Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 December 2014

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial year ended 31 December 2014
The figures have not been audited.

	Note	Individual Quarter 3 months ended 31/12/2014 RM' 000	Individual Quarter 3 months ended 31/12/2013 RM' 000	Cumulative Quarter Financial year ended 31/12/2014 RM' 000	Cumulative Quarter Financial year ended 31/12/2013 RM' 000
Revenue		283,816	323,468	1,382,120	1,442,136
Other operating income		2,835	5,167	21,747	27,553
Expenses excluding finance cost and tax		(328,476)	(334,211)	(1,405,528)	(1,444,798)
Finance cost		(5,306)	(5,542)	(22,313)	(22,272)
(Loss)/Profit before taxation		(47,131)	(11,118)	(23,974)	2,619
Taxation	B1	1,445	(3,647)	(9,685)	(16,279)
Loss for the financial period		(45,686)	(14,765)	(33,659)	(13,660)
Other comprehensive (loss)/income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(12,898)	2,588	(30,596)	10,589
Item that will not be reclassified subsequently to profit or loss:					
Actuarial (loss)/gain on defined benefit plans		(42,562)	5,811	(42,562)	5,811
Others		1,728	(106)	1,728	(106)
Income Tax		112	21	112	21
		(53,620)	8,314	(71,318)	16,315
Total comprehensive (loss)/income for the financial period		(99,306)	(6,451)	(104,977)	2,655
Total loss attributable to:					
Owners of the parent		(43,024)	(9,477)	(33,516)	(5,602)
Non-controlling interests		(2,662)	(5,288)	(143)	(8,058)
		(45,686)	(14,765)	(33,659)	(13,660)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(96,385)	(1,617)	(101,338)	8,934
Non-controlling interests		(2,921)	(4,834)	(3,639)	(6,279)
		(99,306)	(6,451)	(104,977)	2,655
		sen	sen	sen	sen
Loss per share attributable to equity holders of the parent:					
- Basic	B11	(7.85)	(1.87)	(6.35)	(1.10)
- Diluted	B11	(7.74)	(1.87)	(6.26)	(1.10)

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 31 December 2014
The figures have not been audited.

	Note	31/12/2014 RM'000	31/12/2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		433,650	481,655
Trademarks		15,515	16,529
Development costs		6,905	13,967
Goodwill		97,832	94,735
Computer software licence		4,860	2,849
Investment in associates		-	-
Available-for-sale financial assets		2,615	3,227
Pension Trust Fund		138,184	138,184
Deferred tax assets		47,351	34,346
		746,912	785,492
Current assets			
Inventories		272,570	285,473
Receivables, deposits & prepayments		330,817	309,458
Tax recoverable		3,059	3,450
Pension Trust Fund		12,680	12,680
Deposits, cash and bank balances		74,795	114,434
		693,921	725,495
TOTAL ASSETS		**1,440,833**	**1,510,987**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		553,296	512,796
Share premium		65,591	57,519
Foreign currency translation reserves		(103,772)	(75,757)
Retained profits		(17,487)	55,836
Other reserve		226	-
Treasury shares, at cost		(5,150)	(5,150)
		492,704	545,244
Non-controlling interests		3,229	6,921
Total equity		495,933	552,165
Non-current liabilities			
Post employment benefit obligations	B4		
- Removable pension liabilities		173,835	169,850
- others		100,495	84,955
Borrowings	B2	83,145	101,901
Deferred tax liabilities		30,457	30,189
		387,932	386,895
Current liabilities			
Payables		211,678	236,060
Post employment benefit obligations	B4		
- Removable pension liabilities		17,645	19,474
- others		8,823	9,388
Derivative liabilities		2,989	3,829
Provisions		-	100
Borrowings	B2	298,731	289,869
Current tax liabilities		17,102	13,207
		556,968	571,927
Total liabilities		944,900	958,822
TOTAL EQUITY AND LIABILITIES		**1,440,833**	**1,510,987**
Net assets per share attributable to owners of the parent (RM)		0.89	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 year ended 31 December 2014
The figures have not been audited.

