

Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 June 2014

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 June 2014
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		6/30/2014 RM' 000	6/30/2013 RM' 000	6/30/2014 RM' 000	6/30/2013 RM' 000
Revenue		384,277	383,915	696,851	712,703
Other operating income		4,959	6,198	14,155	16,299
Expenses excluding finance cost and tax		(363,089)	(374,598)	(686,440)	(715,754)
Finance cost		(5,695)	(5,382)	(10,880)	(10,969)
Profit before taxation		20,452	10,133	13,686	2,279
Taxation	B1	(3,817)	(3,054)	(7,501)	(7,509)
Profit/(Loss) for the financial period		16,635	7,079	6,185	(5,230)
Other comprehensive (loss)/income: Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		(120)	9,890	(8,155)	396
Total comprehensive income/(loss) for the financial period		16,515	16,969	(1,970)	(4,834)
Total profit/(loss) attributable to:					
Owners of the parent		17,217	8,783	6,019	(447)
Non-controlling interests		(582)	(1,704)	166	(4,783)
		16,635	7,079	6,185	(5,230)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		17,886	17,836	(747)	(837)
Non-controlling interests		(1,371)	(867)	(1,223)	(3,997)
		16,515	16,969	(1,970)	(4,834)
Earnings/(Loss) per share attributable to equity holders of the parent:		sen	sen	sen	sen
- Basic	B11	3.39	1.72	1.19	(0.09)
- Diluted	B11	3.34	1.72	1.17	(0.09)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 2014
The figures have not been audited.

	Note	6/30/2014 RM'000	12/31/2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		454,125	481,655
Trademarks		15,985	16,529
Development costs		11,411	13,967
Goodwill		95,694	94,735
Computer software licence		2,592	2,849
Investment in associates		-	-
Available-for-sale financial assets		2,674	3,227
Pension Trust Fund		138,184	138,184
Deferred tax assets		33,402	34,346
		<u>754,067</u>	<u>785,492</u>
Current assets			
Inventories		337,119	285,473
Receivables, deposits & prepayments		423,345	309,458
Tax recoverable		2,520	3,450
Pension Trust Fund		12,680	12,680
Deposits, cash and bank balances		39,741	114,434
		<u>815,405</u>	<u>725,495</u>
TOTAL ASSETS		<u>1,569,472</u>	<u>1,510,987</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		512,796	512,796
Share premium		57,519	57,519
Foreign currency translation reserves		(82,523)	(75,757)
Retained profits		61,855	55,836
Treasury shares, at cost		(5,150)	(5,150)
		<u>544,497</u>	<u>545,244</u>
Non-controlling interests		5,698	6,921
Total equity		<u>550,195</u>	<u>552,165</u>
Non-current liabilities			
Post employment benefit obligations	B4		
- Removable pension liabilities		158,148	169,850
- others		83,638	84,955
Borrowings	B2	83,854	101,901
Deferred tax liabilities		30,041	30,189
		<u>355,681</u>	<u>386,895</u>
Current liabilities			
Payables		288,275	236,060
Post employment benefit obligations	B4		
- Removable pension liabilities		18,833	19,474
- others		9,079	9,388
Derivative liabilities		3,567	3,829
Provisions		123	100
Borrowings	B2	335,155	289,869
Current tax liabilities		8,564	13,207
		<u>663,596</u>	<u>571,927</u>
Total liabilities		<u>1,019,277</u>	<u>958,822</u>
TOTAL EQUITY AND LIABILITIES		<u>1,569,472</u>	<u>1,510,987</u>
Net assets per share attributable to owners of the parent (RM)		1.06	1.06

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 2014
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 2014	512,796	57,519	(75,757)	55,836	(5,150)	545,244	6,921	552,165
Total comprehensive (loss)/income for the financial period	-	-	(6,766)	6,019	-	(747)	(1,223)	(1,970)
Balance at 30 June 2014	<u>512,796</u>	<u>57,519</u>	<u>(82,523)</u>	<u>61,855</u>	<u>(5,150)</u>	<u>544,497</u>	<u>5,698</u>	<u>550,195</u>
Balance at 1 January 2013	512,796	57,521	(84,688)	55,833	(3,855)	537,607	13,773	551,380
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	<u>512,796</u>	<u>57,521</u>	<u>(85,078)</u>	<u>55,386</u>	<u>(5,053)</u>	<u>535,572</u>	<u>9,405</u>	<u>544,977</u>

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 2013 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 2014
The figures have not been audited.

