	RM' 000
Ringgit Malaysia	55,010	2,936	2,213	60,159
Euro	52,058	12,873	49,880	114,811
Swiss Franc	56	-	6,560	6,616
US Dollar	46,666	38,242	124,163	209,071
Poland Zloty	43	-	68	111
Czech Koruna	95	-	185	280
Mexican Peso	2,634	10,034	6,584	19,252
Argentine Peso	1,223	-	-	1,223
Colombian Peso	4,792	10	1,759	6,561
Great Britain Pound	229	-	1,866	2,095
Hungarian Forint	-	2,989	-	2,989
Singapore Dollar	-	-	67	67
Japanese Yen	1,512	-	-	1,512
<b>Total</b>	<b>164,318</b>	<b>67,084</b>	<b>193,345</b>	<b>424,747</b>

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B6. Off Balance Sheet Financial Instruments**

Other than the operating leases as disclosed below, the Group did not enter into any contracts involving off balance sheet financial instruments during the current financial period.

	<b>Future minimum lease payments RM'000</b>
Not later than 1 year	25,838
Later than 1 year and not later than 5 years	24,318
Later than 5 years	9,080
	<hr/> <u>59,236</u>

**B7. Material Litigation**

In the ordinary course of business, the business of PHH and Geha groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the "Hardcopy business") is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers ("OEM") for perceived breach of patents with an assessed potential maximum exposure of EUR26.1 million (RM106.7 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 successfully be defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material effect on the Group's financial statements.



**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B8. Post employment benefit obligation**

	<b>RM'000</b>
Payable within 12 months	11,101
Payable after 12 months	206,254
	<u>217,355</u>
<b>Removable Pension Liabilities:</b>	
Liabilities assumed by Pension Trust Fund	103,155
Liabilities assumed by the Company	65,087
	168,242
Other pension liabilities of the Group	49,113
	<u>217,355</u>

Pursuant to the acquisitions of Pelikan Holding AG and Pelikan Japan KK by the Company completed in April 2005, part of the pension liabilities of the Group (known as "Removable Pension Liabilities") has been assumed by an external Pension Trust Fund created for this purpose, whilst the Company is assuming the balance of the said Removable Pension Liabilities fixed in Ringgit Malaysia as at the completion date of the acquisitions. 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.

**B9. Capital commitments**

Capital commitments not provided for in the financial statements as at 31 December 2010 were as follows:

	<b>RM'000</b>
Authorised and contracted:	
Property, plant and equipment	463

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B10. Review of Performance**

The Group's revenue for the current financial quarter was RM487.8 million compared to RM261.3 million for the corresponding quarter last year as a result of the full consolidation of the newly acquired Herlitz business. The strengthening of Ringgit Malaysia ("RM") against the Group's major trade currencies such as Euro and United States Dollar ("USD") has resulted in lower translation of revenues into the reporting currency. The loss before tax for the current quarter was RM0.6million compared to RM10.2 million loss for the corresponding quarter last year.

The Group's revenue for the financial year was RM1.79 billion as compared to RM1.20 billion last year. Profit before tax for the year was RM167.6 million against RM50.1 million last year after taking into consideration the negative goodwill and provision for related expenses recognised in this year in connection to the acquisition of Herlitz AG and related assets.

The total assets and total liabilities of the Group increased from 31 December 2009 to 31 December 2010 due mainly to the consolidation of Herlitz and related assets in 2010. The acquisitions were financed by external borrowings. The Group paid down RM79million borrowings (net) in the last quarter of 2010.

**B11. Variation of results against preceding quarter**

In the current quarter, the Group's revenue reduced to RM487.8 million compared to RM534.0 million in the preceding quarter. The reduction is mainly due to sales seasonality after the end of "back to school" season. Lower sales volume resulted in loss before tax in the fourth quarter RM0.6 million as compared to profit before tax of RM26.2 million in the preceding quarter.

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B12. Prospects**

Although economic activities in most developing countries have shown recovery, the recovery in many high-income countries, also in Europe of which the Group generates the most turnover from, has not been strong enough to make major inroads into high unemployment and spare capacity. The World Bank has forecasted global growth to be weakened somewhat in 2011, expected to pick up in 2012. In view of the economic outlook, the Group does not expect significant improvement in turnover in 2011. Nevertheless, it should record a higher 2011 turnover arising from the full year consolidation of the Herlitz group. Profitability remains the key focus in 2011 resulting from the synergies and common cost savings between Pelikan and Herlitz which the Group has been coordinating. Some merger projects like the logistics in Germany have been completed, some projects are on going and further projects will be defined. Barring any unforeseen circumstances, the merged entity is expected to bring about greater growth and prospects.

**B13. Dividend**

The Board of Directors proposed a final dividend of 2 sen per share single tier dividend\*. The proposed final dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting. This dividend, upon approval by the shareholders, will be accounted for as an appropriation of retained earnings in the year in which it is approved. The dividend entitlement date and payment date will be announced later after the shareholders' approval.

\* - single tier dividend is non-tax deductible under Section 108 of the Income Tax Act 1967 and is exempt from Income Tax in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the said Act.

**B14. Variance on Profit Forecast / Shortfall in Profit Guarantee**

Not applicable.

**B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements**

**B15. Earnings per share**

		3 months ended		Financial year ended	
		31/12/10	31/12/09 Restated	31/12/10	31/12/09 Restated
(Loss) / profit for the financial period / year attributable to equity holders of the parent	(RM'000)	<u>(7,489)</u>	<u>(7,784)</u>	<u>144,166</u>	<u>36,391</u>
Weighted average number of ordinary shares in issue	('000)	512,796	343,169	491,593	343,169
Notional bonus shares in rights issue	('000)	30,476	30,476	26,667	30,476
Shares repurchased	('000)	<u>(5,582)</u>	<u>(3,914)</u>	<u>(4,935)</u>	<u>(3,879)</u>
		<u>537,690</u>	<u>369,731</u>	<u>513,325</u>	<u>369,766</u>
(Loss) / earnings per share	(sen)	(1.39)	(2.11)	28.08	9.84

**B16. Realised and Unrealised Profits/Losses Disclosure**

	As at 31/12/10 RM'000	As at 30/09/10 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised profit	328,583	337,371
- Unrealised profit	67,627	7,695
	396,210	345,066
Total share of accumulated losses from associates:		
- Realised loss	(1,774)	(1,601)
- Unrealised profit	38	2
	(1,736)	(1,599)
(Less) / add: Consolidation adjustments	<u>(54,095)</u>	<u>16,500</u>
Total retained profits as per Statement of Financial Position	<u>340,379</u>	<u>359,967</u>

*Note: As per Bursa Malaysia's directive dated 20 December 2010, prior year comparatives are not required in the first year of complying with the Realised and Unrealised Profits/Losses Disclosure.*