

Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 September 2012

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 September 2012
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/09/2012 RM' 000	Restated 30/09/2011 RM' 000	30/09/2012 RM' 000	Restated 30/09/2011 RM' 000
Revenue		427,823	527,499	1,273,066	1,493,325
Other operating income		6,180	(89)	40,107	17,978
Expenses excluding finance cost and tax		(428,496)	(531,384)	(1,285,330)	(1,485,004)
Finance cost		(5,220)	(9,197)	(18,790)	(20,969)
Share of results of associates after tax		-	3,691	-	6,243
Profit/(loss) before taxation		287	(9,480)	9,053	11,573
Taxation	B1	(6,272)	(4,922)	(15,523)	(15,414)
Loss for the financial period		(5,985)	(14,402)	(6,470)	(3,841)
Other comprehensive (loss)/income: Exchange differences on translation of foreign operations		(2,549)	(11,478)	(12,431)	31,047
Total comprehensive (loss)/income for the financial period		(8,534)	(25,880)	(18,901)	27,206
Total (loss)/profit attributable to:					
Owners of the parent		(9,077)	(16,538)	(6,020)	958
Minority Interest		3,092	2,136	(450)	(4,799)
		(5,985)	(14,402)	(6,470)	(3,841)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(11,578)	(27,708)	(17,828)	35,070
Minority Interest		3,044	1,828	(1,073)	(7,864)
		(8,534)	(25,880)	(18,901)	27,206
		sen	sen	sen	sen
(Loss)/earning per share attributable to equity holders of the parent	B11	(1.78)	(3.26)	(1.19)	0.19

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 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 30 September 2012

The figures have not been audited.

	Note	30/09/2012 RM'000	Audited 31/12/2011 RM'000	Restated 30/09/2011 RM'000
ASSETS				
Non current assets				
Property, plant and equipment		475,337	559,637	600,098
Trademarks		14,467	15,017	15,821
Development costs		19,025	23,430	27,067
Goodwill		106,623	109,039	110,896
Computer software licence		1,295	2,268	2,824
Investment in associates		-	-	37,866
Available-for-sale financial assets		2,954	2,985	5,026
Pension Trust Fund		145,203	152,048	152,798
Deferred tax assets		33,977	35,333	28,005
		<u>798,881</u>	<u>899,757</u>	<u>980,401</u>
Current assets				
Inventories		316,071	370,272	438,589
Receivables, deposits & prepayments		445,945	406,430	405,657
Tax recoverable		2,948	1,780	2,698
Pension Trust Fund		19,448	19,448	21,335
Deposits, cash and bank balances		102,200	100,808	97,901
		<u>886,612</u>	<u>898,738</u>	<u>966,180</u>
Total Assets		<u>1,685,493</u>	<u>1,798,495</u>	<u>1,946,581</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		512,796	512,796	512,796
Share premium		57,520	74,964	74,964
Currency translation		(72,871)	(61,063)	(29,311)
Retained profits		193,160	204,188	293,569
Treasury shares, at cost		(3,557)	(16,751)	(15,811)
		<u>687,048</u>	<u>714,134</u>	<u>836,207</u>
Minority interest		21,040	22,378	28,336
Total Equity		<u>708,088</u>	<u>736,512</u>	<u>864,543</u>
Non current liabilities				
Payables		6,842	-	6,709
Post employment benefit obligations	B4			
- Removable pension liabilities		138,668	151,548	160,028
- others		34,977	33,547	41,478
Borrowings	B2	102,758	107,827	182,114
Deferred tax liabilities		38,156	38,006	9,365
		<u>321,401</u>	<u>330,928</u>	<u>399,694</u>
Current liabilities				
Payables		285,244	339,559	351,292
Post employment benefit obligations	B4			
- Removable pension liabilities		9,130	9,582	10,118
- others		8,942	11,213	9,393
Provisions		2,015	189	221
Derivative liabilities		4,594	3,280	-
Borrowings	B2	336,483	350,920	295,903
Current tax liabilities		9,596	16,312	15,417
		<u>656,004</u>	<u>731,055</u>	<u>682,344</u>
Total Liabilities		977,405	1,061,983	1,082,038
Total Equity and Liabilities		<u>1,685,493</u>	<u>1,798,495</u>	<u>1,946,581</u>
Net assets per share attributable to owners of the parent (RM)		1.34	1.39	1.63

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 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 period ended 30 September 2012
The figures have not been audited.

