

Company No. 63611 - U

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

**INTERIM FINANCIAL REPORT**

**30 September 2013**

**PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Interim report for the financial period ended 30 September 2013**

*The figures have not been audited.*

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/9/2013 RM' 000	30/9/2012 RM' 000 Restated	30/9/2013 RM' 000	30/9/2012 RM' 000 Restated
Revenue		405,965	427,823	1,118,668	1,273,066
Other operating income		6,087	6,180	22,386	40,107
Expenses excluding finance cost and tax		(394,833)	(428,826)	(1,110,587)	(1,286,371)
Finance cost		<u>(5,761)</u>	<u>(5,220)</u>	<u>(16,730)</u>	<u>(18,790)</u>
Profit/(Loss) before taxation		11,458	(43)	13,737	8,012
Taxation	B1	<u>(5,123)</u>	<u>(6,272)</u>	<u>(12,632)</u>	<u>(15,523)</u>
Profit/(Loss) for the financial period		6,335	(6,315)	1,105	(7,511)
Other comprehensive income/(loss):					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		7,605	(2,549)	8,001	(12,431)
Item that will not be reclassified subsequently to profit or loss:					
Actuarial gains on defined benefit plans		-	330	-	1,041
		<u>7,605</u>	<u>(2,219)</u>	<u>8,001</u>	<u>(11,390)</u>
Total comprehensive income/(loss) for the financial period		<u>13,940</u>	<u>(8,534)</u>	<u>9,106</u>	<u>(18,901)</u>
Total profit/(loss) attributable to:					
Owners of the parent		4,322	(9,407)	3,875	(7,061)
Non-controlling interests		<u>2,013</u>	<u>3,092</u>	<u>(2,770)</u>	<u>(450)</u>
		<u>6,335</u>	<u>(6,315)</u>	<u>1,105</u>	<u>(7,511)</u>
Total comprehensive income/(loss) attributable to:					
Owners of the parent		11,388	(11,578)	10,551	(17,828)
Non-controlling interests		<u>2,552</u>	<u>3,044</u>	<u>(1,445)</u>	<u>(1,073)</u>
		<u>13,940</u>	<u>(8,534)</u>	<u>9,106</u>	<u>(18,901)</u>
Earnings/(Loss) per share attributable to equity holders of the parent	B11	sen 0.85	sen (1.84)	sen 0.76	sen (1.40)

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 September 2013  
 The figures have not been audited.

