Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 June 2013

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 June 2013
The figures have not been audited.

	Note	Individual Quarter 3 months ended 30/6/2013 RM' 000	Individual Quarter 3 months ended 30/6/2012 RM' 000 Restated	Cumulative Quarter Financial period ended 30/6/2013 RM' 000	Cumulative Quarter Financial period ended 30/6/2012 RM' 000 Restated
Revenue		383,915	427,720	712,703	845,243
Other operating income		6,198	6,056	16,299	33,927
Expenses excluding finance cost and tax		(374,598)	(425,989)	(715,754)	(857,545)
Finance cost		(5,382)	(8,011)	(10,969)	(13,570)
Profit/(Loss) before taxation		10,133	(224)	2,279	8,055
Taxation	B1	(3,054)	(6,262)	(7,509)	(9,251)
Profit/(Loss) for the financial period		7,079	(6,486)	(5,230)	(1,196)
Other comprehensive income/(loss):					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		9,890	(10,499)	396	(9,882)
Item that will not be reclassified subsequently to profit or loss:					
Actuarial gains on defined benefit plans		-	343	-	711
		9,890	(10,156)	396	(9,171)
Total comprehensive income/(loss) for the financial period		16,969	(16,642)	(4,834)	(10,367)
Total profit/(loss) attributable to:					
Owners of the parent		8,783	(2,795)	(447)	2,346
Non-controlling interests		(1,704)	(3,691)	(4,783)	(3,542)
		7,079	(6,486)	(5,230)	(1,196)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		17,836	(12,525)	(837)	(6,250)
Non-controlling interests		(867)	(4,117)	(3,997)	(4,117)
		16,969	(16,642)	(4,834)	(10,367)
		sen	sen	sen	sen
Earnings/(Loss) per share attributable to equity holders of the parent	B11	1.72	(0.56)	(0.09)	0.47

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 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 June 2013
The figures have not been audited.

	Note	30/6/2013 RM'000	31/12/2012 RM'000 Restated	1/1/2012 RM'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment		468,414	480,912	559,637
Trademarks		15,143	15,004	15,017
Development costs		12,626	15,674	23,430
Goodwill		99,329	96,887	97,038
Computer software licence		2,335	1,238	2,268
Investment in associates		-	-	-
Available-for-sale financial assets		3,001	3,040	2,985
Pension Trust Fund		139,528	145,165	152,048
Deferred tax assets		26,990	26,916	35,333
		767,366	784,836	887,756
Current assets				
Inventories		318,331	291,783	370,272
Receivables, deposits & prepayments		371,499	332,635	406,430
Tax recoverable		3,145	4,580	1,824
Pension Trust Fund		17,345	17,345	19,448
Deposits, cash and bank balances		84,288	160,253	100,808
		794,608	806,596	898,782
TOTAL ASSETS		**1,561,974**	**1,591,432**	**1,786,538**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		512,796	512,796	512,796
Share premium		57,521	57,521	74,964
Foreign currency translation reserves		(82,846)	(82,456)	(73,064)
Retained profits		51,828	52,275	161,367
Treasury shares, at cost		(5,053)	(3,855)	(16,751)
		534,246	536,281	659,312
Non-controlling interests		9,965	14,333	22,378
Total equity		544,211	550,614	681,690
Non-current liabilities				
Post employment benefit obligations	B4			
- Removable pension liabilities		143,690	153,683	133,403
- others		104,241	105,841	94,513
Borrowings	B2	120,496	117,205	107,827
Deferred tax liabilities		27,784	28,137	38,006
		396,211	404,866	373,749
Current liabilities				
Payables		294,829	298,146	339,603
Post employment benefit obligations	B4			
- Removable pension liabilities		17,341	9,587	9,582
- others		9,999	10,676	11,213
Derivative liabilities		3,798	4,773	3,280
Provisions		91	90	189
Borrowings	B2	288,257	300,771	350,920
Current tax liabilities		7,237	11,909	16,312
		621,552	635,952	731,099
Total liabilities		1,017,763	1,040,818	1,104,848
TOTAL EQUITY AND LIABILITIES		**1,561,974**	**1,591,432**	**1,786,538**
Net assets per share attributable to owners of the parent (RM)		1.04	1.05	1.29

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 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 June 2013
The figures have not been audited.