	Share Capital	Share premium	Currency translation (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
Balance at 1 January 2012	512,796	74,964	(61,063)	204,188	(16,751)	714,134	22,378	736,512
Total comprehensive loss for the financial period	-	-	(11,808)	(6,020)	-	(17,828)	(1,073)	(18,901)
Purchase of own shares	-	-	-	-	(4,250)	(4,250)	-	(4,250)
Dividends	-	(17,444)	-	(5,008)	17,444	(5,008)	(265)	(5,273)
Balance at 30 September 2012	512,796	57,520	(72,871)	193,160	(3,557)	687,048	21,040	708,088
Balance at 1 January 2011	512,796	74,964	(63,423)	335,009	(15,569)	843,777	36,580	880,357
Prior year adjustment	-	-	-	(32,258)	-	(32,258)	-	(32,258)
As restated	512,796	74,964	(63,423)	302,751	(15,569)	811,519	36,580	848,099
Total comprehensive income/(loss) for the financial period	-	-	34,112	958	-	35,070	(7,864)	27,206
Purchase of own shares	-	-	-	-	(242)	(242)	-	(242)
Dividends	-	-	-	(10,140)	-	(10,140)	(380)	(10,520)
Balance at 30 September 2011	512,796	74,964	(29,311)	293,569	(15,811)	836,207	28,336	864,543

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 2011 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 period ended 30 September 2012
The figures have not been audited.

	Financial period ended	
	30/09/2012 RM' 000	30/09/2011 RM' 000
Operating activities		
Cash receipts from customers	1,215,397	1,526,519
Cash paid to suppliers and employees	(1,228,096)	(1,524,921)
	(12,699)	1,598
Interest received	844	463
Interest paid	(8,943)	(17,375)
Taxation paid	(21,449)	(13,643)
Net cash used in operating activities	(42,247)	(28,957)
Investing activities		
Disposal of subsidiaries, net of cash and bank balances disposed of	72,991	-
Purchase of property, plant and equipment	(12,151)	(20,458)
Proceeds from disposal of property, plant and equipment	16,292	10,336
Purchase of intangible assets	(253)	(662)
Purchase of investments	-	(1,742)
Development expenses paid	(1,822)	(5,165)
Interest paid	(9,673)	(5,416)
Dividends received	-	5,277
Net cash from/(used in) investing activities	65,384	(17,830)
Financing activities		
Drawdown of bank borrowings	329,372	237,319
Repayments of bank borrowings	(345,297)	(200,207)
Hire purchase and finance lease principal payments	(496)	(759)
Purchase of own shares	(4,250)	(242)
Dividends paid to shareholders	(5,008)	(10,140)
Net cash (used in)/from financing activities	(25,679)	25,971
Net decrease in cash and cash equivalents during the financial period	(2,542)	(20,816)
Currency translation	(2,591)	(1,720)
Cash and cash equivalents at beginning of financial period	94,990	95,776
Cash and cash equivalents at end of financial period	89,857	73,240
Cash and cash equivalents comprise :		
Cash and bank balances	102,200	97,901
Bank overdrafts	(12,343)	(24,661)
	89,857	73,240

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2012

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2012 and has been prepared in accordance with applicable disclosure provisions of paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS134, *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group as at end of the financial year ended 31 December 2011.

Since the issue of the previous annual audited financial statements as at 31 December 2011, the Group has adopted the Malaysian Financial Reporting Standard (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board.

Accordingly, the Group has adopted MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) for the first time in these condensed interim financial statements. The transition to MFRS Framework does not have any material impact on the financial statements of the Group.

A2. Prior Year Adjustment

In 2011, the Group changed the basis of measurement of the Pension Trust Fund to reflect the recovery of its carrying amount.

The adjustments to the carrying amount of the Pension Trust Fund arising from this change in measurement basis have been effected retrospectively resulting in the comparative figures and opening retained profits of the Group being restated.