	Note	30/9/2013 RM'000	31/12/2012 RM'000 Restated	1/1/2012 RM'000 Restated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		467,629	480,912	559,637
Trademarks		15,759	15,004	15,017
Development costs		11,936	15,674	23,430
Goodwill		96,599	96,887	97,038
Computer software licence		2,733	1,238	2,268
Investment in associates		-	-	-
Available-for-sale financial assets		3,132	3,040	2,985
Pension Trust Fund		136,595	145,165	152,048
Deferred tax assets		27,073	26,916	35,333
		<u>761,456</u>	<u>784,836</u>	<u>887,756</u>
<b>Current assets</b>				
Inventories		288,740	291,783	370,272
Receivables, deposits & prepayments		366,440	332,635	406,430
Tax recoverable		3,183	4,580	1,824
Pension Trust Fund		17,345	17,345	19,448
Deposits, cash and bank balances		130,299	160,253	100,808
		<u>806,007</u>	<u>806,596</u>	<u>898,782</u>
<b>TOTAL ASSETS</b>		<u><b>1,567,463</b></u>	<u><b>1,591,432</b></u>	<u><b>1,786,538</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		512,796	512,796	512,796
Share premium		57,519	57,521	74,964
Foreign currency translation reserves		(75,780)	(82,456)	(73,064)
Retained profits		56,150	52,275	161,367
Treasury shares, at cost		(5,151)	(3,855)	(16,751)
		<u>545,534</u>	<u>536,281</u>	<u>659,312</u>
Non-controlling interests		12,396	14,333	22,378
<b>Total equity</b>		<u><b>557,930</b></u>	<u><b>550,614</b></u>	<u><b>681,690</b></u>
<b>Non-current liabilities</b>				
Post employment benefit obligations	B4			
- Removable pension liabilities		150,214	153,683	133,403
- others		100,933	105,841	94,513
Borrowings	B2	111,239	117,205	107,827
Deferred tax liabilities		28,082	28,137	38,006
		<u>390,468</u>	<u>404,866</u>	<u>373,749</u>
<b>Current liabilities</b>				
Payables		288,162	298,146	339,603
Post employment benefit obligations	B4			
- Removable pension liabilities		18,043	9,587	9,582
- others		10,230	10,676	11,213
Derivative liabilities		3,832	4,773	3,280
Provisions		95	90	189
Borrowings	B2	290,290	300,771	350,920
Current tax liabilities		8,413	11,909	16,312
		<u>619,065</u>	<u>635,952</u>	<u>731,099</u>
<b>Total liabilities</b>		<u><b>1,009,533</b></u>	<u><b>1,040,818</b></u>	<u><b>1,104,848</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,567,463</b></u>	<u><b>1,591,432</b></u>	<u><b>1,786,538</b></u>
Net assets per share attributable to owners of the parent (RM)		1.06	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 September 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
<b>Balance at 1 January 2013</b>	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)
<b>As restated</b>	512,796	57,521	(82,456)	52,275	(3,855)	536,281	14,333	550,614
Total comprehensive income/(loss) for the financial period	-	-	6,676	3,875	-	10,551	(1,445)	9,106
Transactions with owners:								
Purchase of own shares	-	-	-	-	(1,338)	(1,338)	-	(1,338)
Sale of own shares	-	(2)	-	-	42	40	-	40
Dividends	-	-	-	-	-	-	(492)	(492)
	-	(2)	-	-	(1,296)	(1,298)	(492)	(1,790)
<b>Balance at 30 September 2013</b>	<b>512,796</b>	<b>57,519</b>	<b>(75,780)</b>	<b>56,150</b>	<b>(5,151)</b>	<b>545,534</b>	<b>12,396</b>	<b>557,930</b>
<b>Balance at 1 January 2012</b>	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)
<b>As restated</b>	512,796	74,964	(73,064)	161,367	(16,751)	659,312	22,378	681,690
Total comprehensive loss for the financial period	-	-	(11,808)	(6,020)	-	(17,828)	(1,073)	(18,901)
Transactions with owners:								
Purchase of own shares	-	-	-	-	(4,250)	(4,250)	-	(4,250)
Dividends	-	(17,443)	-	(5,008)	17,443	(5,008)	(264)	(5,272)
	-	(17,443)	-	(5,008)	13,193	(9,258)	(264)	(9,522)
<b>Balance at 30 September 2012</b>	<b>512,796</b>	<b>57,521</b>	<b>(84,872)</b>	<b>150,339</b>	<b>(3,558)</b>	<b>632,226</b>	<b>21,041</b>	<b>653,267</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 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 September 2013**  
*The figures have not been audited.*

	Financial period ended	
	30/9/2013 RM' 000	30/9/2012 RM' 000
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers	1,120,623	1,215,397
Cash paid to suppliers and employees	<u>(1,092,431)</u>	<u>(1,228,096)</u>
	28,192	(12,699)
Interest received	321	844
Interest paid	(8,779)	(8,943)
Taxation paid	<u>(14,909)</u>	<u>(21,449)</u>
<b>Net cash from/(used in) operating activities</b>	<u>4,825</u>	<u>(42,247)</u>
<b>Cash Flows From Investing Activities</b>		
Interest paid	(7,567)	(9,673)
Purchase of property, plant and equipment	(15,724)	(12,151)
Proceeds from disposal of property, plant and equipment	20,814	16,292
Purchase of intangible assets	(320)	(253)
Development expenses paid	(875)	(1,822)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off	-	72,991
Proceeds from disposal of available for sale financial assets	<u>29</u>	<u>-</u>
<b>Net cash (used in)/from investing activities</b>	<u>(3,643)</u>	<u>65,384</u>
<b>Cash Flows From Financing Activities</b>		
Dividends paid	-	(5,008)
Deposits uplifted, net	5,499	-
Repurchase of own shares	(1,338)	(4,250)
Proceeds from sale of own shares	40	-
Drawdown of bank borrowings	167,132	329,372
Repayment of bank borrowings	(189,366)	(345,297)
Repayment of hire purchase and lease creditors	<u>(395)</u>	<u>(496)</u>
<b>Net cash used in financing activities</b>	<u>(18,428)</u>	<u>(25,679)</u>
<b>Net decrease in cash and cash equivalents during the financial period</b>	(17,246)	(2,542)
<b>Foreign currency translation</b>	(8,428)	(2,591)
<b>Cash and cash equivalents at beginning of financial period</b>	<u>133,667</u>	<u>94,990</u>
<b>Cash and cash equivalents at end of financial period</b>	<u><u>107,993</u></u>	<u><u>89,857</u></u>
<b>Cash and cash equivalents comprise :</b>		
Cash and bank balances	114,119	102,200
Bank overdrafts	<u>(6,126)</u>	<u>(12,343)</u>
	<u><u>107,993</u></u>	<u><u>89,857</u></u>