	Financial period ended	
	6/30/2014 RM' 000	6/30/2013 RM' 000
Cash Flows From Operating Activities		
Cash receipts from customers	540,694	657,378
Cash paid to suppliers and employees	<u>(606,439)</u>	<u>(697,666)</u>
	(65,745)	(40,288)
Interest received	309	215
Interest paid	(5,098)	(5,266)
Taxation paid	<u>(10,903)</u>	<u>(11,137)</u>
Net cash used in operating activities	<u>(81,437)</u>	<u>(56,476)</u>
Cash Flows From Investing Activities		
Interest paid	(5,782)	(4,691)
Purchase of property, plant and equipment	(9,977)	(8,454)
Proceeds from disposal of property, plant and equipment	2,818	7,481
Purchase of intangible assets	(183)	(72)
Development expenses paid	(308)	(559)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off	5,992	-
Proceeds from disposal of available-for-sale financial assets	<u>603</u>	<u>-</u>
Net cash used in investing activities	<u>(6,837)</u>	<u>(6,295)</u>
Cash Flows From Financing Activities		
Deposits uplifted, net	-	15,601
Repurchase of own shares	-	(1,198)
Drawdown of bank borrowings	126,487	112,308
Repayment of bank borrowings	(109,672)	(123,970)
Repayment of hire purchase and lease payables	<u>(468)</u>	<u>(357)</u>
Net cash from financing activities	<u>16,347</u>	<u>2,384</u>
Net decrease in cash and cash equivalents during the financial period	(71,927)	(60,387)
Foreign currency translation	(1,408)	1,074
Cash and cash equivalents at beginning of financial period	<u>103,099</u>	<u>133,667</u>
Cash and cash equivalents at end of financial period	<u>29,764</u>	<u>74,354</u>
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	39,741	84,288
Bank overdrafts	<u>(7,006)</u>	<u>(3,856)</u>
	32,735	80,432
Less: Deposits pledged to licensed banks	<u>(2,971)</u>	<u>(6,078)</u>
	<u>29,764</u>	<u>74,354</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 2013 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 2014

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2014 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 2013.

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 2013.

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 2013 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. 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.

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 2014.

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 changes in estimates that have had any material effect on the quarter ended 30 June 2014.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2014

A7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current quarter ended 30 June 2014.

A8. Dividends

No dividends have been paid during the current quarter ended 30 June 2014.

A9. Segment Information

	Germany RM'000	Switzerland 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 2014							
External revenue	360,978	57,003	139,189	106,993	32,688	-	696,851
Intersegment revenue	<u>316,724</u>	<u>27,437</u>	<u>37,736</u>	<u>7,645</u>	<u>67,362</u>	<u>(456,904)</u>	<u>-</u>
	<u>677,702</u>	<u>84,440</u>	<u>176,925</u>	<u>114,638</u>	<u>100,050</u>	<u>(456,904)</u>	<u>696,851</u>
Segment result	<u>13,097</u>	<u>(2,503)</u>	<u>1,014</u>	<u>19,973</u>	<u>7,039</u>	<u>(14,054)</u>	<u>24,566</u>
3 months ended							
30 June 2014							
External revenue	204,036	28,043	79,272	54,336	18,590	-	384,277
Intersegment revenue	<u>169,949</u>	<u>14,428</u>	<u>21,193</u>	<u>3,682</u>	<u>41,581</u>	<u>(250,833)</u>	<u>-</u>
	<u>373,985</u>	<u>42,471</u>	<u>100,465</u>	<u>58,018</u>	<u>60,171</u>	<u>(250,833)</u>	<u>384,277</u>
Segment result	<u>15,473</u>	<u>768</u>	<u>2,540</u>	<u>10,402</u>	<u>5,630</u>	<u>(8,666)</u>	<u>26,147</u>

Germany

Germany's gross domestic product ("GDP") shrank by 0.2% in the current quarter, following growth of 0.7% in the preceding quarter. Notwithstanding the contraction in the German's economy for the first time in over a year, the segment revenue showed an increase in revenue of RM47.1 million as compared to the preceding quarter as a result of higher sales during the "Back to School" season.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2014

A9. Segment Information (cont'd)

Germany (cont'd)

However, as compared to the previous year's corresponding quarter, the segment revenue had decreased by 6.9%. The decline was attributable to the decrease in sales of certain wholesale customers during the current quarter. Efforts are being made to realign the sales channels and products mix which provides better contribution to the Group.