	Share Capital	Share premium	Foreign currency translation reserves (non distributable)	Retained profits (distributable)	Treasury shares, at cost (distributable)	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Balance at 1 January 2013	512,796	57,521	(82,456)	140,100	(3,855)	624,106	14,333	638,439
Effects of MFRS adoption disclosed in Note A2	-	-	-	(87,825)	-	(87,825)	-	(87,825)
As restated	512,796	57,521	(82,456)	52,275	(3,855)	536,281	14,333	550,614
Total comprehensive loss for the financial period	-	-	(390)	(447)	-	(837)	(3,997)	(4,834)
Transactions with owners:								
Purchase of own shares	-	-	-	-	(1,198)	(1,198)	-	(1,198)
Dividends	-	-	-	-	-	-	(371)	(371)
	-	-	-	-	(1,198)	(1,198)	(371)	(1,569)
Balance at 30 June 2013	512,796	57,521	(82,846)	51,828	(5,053)	534,246	9,965	544,211
Balance at 1 January 2012	512,796	74,964	(73,064)	204,188	(16,751)	702,133	22,378	724,511
Effects of MFRS adoption disclosed in Note A2	-	-	-	(42,821)	-	(42,821)	-	(42,821)
As restated	512,796	74,964	(73,064)	161,367	(16,751)	659,312	22,378	681,690
Total comprehensive (loss)/income for the financial period	-	-	(9,307)	3,057	-	(6,250)	(4,117)	(10,367)
Transactions with owners:								
Purchase of own shares	-	-	-	-	(3,776)	(3,776)	-	(3,776)
Dividends	-	(17,443)	-	(5,008)	17,443	(5,008)	(264)	(5,272)
	-	(17,443)	-	(5,008)	13,667	(8,784)	(264)	(9,048)
Balance at 30 June 2012	512,796	57,521	(82,371)	159,416	(3,084)	644,278	17,997	662,275

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 2012 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 June 2013
The figures have not been audited.

	Financial period ended	
	30/6/2013	**30/6/2012**
	RM' 000	**RM' 000**
Cash Flows From Operating Activities		
Cash receipts from customers	657,378	732,114
Cash paid to suppliers and employees	(697,666)	(784,691)
	(40,288)	(52,577)
Interest received	215	644
Interest paid	(4,784)	(7,223)
Taxation paid	(11,137)	(12,836)
Net cash used in operating activities	(55,994)	(71,992)
Cash Flows From Investing Activities		
Interest paid	(5,173)	(5,816)
Purchase of property, plant and equipment	(8,454)	(11,292)
Proceeds from disposal of property, plant and equipment	7,481	953
Purchase of intangible assets	(72)	(173)
Development expenses paid	(559)	(1,237)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off	-	75,334
Net cash (used in)/from investing activities	(6,777)	57,769
Cash Flows From Financing Activities		
Deposits uplifted, net	15,601	-
Repurchase of own shares	(1,198)	(3,776)
Drawdown of bank borrowings	112,308	241,317
Repayment of bank borrowings	(123,970)	(218,654)
Repayment of hire purchase and lease creditors	(357)	(331)
Net cash from financing activities	2,384	18,556
Net (decrease)/increase in cash and cash equivalents during the financial period	(60,387)	4,333
Foreign currency translation	1,074	(7,649)
Cash and cash equivalents at beginning of financial period	133,667	94,990
Cash and cash equivalents at end of financial period	74,354	91,674
Cash and cash equivalents comprise :		
Cash and bank balances	78,210	100,604
Bank overdrafts	(3,856)	(8,930)
	74,354	91,674

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2013

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2013 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 MFRS 134, 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 2012.