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 third quarter and financial period ended 30 September 2013**

**A1. Basis of Preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 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 third quarter and financial period ended 30 September 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
<b>As at 1 January 2012</b>			
<b>Non-current liabilities</b>			
Post employment benefit obligations			
Removable pension liabilities	151,548	(18,145)	133,403
Others	33,547	60,966	94,513
<b>Equity attributable to owners of the parent</b>			
Retained profits	<u>204,188</u>	<u>(42,821)</u>	<u>161,367</u>
<b>As at 31 December 2012</b>			
<b>Non-current liabilities</b>			
Post employment benefit obligations			
Removable pension liabilities	141,171	12,512	153,683
Others	30,528	75,313	105,841
<b>Equity attributable to owners of the parent</b>			
Retained profits	<u>140,100</u>	<u>(87,825)</u>	<u>52,275</u>

**(b) Condensed consolidated statement of comprehensive income**

	As previously reported RM'000	Effect of adoption of MFRS 119 RM'000	Restated RM'000
<b>Period ended 30 September 2012</b>			
Expenses excluding finance cost and tax	(1,285,330)	(1,041)	(1,286,371)
Profit before taxation	9,053	(1,041)	8,012
Loss for the financial period	<u>(6,470)</u>	<u>(1,041)</u>	<u>(7,511)</u>

**A. Notes to the Interim Financial Report  
For the third quarter and financial period ended 30 September 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
<b>Period ended 30 September 2012</b>			
Other comprehensive income:			
Actuarial gains on defined benefit plans	-	1,041	1,041
<b>Year ended 31 December 2012</b>			
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 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 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 September 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 335,400 of its shares from the open market for a total consideration of RM138,947 during the current quarter. Subsequent to the current quarter, no shares were repurchased from the open market.

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.

In addition, during the current quarter, the Company reissued 90,000 treasury shares by resale in the open market. The average resale price of the treasury shares was RM0.452 per share. The proceeds from the resale will be utilised for working capital.

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 2013.

**A8. Dividends**

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

**A. Notes to the Interim Financial Report**  
**For the third quarter and financial period ended 30 September 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
<b>9 months ended</b>								
<b>30 September</b>								
<b>2013</b>								
External revenue	616,198	75,834	29,757	203,580	148,826	44,473	-	1,118,668
Intersegment revenue	459,907	35,941	187	46,905	9,251	67,682	(619,873)	-
	<u>1,076,105</u>	<u>111,775</u>	<u>29,944</u>	<u>250,485</u>	<u>158,077</u>	<u>112,155</u>	<u>(619,873)</u>	<u>1,118,668</u>
Segment result	<u>20,285</u>	<u>(752)</u>	<u>(2,759)</u>	<u>(8,049)</u>	<u>23,217</u>	<u>8,851</u>	<u>(10,326)</u>	<u>30,467</u>
<b>3 months ended</b>								
<b>30 September</b>								
<b>2013</b>								
External revenue	224,584	23,682	9,108	89,457	46,666	12,468	-	405,965
Intersegment revenue	154,849	12,130	45	18,146	2,109	20,613	(207,892)	-
	<u>379,433</u>	<u>35,812</u>	<u>9,153</u>	<u>107,603</u>	<u>48,775</u>	<u>33,081</u>	<u>(207,892)</u>	<u>405,965</u>
Segment result	<u>7,937</u>	<u>859</u>	<u>(1,884)</u>	<u>643</u>	<u>6,892</u>	<u>4,367</u>	<u>(1,595)</u>	<u>17,219</u>

**Germany**

The German market continues to record good revenue amidst the tail end of the “Back to School” season.