The following comparative figures have been restated accordingly:

Condensed Consolidated Statement of Changes in Equity for the financial period ended	As previously stated RM’000	Effect of prior year adjustment RM’000	As restated RM’000
1 January 2011			
Balance as at 1 January 2011	880,357	(32,258)	848,099

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2012

A2. Prior Year Adjustment (cont'd)

The following comparative figures have been restated accordingly:

	As previously stated RM'000	Effect of prior year adjustment RM'000	As restated RM'000
Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 September 2011			
Total comprehensive income	34,715	(7,509)	27,206
Balance as at 30 September 2011	<u>904,310</u>	<u>(39,767)</u>	<u>864,543</u>

**Condensed Consolidated Statement of
Comprehensive income for the financial period
ended 30 September 2011**

Other operating income	25,487	(7,509)	17,978
Profit/(loss) for the financial period	<u>3,668</u>	<u>(7,509)</u>	<u>(3,841)</u>

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 2011 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 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 business of Herlitz AG ("Herlitz") generates better results towards the second half of the year. Sales of the Group's printer consumable products such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, are generally not influenced by seasonal fluctuation.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2012

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

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash flows for the current quarter ended 30 September 2012.

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 except as disclosed in Note A2.

A7. Debt and Equity Securities

The Company repurchased a total of 5,145,600 of its shares from the open market for a total consideration of RM4,249,809 during the 9 months financial period ended 30 September 2012. The Company repurchased a total of 600,500 of its share from the open market for total consideration of RM473,175 during current quarter. Subsequent to the current quarter, a total of 291,000 ordinary shares were repurchased from the open market for a total consideration of RM219,821.

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.

Other than mentioned above, there were no other issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current quarter ended 30 September 2012.

A8. Dividends

No dividends have been paid during the current quarter ended 30 September 2012.

For the financial year ended 31 December 2011, a final share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM1 each held in the Company, amounting to 10,016,389 treasury shares and a final single tier dividend, of one (1.0) sen per ordinary share of RM1.00 each ("Cash Dividend") amounting to RM5,008,359 had been approved by the shareholders at the Annual General Meeting held on 26 June 2012, had been credited and paid on 24 September 2012 respectively.

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

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2012

A9. Segment Information

	Germany RM'000	Switzerland RM'000	Italy RM'000	Rest of Europe RM'000	Americas RM'000	Rest of world RM'000	Elimination RM'000	Group RM'000
9 months ended								
30 September 2012								
External revenue	749,660	77,990	32,692	211,210	151,758	49,756	-	1,273,066
Intersegment revenue	635,818	52,944	223	42,245	8,320	87,926	(827,476)	-
	<u>1,385,478</u>	<u>130,934</u>	<u>32,915</u>	<u>253,455</u>	<u>160,078</u>	<u>137,682</u>	<u>(827,476)</u>	<u>1,273,066</u>
Segment result	16,868	(8,888)	(846)	(6,291)	23,976	6,874	(3,850)	27,843
3 months ended								
30 September 2012								
External revenue	245,857	22,641	9,031	85,456	48,333	16,505	-	427,823
Intersegment revenue	159,477	11,255	26	11,186	2,622	23,975	(208,541)	-
	<u>405,334</u>	<u>33,896</u>	<u>9,057</u>	<u>96,642</u>	<u>50,955</u>	<u>40,480</u>	<u>(208,541)</u>	<u>427,823</u>
Segment result	6,834	(3,857)	(918)	1,605	7,620	(1,229)	(4,548)	5,507

Germany

The weakening Euro currency against Malaysian Ringgit had a major impact in the translated revenue for the German segment, which represents 58.9% of the Group's revenue. The translated revenue has declined by 18.2% as compared to the corresponding quarter in the previous year. Foreign exchange effects is about 7.0% and the rest of the decline in sales is mainly attributed to the effects of the lower sales contribution of the Herlitz Group due to the disposal of the manufacturing units and certain sales associated to these units which took effect since the second quarter of 2012. Besides that, the structural changes in the markets for the hardcopy segment also contributed to some of this sales decline. Nevertheless, these declines were somewhat compensated with strong sales especially for the school and office stationery segment business which remains a strong core product category for the German segment.

The German entities continue to undertake and spend on certain restructuring exercises which had resulted in lower contribution to the segment results in the current quarter.

Switzerland

The reduction in the Switzerland segment revenue is mainly due to changes in the supply chain flow within the Group's intersegment revenue. The segment result, was lower than the corresponding quarter with a loss of RM3.9 million for the current quarter mainly due to the decline in sales for the external revenues.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2012

A9. Segment Information (cont'd)

Italy

This segment generated lower sales as compared to the corresponding quarter due to the weakened Euro currency exchange against Ringgit Malaysia by 7.0% as compared to corresponding quarter in previous financial year. The overall economy in the Italian market is still generally weak and is continuing to affect consumer sentiment and spending.