Switzerland

The Swiss segment revenue improved as compared to the previous year's corresponding quarter resulting from introduction of new office products to the Swiss market and improved Swiss Franc against Ringgit Malaysia.

The region had achieved segment results of RM0.8 million in the current quarter.

Rest of Europe

The contribution in revenue from all other European countries, except Germany and Switzerland, represents 20.0% of the Group's total revenue.

Eurozone economic growth stagnated in the current quarter. Italy's economy unexpectedly slid back into recession in the current quarter as GDP shrank 0.2% from the previous quarter and France's GDP was stagnant. Although Spain and the Netherlands posted some growth, it was not enough to offset weakness in their larger peers. The overall economy is generally weak and is continuing to affect customer sentiment and spending. Nevertheless, as compared to the previous year's corresponding quarter, positive sales development were evident in Turkey, Greece and Poland.

As compared to the segment loss of RM1.8 million in the previous year's corresponding quarter, the segment result had improved by RM4.4 million due to the increase in sales.

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated higher sales by 17.1% as compared to the previous year's corresponding quarter. This segment has achieved a good revenue growth in particular for school and office stationery segment business as the brand is becoming increasingly popular in the market. The introductions of new products and special promotions for customers had resulted in increased demand from key customers, local government bodies and export markets.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2014

A9. Segment Information (cont'd)

Americas (cont'd)

The positive sales growth was partially offset by the adverse foreign exchange impact, mainly due to the weakening of Argentina Peso against Ringgit Malaysia of approximately 32.5% as compared to the previous year's corresponding quarter.

The segment results improved from segment result of RM8.5 million in the previous year's corresponding quarter to RM10.4 million in the current quarter mainly due to the improved sales and better production efficiencies and cost measure undertaken in the region.

Rest of the World

Rest of the world which comprise 4.7% of the Group's revenue consist mainly countries such as Japan, South East Asia and Middle East. The introduction of new fine writing instruments in Japan and increased demand, mainly in the school segment business in Middle East and Taiwan had resulted in improvement of the segment revenue as compared to the previous year's corresponding quarter.

The increased sales, coupled with lower foreign exchange loss from the positive foreign exchange development had improved the segment results by RM8.5 million as compared to 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 2014.

A11. Changes in the Composition of the Group

Pelikan Hardcopy B.V., a wholly owned subsidiaries of Pelikan Hardcopy Production AG was incorporated on 8 April 2014.

Other than as stated, there were no other changes in the composition of the Group during the current quarter ended 30 June 2014.

A12. Events Subsequent to the End of the Reporting Period

There were no event subsequent to the financial period ended 30 June 2014, apart from those described in Note A14.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2014

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 EUR5.0 million (RM21.9 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 2013, Pelikan Hardcopy Scotland Limited (“PHSL”)’s retirement fund has GBP24.2 million (RM132.3 million) assets to meet pension liabilities of GBP33.6 million (RM183.7 million). An amount of GBP9.4 million (RM51.4 million) has been recognised as a pension liability in the financial statements of PHSL as at 30 June 2014 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.

A14. Status of Corporate Proposals

The Company had on 23 May 2014 announced a proposed private placement of up to 50,000,000 new ordinary shares of RM1.00 each in the Company (“Placement Shares”), representing up to approximately ten percent (10%) of the issued and paid-up share capital of the Company (“Private Placement”).

Bursa Malaysia Securities Berhad (“Bursa Securities”) had vide its letter dated 17 June 2014 approved the listing and quotation of the Placement Shares. The first tranche of the Private Placement comprising 40,500,000 Placement Shares were fixed at an issue price of RM1.33 per Placement Share. The aforementioned Placement Shares were subsequently listed on the Main Market of Bursa Securities on 10 July 2014.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2014

A14. Status of Corporate Proposals (cont'd)

On 8 July 2014, the Company announced that it intends to undertake a proposed listing of its key subsidiaries and selected assets via its listed entity, Herlitz Aktiengesellschaft ("Herlitz"), a 70.92% subsidiary of the Company. Herlitz is listed on the Frankfurt Stock Exchange ("Proposed Listing of Subsidiaries and Assets in Germany"). The Proposed Listing of Subsidiaries and Assets in Germany would entail the following exercises:

- a) Asset streamlining exercise involving injection of assets within Pelikan and Pelikan Holding AG ("PHAG"), its 96.45% owned subsidiary (listed on the SIX Stock Exchange) into Herlitz for a total consideration of EUR266.0 million (RM1.19 billion) in exchange for issuance of 266.0 million new bearer shares with a nominal value of EUR1.00 per share in Herlitz ("Herlitz Shares") ("Proposed Assets Streamlining");
- b) Proposed private placement of up to 50.0 million Herlitz Shares at a minimum offer price of EUR1.00 per share ("Proposed Private Placement - Herlitz");
- c) Proposed offer for sale by Pelikan of up to 30.0 million Herlitz Shares ("Proposed OFS by Pelikan"); and
- d) Proposed offer for sale by PHAG of up to 30.0 million Herlitz Shares ("Proposed OFS by PHAG").

The proposals have yet to be completed.

A15. Status of Utilisation of Proceeds

The first tranche of the Private Placement comprising the issuance of 40,500,000 new ordinary shares was completed on 10 July 2014.

The status of utilisation of the proceeds from Proposed Private Placement as at 20 August 2014 are as follows:

Purpose	Proposed Utilisation RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Repayment of bank borrowings	20,000	4,000	16,000
Working capital for the Company and its subsidiaries	33,365	9,044	24,321
Estimated expenses relating to the Private Placement	500	500	-
Total	53,865	13,544	40,321

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

B1. Taxation

	3 months ended		Financial period ended	
	30/06/14	30/06/13	30/06/14	30/06/13
	RM'000	RM'000	RM'000	RM'000
Taxation charged in respect of current financial period				
- income tax	(3,857)	(3,366)	(7,492)	(8,028)
- deferred tax	40	312	(9)	519
	<u>(3,817)</u>	<u>(3,054)</u>	<u>(7,501)</u>	<u>(7,509)</u>

For the current quarter ended 30 June 2014, the Group's effective tax rate is lower than the statutory income tax rate in Malaysia due to the utilisation of previous year's tax losses.

However, overall, for the financial period ended 30 June 2014, 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 2014 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	57,028	19,304	75,007	-	151,339
Euro	59,159	20,846	1,915	-	81,920
Swiss Franc	-	-	5,331	-	5,331
US Dollar	68,447	91,309	-	-	159,756
Czech Koruna	76	-	-	-	76
Mexican Peso	-	14,894	-	-	14,894
Colombian Peso	-	2,577	-	-	2,577
Great Britain Pound	33	-	-	1,586	1,619
Argentina Peso	798	365	-	-	1,163
Japanese Yen	-	316	-	-	316
Singapore Dollar	3	-	15	-	18
Total	<u>185,544</u>	<u>149,611</u>	<u>82,268</u>	<u>1,586</u>	<u>419,009</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 EUR5.0 million (RM21.9 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	27,912
Payable after 12 months	241,786
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	269,698
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	111,894
Liabilities assumed by the Company	65,087
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	176,981
Other pension liabilities of the Group	92,717
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	269,698
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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 2014 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>4,824</u>
Authorised but not contracted for:	
Property, plant and equipment	<u>1,468</u>

B6. Review of Performance

The Group achieved revenue of RM384.3 million in the current quarter as opposed to RM383.9 million in the previous year's corresponding quarter, a decline of RM0.4 million. The decline was attributable to the decrease in sales of certain wholesale customers during the current quarter. Efforts are being made to realign the sales channels and products mix which provides better contribution to the Group. The Americas region, however achieved a steady increase in revenue in the current quarter by 17.1% as compared to the previous year's corresponding quarter. In addition, other European and Asia regions also recorded positive sales growth.

The operations fared better in the current quarter as compared to the previous year's corresponding quarter. The Group recorded a profit before tax of RM20.5 million in the current quarter as compared to profit before tax of RM10.1 million in the previous year's corresponding quarter. The improvement in profitability is mainly as a result of the lower cost base arising from the reorganisation measures previously taken and improvement in contribution from better sales and product mix.

B7. Variation of results against preceding quarter

The Group's revenue increased to RM384.3 million in the current quarter as compared to RM312.6 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.