As compared to the revenue of the previous year’s corresponding quarter, the sales development of the school and office products has been positive, with bulk of the variances coming from product rationalisation efforts in 2012 such as cessation of the private label filing business (approximately RM30.0 million) from the sale of the Herlitz plants, presentation and high end office equipments and other product rationalisations undertaken in 2012.

Despite an overall lower external sales of RM21.3 million as compared to the previous year’s corresponding quarter, there was improvement to the segment results from RM6.8 million in the previous year’s corresponding quarter to RM7.9 million in the current quarter as a result of gain from sales of property, plant and equipment and reduction of reorganisation charges in the current quarter.

**A. Notes to the Interim Financial Report  
For the third quarter and financial period ended 30 September 2013**

**A9. Segment Information (cont'd)**

**Switzerland**

The Swiss market concentrated mainly in printer consumables business. Increased sales, as a result of improved Swiss Franc against Ringgit Malaysia, coupled with reduction in staff costs of approximately RM5.9 million had resulted in the improved segment result as compared to the previous year's corresponding quarter.

**Italy**

The overall economy in the Italian market is still generally weak and is continuing to affect consumer sentiment and spending. The results are lower than the previous year's corresponding quarter due to the slowdown of printer consumables sales in the mass market and dealer distribution channel, coupled with the increased sales promotion expenses incurred to create brand awareness in the current quarter.

**Rest of Europe**

The contribution in revenue from all other European countries, except Germany, Switzerland and Italy, represents 18.2% of the Group's total revenue. The overall segment sales were relatively around the same levels as compared to the previous year's corresponding quarter with some countries achieving negative sales development such as Spain and France whilst certain countries such as Poland, Greece and Romania have positive sales development.

Segment results decrease by approximately RM1.0 million as compared to the previous year's corresponding quarter.

**Americas**

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated lower sales by 3.4% 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 slow down in the second half of the year.

The reduced sales in Mexico and Colombia were compensated with the increased sales of Argentina by 9.8% as compared to the previous year's quarter. 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 RM7.6 million in the previous year's corresponding quarter to RM6.9 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 third quarter and financial period ended 30 September 2013**

**A9. Segment Information (cont'd)**

**Rest of the World**

Rest of the world which comprise 4.0% 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 mainly due to the decrease in sales in Japan and Middle East.

The decreased sales in Japan are mainly attributable to higher number of product launches in 2012 as opposed to 2013.

The decrease in sales in Middle East, particularly in school and office segment business, mainly arise 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 2013.

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

There were no changes in the composition of the Group during the quarter ended 30 September 2013.

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

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

**A. Notes to the Interim Financial Report**  
**For the third quarter and financial period ended 30 September 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 (RM74.1 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 (RM123.2 million) assets to meet pension liabilities of GBP32.6 million (RM168.1 million). An amount of GBP8.7 million (RM44.9 million) has been recognised as a pension liability in the financial statements of PHSL as at 30 September 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	
	30/09/13 RM'000	30/09/12 RM'000	30/09/13 RM'000	30/09/12 RM'000
Taxation charged in respect of current financial period				
- income tax	(4,805)	(5,678)	(12,833)	(14,057)
- deferred tax	(318)	(594)	201	(1,466)
	<u>(5,123)</u>	<u>(6,272)</u>	<u>(12,632)</u>	<u>(15,523)</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 2013 are as set out below:

Currency	Short Term		Long Term		Total RM'000
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000	
Ringgit Malaysia	58,563	17,598	100,542	-	176,703
Euro	34,789	13,905	1,624	-	50,318
Swiss Franc	296	-	5,217	-	5,513
US Dollar	66,312	86,184	1,518	-	154,014
Czech Koruna	26	-	115	-	141
Mexican Peso	-	7,551	-	523	8,074
Great Britain Pound	36	-	-	1,670	1,706
Singapore Dollar	-	-	30	-	30
Colombian Peso	3,234	-	-	-	3,234
Argentine Peso	821	-	-	-	821
Japanese Yen	-	975	-	-	975
Total	<u>164,077</u>	<u>126,213</u>	<u>109,046</u>	<u>2,193</u>	<u>401,529</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 (RM74.1 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**

	<b>RM'000</b>
Payable within 12 months	28,273
Payable after 12 months	<u>251,147</u>
	<u>279,420</u>
<b>Removable Pension Liabilities:</b>	
Liabilities assumed by Pension Trust Fund	103,170
Liabilities assumed by the Company	65,087
	168,257
Other pension liabilities of the Group	<u>111,163</u>
	<u><u>279,420</u></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 2013 were as follows:

	<b>RM'000</b>
Authorised and contracted for:	
Property, plant and equipment	<u>3,210</u>
Authorised but not contracted for:	
Property, plant and equipment	<u>35</u>

**B6. Review of Performance**

The Group achieved revenue of RM406.0 million in the current quarter as opposed to RM427.8 million in the previous year's corresponding quarter. Part of the reduction is as a result of the effects of the sales of the filing plants and private label filing business in 2012 of which approximately RM30.0 million sales were no longer consolidated. Besides that the product rationalisation within the Group had also contributed to the decline.