Rest of Europe

The contribution in revenue from all other European countries, except Germany, Switzerland and Italy, represents 16.6% of the Group's total revenue. The sales in Hungary, Romania and Slovakia were affected by the disposal of the manufacturing units of the Herlitz Group which was completed in the first quarter of 2012. The Euro currency against Ringgit Malaysia has weakened by 7.0% as compared to corresponding quarter in previous financial year also further contributed to the decline in the translated revenues.

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated higher sales by 9.3% as compared to the corresponding quarter. This segment has achieved a good revenue growth in particular for countries such as Colombia and Argentina.

Rest of the World

Rest of the world which comprise 3.9% of the Group's revenue consist mainly countries such as Japan, South East Asia and Middle East. This segment generated lower sales as compared to the corresponding quarter in previous financial year due to the decrease in sales in Middle East arising from the trade sanctions, political instability and economic crisis within the Middle Eastern countries.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 September 2012.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 2012

A11. Changes in the Composition of the Group

In March 2012, the Group disposed of the following indirect subsidiaries to certain third parties for a total consideration of EUR22,229,000 (RM90,774,344):

- 650,000 ordinary shares of EUR1.00 each in Falken Office Products GmbH (“FOP”) representing 100% of the equity interest in FOP.
- 1,681,835 ordinary shares of GBP1.00 each in Herlitz UK Limited (“Herlitz UK”) representing 100% of the equity interest in Herlitz UK.
- 1,000 ordinary shares of RON10.00 each in DELMET PROD srl (“Delmet”) representing 100% of the equity interest in Delmet.

The transaction was completed on 30 March 2012 and these companies ceased to be subsidiaries of the Group as of that date.

A12. Events Subsequent to the End of the Reporting Period

There is no event subsequent to the financial period ended 30 September 2012.

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 EUR17.2 million (RM68.0 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 2011, the Company's wholly owned subsidiary Pelikan Hardcopy Scotland Limited (“PHSL”)s retirement fund has GBP21.5 million (RM107.2 million) assets to meet pension liabilities of GBP30.4 million (RM151.6 million). An amount of GBP1.0 million (RM5.0 million) has been recognised as a pension liability in the financial statements of PHSL as at 30 September 2012 in accordance with the MFRS 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 period ended	
	30/09/12	30/09/11	30/09/12	30/09/11
	RM'000	RM'000	RM'000	RM'000
Taxation charged in respect of current financial period				
- income tax	(5,678)	(5,606)	(14,057)	(13,748)
- deferred tax	(594)	684	(1,466)	(1,666)
	<u>(6,272)</u>	<u>(4,922)</u>	<u>(15,523)</u>	<u>(15,414)</u>

The Group's effective tax rate is higher than the statutory income tax rate in Malaysia mainly due to non-availability of group relief where subsidiaries with taxable profits cannot utilise the unutilised losses of other subsidiaries.

B2. Borrowings

Details of the Group's borrowings as at 30 September 2012 are as set out below:

Currency	Short Term		Long Term		Total
	Secured	Unsecured	Secured	Unsecured	
	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	96,990	19,132	84,576	-	200,698
Euro	44,135	17,016	1,574	-	62,725
Swiss Franc	125	-	5,172	-	5,297
US Dollar	59,256	87,279	7,993	-	154,528
Czech Koruna	86	2,574	30	-	2,690
Mexican Peso	-	9,850	-	1,554	11,404
Colombian Peso	-	25	-	-	25
Great Britain Pound	-	-	-	1,831	1,831
Singapore Dollar	15	-	28	-	43
Total	<u>200,607</u>	<u>135,876</u>	<u>99,373</u>	<u>3,385</u>	<u>439,241</u>

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

B3. 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 EUR17.2 million (RM68.0 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.

B4. Post employment benefit obligation

	RM'000
Payable within 12 months	18,072
Payable after 12 months	173,645
	<u>191,717</u>
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	82,711
Liabilities assumed by the Company	65,087
	147,798
Other pension liabilities of the Group	43,919
	<u>191,717</u>

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

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

B5. Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2012 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>920</u>
Authorised but not contracted for:	
Property, plant and equipment	<u>317</u>

B6. Review of Performance

The Group's revenue for the current financial quarter was RM427.8 million compared to RM527.5 million for the corresponding quarter last year, a decline of 18.9%. The weakening of the Euro against Malaysian Ringgit by 7.0% as compared to corresponding quarter in previous financial year has resulted in the lower translation almost 80% of the Group's revenues. The real declines in revenues are mainly attributable to the effects of the reduced sales arising from the disposal of the some manufacturing units of the Herlitz Group completed end of March 2012, business and products rationalisations within the Group to eliminate low margin product assortments and distribution channels. The Group continued to focus on its core products in the school category and office category which remains strong.