A2. Significant Accounting Policies

The accounting policies applied by the Group in this interim financial report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of MFRS 119 Employee Benefits (revised) which was effective as of 1 January 2013.

Employee Benefits

The Group has adopted MFRS 119 Employee Benefits (revised) and applied this standard retrospectively during the current period.

As a result of MFRS 119 Employee Benefits (revised) adoption, actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The expected returns on plan assets of defined benefit plans are not recognised in profit or loss and instead, the interest on net defined benefit obligation (net of the plan assets) is recognised in profit or loss, calculated using the discount rate used to measure the net pension obligation or asset.

In addition, the standard also introduced the inclusion of risk sharing elements in the determination of the defined benefit liability and clarifies that an entity should take mandatory employee contributions into account in the valuation of the present value of the defined benefit obligation. These contributions are regarded as a "negative benefit". The net benefit (the total benefit excluding future employee contributions) should therefore be attributed over the service period under the projected unit credit method.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2013

A2. Significant Accounting Policies (cont'd)

The impact arising from the change is summarised as follows:

(a) Condensed consolidated statements of financial position

	As previously reported RM'000	Effect of adoption of MFRS 119 RM'000	Restated RM'000
As at 1 January 2012			
Non-current liabilities			
Post employment benefit obligations			
Removable pension liabilities	151,548	(18,145)	133,403
Others	33,547	60,966	94,513
Equity attributable to owners of the parent			
Retained profits	204,188	(42,821)	161,367
As at 31 December 2012			
Non-current liabilities			
Post employment benefit obligations			
Removable pension liabilities	141,171	12,512	153,683
Others	30,528	75,313	105,841
Equity attributable to owners of the parent			
Retained profits	140,100	(87,825)	52,275

(b) Condensed consolidated statement of comprehensive income

	As previously reported RM'000	Effect of adoption of MFRS 119 RM'000	Restated RM'000
Period ended 30 June 2012			
Expenses excluding finance cost and tax	(856,834)	(711)	(857,545)
Profit before taxation	8,766	(711)	8,055
Profit for the financial period	(485)	(711)	(1,196)

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2013

A2. Significant Accounting Policies (cont'd)

(b) Condensed consolidated statement of comprehensive income (cont'd)

	As previously reported RM'000	Effect of adoption of MFRS 119 RM'000	Restated RM'000
Period ended 30 June 2012			
Other comprehensive income:			
Actuarial gains on defined benefit plans	-	711	711
Year ended 31 December 2012			
Expenses excluding finance cost and tax	(1,672,673)	(1,388)	(1,674,061)
Loss before taxation	(49,707)	(1,388)	(51,095)
Loss for the financial year	(66,084)	(1,388)	(67,472)
Actuarial losses on defined benefit plans	-	(43,616)	(43,616)
Total comprehensive loss for the financial year	(76,252)	(45,004)	(121,256)

There was no material impact on the Group's condensed consolidated statement of cash flows.

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 2012 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 Cyclicality 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 second quarter and financial period ended 30 June 2013

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 June 2013.

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 was no material changes in estimates of amounts reported in the prior interim periods of the current financial year or prior financial years.

A7. Debt and Equity Securities

The Company repurchased a total of 2,126,800 of its shares from the open market for a total consideration of RM1,198,884 during the current quarter. Subsequent to the current quarter, a total of 235,400 ordinary shares were repurchased from the open market for a total consideration of RM92,191.

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 June 2013.