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 RM11.5 million in the current quarter as compared to loss before tax of RM0.04 million in the previous year's corresponding quarter. The improved results is attributable to the lower cost base arising from restructuring measure undertaken in year 2012 and also less restructuring expenses incurred in the current quarter as opposed to the previous year's corresponding quarter.

**B7. Variation of results against preceding quarter**

The Group's revenue increased to RM406.0 million in the current financial quarter as compared to RM383.9 million in the preceding quarter. In addition to improved foreign exchange in particular EURO currency, the increased sales demand of the group's product in Colombia, Poland, Greece and Romania had contributed to the increased sales. The profit before tax had marginally improved from RM10.1 million in the preceding quarter to RM11.5 million in the current quarter.



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

**B8. Prospects**

The stationery and printer consumable market remains challenging in particular in the European region wherein the key countries for the Group are only starting to recover from a negative Gross Domestic Product ("GDP") growth or some are still facing economic issues. The main market such as Germany has forecast a GDP of 0.5% in 2013 and projected a growth of 1.7% in 2014. Whilst in the overall Eurozone, the GDP forecast for 2013 is -0.4% and 1.1% in 2014. Besides that, the structural changes within the distribution channels and consumer buying behaviors are also making it more relevant for the Group to expand/change its distribution channels, streamline its product offering and develop more products to cater to customer demands.

The Group's efforts to reorganise its product offerings, supply chain and distribution channels within its key operating companies in the European region has intensified and are expected to provide the Group with a better operating base and structure to meet the challenges within the market. The continued performance of the Group is dependent on the sales development of the Group for the remaining quarter in particular the Germany and European markets.

**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	
		30/09/13	30/09/12	30/09/13	30/09/12
			Restated		Restated
Profit/(Loss) for the financial period attributable to equity holders of the parent:	(RM'000)	4,322	(9,407)	3,875	(7,061)
Weighted average number of ordinary shares in issue	('000)	512,796	512,796	512,796	512,796
Shares repurchased	('000)	(4,804)	(2,095)	(3,642)	(7,484)
Shares reissued	('000)	27	-	7	-
		<u>508,019</u>	<u>510,701</u>	<u>509,161</u>	<u>505,312</u>
Earnings/(Loss) per share:	(sen)	<u>0.85</u>	<u>(1.84)</u>	<u>0.76</u>	<u>(1.40)</u>

**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	
	30/09/13	30/09/12	30/09/13	30/9/12
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period is arrived at after charging / (crediting):				
Interest income	(106)	(200)	(321)	(844)
Interest expense	5,761	5,220	16,730	18,790
Depreciation and amortisation	11,461	12,236	33,999	38,514
Impairment loss on receivables	620	682	2,861	1,484
Inventories write down	390	1,032	986	3,517
(Gain)/Loss on disposal of				
- Property, plant and equipment	(2,047)	62	(6,889)	(159)
- Investment in subsidiaries	-	-	-	(21,151)
Foreign exchange (gain)/loss	(2,003)	(2,452)	2,322	(1,272)

**B13. Derivative Liabilities**

	Contract/ Notional amount EUR'000	Liabilities RM'000
Interest rate swap	10,000	3,832

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**

	<b>As at 30/09/13 RM'000</b>	<b>As at 31/12/12 RM'000 Restated</b>
Total retained profits of the Company and its subsidiaries:		
- Realised profit	73,419	65,083
- Unrealised loss	(18,095)	(11,471)
	55,324	53,612
Total share of accumulated losses from associates:		
- Realised loss	(331)	(349)
- Unrealised profit	31	49
	(300)	(300)
Add : Consolidation adjustments	1,126	(1,037)
Total retained profits as per Statement of Financial Position	<u>56,150</u>	<u>52,275</u>