In addition, the introduction of new products and special promotions for customers, in other regions like Latin America and Japan had also resulted in an increased of demand from key customers and export markets.

The Group recorded a profit before tax of RM20.5 million in the current quarter as compared to loss before of RM6.8 million in the preceding quarter.

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

B8. Prospects

Based on the International Monetary Fund report on the world economic outlook, the Euro area's growth is expected to strengthen to 1.1% in 2014 and 1.5% in 2015 but to remain uneven across the region, reflecting continued financial fragmentation, impaired private and public sector balance sheets, and high unemployment in some economies. The German economy, which is the largest market for the Group is expected to grow at a rate of 1.9% in 2014, while Mexico's growth is expected to strengthen to 2.4% in 2014. Notwithstanding improvements in the general economy of the Group's key operating countries, the markets shall continue to be challenging as consumers and business remains cautious on spending and expansions.

The Group had in the past two years reorganised its key operating companies in particular in the European region and had also completed the integration of the stationery business of Pelikan Germany and Herlitz Germany in March 2014. The completion of the German's business integration between both the Pelikan and Herlitz organisations shall provide a good path for the Group to further strengthen its European business in particular the German business where it is able to better deploy resources and serve its customers under the new merged organisation.

In addition, the Group's current proposal to streamline its assets and businesses shall also provide the group with a clear organisation and business structure to further develop its businesses and improve its performance going forward.

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.

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

B11. Earnings per share

Basic earnings per share:		3 months ended		Financial period ended	
		30/06/14	30/06/13	30/06/14	30/06/13
Profit/(Loss) for the financial period attributable to equity holders of the parent	(RM'000)	<u>17,217</u>	<u>8,783</u>	<u>6,019</u>	<u>(447)</u>
Weighted average number of ordinary shares in issue	('000)	512,796	512,796	512,796	512,796
Shares repurchased	('000)	<u>(4,928)</u>	<u>(3,079)</u>	<u>(4,928)</u>	<u>(4,127)</u>
		<u>507,868</u>	<u>509,717</u>	<u>507,868</u>	<u>508,669</u>
Earnings/(Loss) per share	(sen)	<u>3.39</u>	<u>1.72</u>	<u>1.19</u>	<u>(0.09)</u>
Diluted earnings per share:		3 months ended		Financial period ended	
		30/06/14	30/06/13	30/06/14	30/06/13
Profit/(Loss) for the financial period attributable to equity holders of the parent	(RM'000)	<u>17,217</u>	<u>8,783</u>	<u>6,019</u>	<u>(447)</u>
Weighted average number of ordinary shares in issue	('000)	512,796	512,796	512,796	512,796
Shares repurchased	('000)	<u>(4,928)</u>	<u>(3,079)</u>	<u>(4,928)</u>	<u>(4,127)</u>
Shares assumed exercise of Employee Share Option Scheme	('000)	<u>7,984</u>	<u>-</u>	<u>7,984</u>	<u>-</u>
		<u>515,852</u>	<u>509,717</u>	<u>515,852</u>	<u>508,669</u>
Earnings/Loss per share	(sen)	<u>3.34</u>	<u>1.72</u>	<u>1.17</u>	<u>(0.09)</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	
	30/06/14	30/06/13	30/06/14	30/06/13
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period is arrived at after charging / (crediting):				
Interest income	(155)	(138)	(309)	(215)
Interest expense	5,695	5,382	10,880	10,969
Depreciation and amortisation	9,041	10,884	22,421	22,538
Impairment loss on receivables	429	805	579	2,241
Inventories write down	16	427	450	596
Gain/(loss) on disposal of				
- Property, plant and equipment	548	690	(97)	(4,842)
- Investment in subsidiaries	-	-	(3,566)	-
- Available-for-sale financial assets	(13)	-	(13)	-
Foreign exchange loss	884	922	1,301	4,325

B13. Derivative Liabilities

	Contract/ Notional amount EUR'000	Liabilities RM'000
Interest rate swap	10,000	3,695

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 30/06/14 RM'000	As at 31/12/13 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised profit	69,981	56,398
- Unrealised loss	(8,616)	(3,047)
	61,365	53,351
Add : Consolidation adjustments	490	2,485
Total retained profits as per Statement of Financial Position	61,855	55,836