A8. Dividends

No dividends have been paid during the current quarter ended 30 June 2013.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2013

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
6 months ended 30 June 2013								
External revenue	391,614	52,152	20,649	114,123	102,160	32,005	-	712,703
Intersegment Revenue	305,058	23,811	142	28,759	7,142	47,069	(411,981)	-
	696,672	75,963	20,791	142,882	109,302	79,074	(411,981)	712,703
Segment result	12,348	(1,611)	(875)	(8,692)	16,325	4,484	(8,731)	13,248
3 months ended 30 June 2013								
External revenue	219,075	27,797	12,157	62,728	46,416	15,742	-	383,915
Intersegment Revenue	157,825	11,108	101	17,339	4,316	25,427	(216,116)	-
	376,900	38,905	12,258	80,067	50,732	41,169	(216,116)	383,915
Segment result	12,429	3,298	(41)	(1,782)	8,486	(2,873)	(4,002)	15,515

Germany

The contribution in revenue from Germany represents 54.9% of the Group's total revenue. The positive economic data for the German market had improved consumer sentiment and this can be seen in the increase in sales of approximately 6.5% for the school product during the "Back To School" season as compared to the previous year's corresponding quarter. Further thereto, the level and size of orders from customers also improved during this year's "Back to School" season which is a good sign that retail level confidence has also improved generally.

Apart from the effects of deconsolidated sales from the filing plants disposed by Herlitz Group in 2012 of approximately RM37.7 million which resulted in an overall decrease in the office business segment, other office products showed improvement in the current quarter. The other areas such as presentation, office equipment and hardcopy experience a sales decline of approximately RM10.8 million due to the discontinuing of products, product and channel rationalisation actions undertaken in year 2012.

Despite an overall lower external sales of RM39.5 million compared to previous year's corresponding quarter, the segment result improved to RM12.4 million in the current quarter as opposed to RM1.7 million in the previous year's corresponding quarter due to better margin contribution, lower cost base arising from restructuring measures undertaken in year 2012.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2013

A9. Segment Information (cont'd)

Switzerland

The Swiss market concentrated mainly in printer consumables business, and with the new tender businesses obtained in the current quarter, revenue generated was slightly higher as compared to the previous year corresponding quarter. Increased sales, coupled with reduction in staff costs of approximately RM6.9 million had resulted in the improved segment result.

Italy

The overall economy in the Italian market is still generally weak and is continuing to affect consumer sentiment and spending. As a consequence, certain high priced product assortments were discontinued as consumer demand has decreased on such assortments. However, as the "Back To School" season began, the contribution in revenue increased by 43.2% as compared to the preceding quarter, resulting in a better result for the current quarter.

Rest of Europe

The contribution in revenue from all other European countries, except Germany, Switzerland and Italy, represents 16.0% of the Group's total revenue. In the current quarter, the sales of certain European countries continue to be affected by the reduction of sales in coated hardcopy product segment, deterioration of economic situation in France and Spain and the entrants of more private label brands with lower prices. The decrease was partially off-set by the increased sales in Romania and Czech Republic.

The segment losses incurred for this region had reduced from RM4.4 million in the previous year's corresponding quarter to RM1.8 million in the current quarter.

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated lower sales by 6.6% as compared to the previous year's corresponding quarter. The decrease was mainly due to the sales reduction in Mexico and Colombia which is experiencing an economic slowdown at the moment.

The reduced sales in Mexico and Colombia were compensated with the increased sales of 18.2% as compared to the previous year's quarter for Argentina. The country still has strong revenue growth in particular the office product segment. As a result of the lower sales, the segment results reduced from RM9.4 million in the previous year's corresponding quarter to RM8.5 million. The impact of the reduction in sales was partially compensated by better production efficiencies and cost measures undertaken in the region.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2013

A9. Segment Information (cont'd)

Rest of the World

Rest of the world which comprise 4.5% 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 previous year corresponding quarter due to the decrease in sales in Middle East, particularly in school and office segment business arising from the trade sanctions, political instability and economic crisis within the Middle Eastern countries.