The Group continued to spend on restructuring measures in its European entities in particular on structural reorganizations to eliminate non-profitable business and the support costs associated with such business segments/products and manufacturing reorganisations to improve efficiencies and lower production costs. The costs incurred for such measures have affected the current quarter's results and as such, the Group had only recorded a profit before tax of RM9 million for the financial period ended 30 September 2012. Excluding such restructuring costs, the results would have been improved by approximately RM21 million.

B7. Variation of results against preceding quarter

In the current quarter, the Group's revenue increased to RM427.8 million compared to RM427.7 million in the preceding quarter. Nevertheless, this decline was compensated by the strong sales especially for the school and office stationery segment business for the current quarter. As compared to the preceding quarter, the sale effects of the manufacturing units disposed of the Herlitz Group was higher in the current quarter.

The Group recorded a profit before tax of RM0.3 million in the current quarter.

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

B8. Prospects

As there are not much improvements in the European economies thus far and the uncertainty in the markets remains, the Group's reorganization efforts are in the right line to address such uncertain markets and with a leaner and more focused organisation focusing on sales and distribution and improving efficiency and cost effectiveness of legacy assets in particular its manufacturing units. The Group will be able to capitalise in future potentials of market growth at a much lower and leaner operating costs.

The Group is also taking further steps to increase its sales via markets outside Europe, in particular regions such as Latin America and Asia which has good growth prospects. The Group is open to partner with strong distribution companies in markets which it is under represented. Such measures will expedite sales growth as organic growth in new markets are costly and takes a longer gestation period.

B9. Dividend

The Board of Directors does not recommend any dividend for the current quarter.

B10. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

B11. Earnings per share

		3 months ended		Financial period ended	
		30/09/12	30/09/11	30/09/12	30/09/11
		Restated		Restated	
(Loss)/Profit for the financial period attributable to equity holders of the parent:	(RM'000)	<u>(9,077)</u>	<u>(16,538)</u>	<u>(6,020)</u>	<u>958</u>
Weighted average number of ordinary shares in issue	('000)	512,796	512,796	512,796	512,796
Shares repurchased	('000)	<u>(2,095)</u>	<u>(5,800)</u>	<u>(7,484)</u>	<u>(5,683)</u>
		<u>510,701</u>	<u>506,996</u>	<u>505,312</u>	<u>507,113</u>
(Loss)/earnings per share:	(sen)	(1.78)	(3.26)	(1.19)	0.19

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

B12. Additional notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/09/12	30/09/11	30/09/12	30/09/11
	RM'000	RM'000	RM'000	RM'000
Loss for the period is arrived at after charging / (crediting):				
Interest income	(200)	(174)	(844)	(463)
Interest expense	5,220	9,197	18,790	20,969
Depreciation and amortisation	12,236	17,503	38,514	49,127
Impairment loss on receivables	682	488	1,484	1,389
Inventories write down/(Reversal of inventories write down)	1,032	(208)	3,517	1,340
Loss/(gain) on disposal of				
- Property, plant and equipment	62	(1,794)	(159)	(2,557)
- Investment	-	-	(21,151)	-
Foreign exchange (gain)/loss	(2,452)	17,368	(1,272)	8,765

B13. Derivative Liabilities

	Contract/ Notional amount EUR'000	Liabilities RM'000
Interest rate swap	<u>10,000</u>	<u>4,594</u>

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

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

B14. Realised and Unrealised Profits/(Losses) Disclosure

	As at 30/09/12 RM'000	As at 31/12/11 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised profit	209,558	214,381
- Unrealised loss	(13,685)	(9,304)
	195,873	205,077
Total share of accumulated losses from associates:		
- Realised loss	-	(349)
- Unrealised profit	-	49
	-	(300)
Add : Consolidation adjustments	(2,713)	(589)
Total retained profits as per Statement of Financial Position	<u>193,160</u>	<u>204,188</u>