The special edition launched in the previous quarter, continue to contribute more sales in Japan. In the current quarter, revenue increased by JPY 21.8 million as compared to previous year's corresponding quarter. However, due to the weakening in the Japanese Yen against Ringgit Malaysia, the translated revenue is lower by 16.5% as compared to the previous year's corresponding quarter.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 June 2013.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period ended 30 June 2013 except for the spin-off of HCZ Real Estate s.r.o. from the Czech subsidiary, Herlitz spol. s.r.o. HCZ Real Estate s.r.o. became the wholly-owned subsidiary of Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren.

A12. Events Subsequent to the End of the Reporting Period

There is no event subsequent to the financial period ended 30 June 2013.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2013

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 (RM71.2 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 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 2012, the Company's wholly owned subsidiary Pelikan Hardcopy Scotland Limited ("PHSL")'s retirement fund has GBP23.9 million (RM116.6 million) assets to meet pension liabilities of GBP32.6 million (RM158.7 million). An amount of GBP8.7 million (RM42.1 million) has been recognised as a pension liability in the financial statements of PHSL as at 30 June 2013 in accordance with the MFRS 119 Employee Benefits (revised).

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	
	30/06/13	30/06/12	30/06/13	30/06/12
	RM'000	RM'000	RM'000	RM'000
Taxation charged in respect of current financial period				
- income tax	(3,366)	(5,785)	(8,028)	(8,379)
- deferred tax	312	(477)	519	(872)
	(3,054)	(6,262)	(7,509)	(9,251)

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 June 2013 are as set out below:

	Short Term		Long Term		Total
	Secured	Unsecured	Secured	Unsecured	
Currency	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	61,906	18,445	109,006	-	189,357
Euro	30,135	10,876	1,594	-	42,605
Swiss Franc	311	-	4,929	-	5,240
US Dollar	63,556	90,201	2,660	-	156,417
Czech Koruna	49	-	116	-	165
Mexican Peso	-	12,739	-	524	13,263
Great Britain Pound	39	-	-	1,632	1,671
Singapore Dollar	-	-	35	-	35
Total	155,996	132,261	118,340	2,156	408,753

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 (RM71.2 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 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	27,340
Payable after 12 months	247,931
	275,271
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	95,944
Liabilities assumed by the Company	65,087
	161,031
Other pension liabilities of the Group	114,240
	275,271

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 June 2013 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	2,732
Authorised but not contracted for:	
Property, plant and equipment	33

B6. Review of Performance

The Group's revenue declined by 10.2% from RM427.7 million in the previous year's corresponding quarter to RM383.9 million in the current quarter mainly due to the effects of the disposed private label filing business of the Herlitz Group in 2012. Sales of this business in the previous year's corresponding quarter amounted to RM37.7 million. Besides that, the presentation, office equipment and hardcopy experienced a sales decline in the current quarter against the preceeding year's corresponding quarter by approximately RM10.8 million due to the discontinuing of products, product and channel rationalisation actions undertaken in year 2012.

Excluding such declines in sales arising from plant disposals and product line rationalisations undertaken by the Group, the real revenue for the Group had actually improved by approximately RM4.7 million. This is evident in particular the school product segment in the German region wherein sales grew by 6.5% in the current quarter against the previous year's corresponding quarter.

The positive economic data for the German and European market had improved consumer sentiment and this can be seen in the increase in sales during the "Back to School" season for the school product segment which contributes 29.7% of the Group's revenue for the current quarter.

Despite the overall decline in sales for the current quarter as compared to the previous year's corresponding quarter, the Group had recorded a profit before tax of RM10.1 million in the current quarter as compared to loss before tax of RM0.2 million in the previous year's corresponding quarter. The improvement in profitability is mainly as a result of the restructuring and product rationalisation measures undertaken by the Group in 2012. Overall, the product contribution is higher and the cost base of the Group is relatively lower as compared to the previous year's corresponding quarter.

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

B7. Variation of results against preceding quarter

The Group's revenue increased to RM383.9 million in the current financial quarter as compared to RM328.8 million in the preceding quarter. The second quarter is normally a stronger quarter for the Group's school products due to the "Back to School" season in Europe, with additional sales in school business segment of approximately RM64.1 million as compared to preceding quarter. The additional sales in office products, which was mainly generated from Europe market also further contributed to the increase.

As for fine writing instruments, the new launch of limited edition, such as the Limited Edition 175th Anniversary pen M101N "Lizard" in the preceding quarter, have created excitement among fine writing instruments enthusiasts, thus resulted in higher demand in the preceding quarter as compared to the current quarter.

As a result of the improved sales results, the Group recorded a profit before tax of RM10.1 million in the current quarter as compared to loss before tax of RM7.9 million in the preceding quarter.

B8. Prospects

Europe's two largest economies, Germany and France expanded more than economists' prediction in the second quarter, helping to pull the Euro area out of its longest-ever recession. In Germany, Gross Domestic Product increased 0.7% in the second quarter, more than the 0.6% gain forecast by economists *(Source: Bloomberg)*. The French economy expanded 0.5% after two quarters of contraction. Certain Eurozone's member, including Italy and Spain remains in recessions. The positive economic data would generally improve consumer sentiment and spending and would contribute positively to the Group's performance.

As for the Latin America region, the Mexico economy are expected to pick up the second half of 2013 as a result of higher public spending and increased in private consumption in Mexico, as well as faster growth in the U.S. economy *(Source: Bank of Mexico)*. As for Colombia outlook, the economy is expected to pick up steadily towards the end of 2013 and 2014. The prospects of this region remain strong and the Group shall continue to expand the business further in this region.

The Group's restructuring and products/channel rationalisation efforts undertaken in 2012 is starting to provide positive contribution to the Group's performance. The continued performance of the Group is dependent on the sales development of the Group in the second half of the year in particular the Germany and European markets.

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

B9. Dividend

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

B10. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

B11. Earnings per share

		3 months ended		Financial period ended	
		30/06/13	30/06/12 Restated	30/06/13	30/06/12 Restated
Profit/(loss) for the financial period attributable to equity holders of the parent:	(RM'000)	8,783	(2,795)	(447)	2,346
Weighted average number of ordinary shares in issue	('000)	512,796	512,796	512,796	512,796
Shares repurchased	('000)	(3,079)	(11,542)	(4,127)	(8,777)
		509,717	501,254	508,669	504,019
Earnings/(loss) per share:	(sen)	1.72	(0.56)	(0.09)	0.47

B12. Additional notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/06/13	30/06/12	30/06/13	30/06/12
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period is arrived at after charging / (crediting):				
Interest income	(138)	(192)	(215)	(644)
Interest expense	5,382	8,011	10,969	13,570
Depreciation and amortisation	10,884	12,628	22,538	26,278
Impairment loss on receivables	805	359	2,241	802
Inventories write down	427	1,681	596	2,485
Loss/(Gain) on disposal of				
- Property, plant and equipment	690	(48)	(4,842)	(221)
- Investment in subsidiaries	-	-	-	(21,151)
Foreign exchange loss	922	7,278	4,325	1,180

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

B13. Derivative Liabilities

	Contract/ Notional amount EUR'000	Liabilities RM'000
Interest rate swap	10,000	3,798

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.

B14. Realised and Unrealised Profits/(Losses) Disclosure

	As at 30/06/13 RM'000	As at 31/12/12 RM'000 Restated
Total retained profits of the Company and its subsidiaries:		
- Realised profit	73,516	65,083
- Unrealised loss	(23,401)	(11,471)
	50,115	53,612
Total share of accumulated losses from associates:		
- Realised loss	(331)	(349)
- Unrealised profit	31	49
	(300)	(300)
Add : Consolidation adjustments	2,013	(1,037)
Total retained profits as per Statement of Financial Position	51,828	52,275