	Share Capital	Share premium	Foreign currency translation reserves (non distributable)	Retained profits (distributable)	Equity-settled employee benefit reserve (non 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	RM' 000
Balance at 1 January 2014	512,796	57,519	(75,757)	55,836	-	(5,150)	545,244	6,921	552,165
Loss for the financial year	-	-	-	(33,516)	-	-	(33,516)	(143)	(33,659)
Other comprehensive income/(loss)	-	-	(28,015)	(39,807)	-	-	(67,822)	(3,496)	(71,318)
Total comprehensive income/(loss) for the financial year	-	-	(28,015)	(73,323)	-	-	(101,338)	(3,639)	(104,977)
Recognition of share based payments	-	-	-	-	226	-	226	-	226
Issue of shares	40,500	8,072	-	-	-	-	48,572	-	48,572
Dividends	-	-	-	-	-	-	-	(53)	(53)
Total transactions with owners	40,500	8,072	-	-	-	-	48,572	(53)	48,519
Balance at 31 December 2014	553,296	65,591	(103,772)	(17,487)	226	(5,150)	492,704	3,229	495,933
Balance at 1 January 2013	512,796	57,521	(84,688)	55,833	-	(3,855)	537,607	13,773	551,380
Loss for the financial year	-	-	-	(5,602)	-	-	(5,602)	(8,058)	(13,660)
Other comprehensive income	-	-	8,931	5,605	-	-	14,536	1,779	16,315
Total comprehensive income/(loss) for the financial year	-	-	8,931	3	-	-	8,934	(6,279)	2,655
Purchase of own shares	-	-	-	-	-	(1,337)	(1,337)	-	(1,337)
Sale of own shares	-	(2)	-	-	-	42	40	-	40
Dividends	-	-	-	-	-	-	-	(573)	(573)
Total transactions with owners	-	(2)	-	-	-	(1,295)	(1,297)	(573)	(1,870)
Balance at 31 December 2013	512,796	57,519	(75,757)	55,836	-	(5,150)	545,244	6,921	552,165

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 year ended 31 December 2014
The figures have not been audited.

	Financial year ended	
	31/12/2014	**31/12/2013**
	RM' 000	**RM' 000**
Cash Flows From Operating Activities		
Cash receipts from customers	1,354,403	1,526,337
Cash paid to suppliers and employees	(1,371,522)	(1,485,593)
	(17,119)	40,744
Interest received	1,475	524
Interest paid	(14,225)	(13,382)
Taxation paid	(15,327)	(17,994)
Net cash (used in)/from operating activities	(45,196)	9,892
Cash Flows From Investing Activities		
Interest paid	(8,135)	(8,660)
Purchase of property, plant and equipment	(21,616)	(22,567)
Proceeds from disposal of property, plant and equipment	3,601	19,675
Purchase of intangible assets	(1,493)	(1,009)
Proceeds from disposal of intangible assets	208	1,529
Development expenses paid	(784)	(3,180)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off	5,992	-
Purchase of available-for-sale financial assets	-	(14)
Proceeds from disposal of available-for-sale financial assets	585	-
Net cash used in investing activities	(21,642)	(14,226)
Cash Flows From Financing Activities		
Deposits (pledged)/uplifted, net	(2,296)	18,708
Proceeds from issue of shares	48,572	-
Repurchase of own shares	-	(1,337)
Proceeds from sale of own shares	-	40
Drawdown of bank borrowings	248,571	223,012
Repayment of bank borrowings	(264,300)	(264,452)
Repayment of hire purchase and lease payables	(627)	(630)
Net cash from/(used in) financing activities	29,920	(24,659)
Net decrease in cash and cash equivalents during the financial year	(36,918)	(28,993)
Foreign currency translation	(6,102)	(1,575)
Cash and cash equivalents at beginning of financial year	103,099	133,667
Cash and cash equivalents at end of financial year	60,079	103,099
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	74,795	114,434
Bank overdrafts	(9,449)	(8,364)
	65,346	106,070
Less: Deposits pledged to licensed banks	(5,267)	(2,971)
	60,079	103,099

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 fourth quarter and financial year ended 31 December 2014

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 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 2014.

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 2014.

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 2014 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. 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 31 December 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 31 December 2014.

**A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 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 31 December 2014.

A8. Dividends

No dividends have been paid during the current quarter ended 31 December 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
12 months ended 31 December 2014							
External revenue	708,322	112,828	290,148	209,256	61,566	-	1,382,120
Intersegment revenue	569,722	47,288	64,586	11,541	116,800	(809,937)	-
	1,278,044	160,116	354,734	220,797	178,366	(809,937)	1,382,120
Segment result	(1,671)	(10,210)	(11,596)	44,884	(5,109)	(17,959)	(1,661)
3 months ended 31 December 2014							
External revenue	135,578	27,245	55,800	49,286	15,907	-	283,816
Intersegment revenue	106,236	8,210	9,931	1,929	23,683	(149,989)	-
	241,814	35,455	65,731	51,215	39,590	(149,989)	283,816
Segment result	(22,938)	(9,142)	(14,539)	12,692	(9,613)	1,715	(41,825)

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2014

A9. Segment Information (cont'd)

Germany

The region continue to implement strategies within its product assortments and distribution channels to improve operating margins and reduce operational costs. Although total revenue was comparatively lower as opposed to the previous year's corresponding quarter, the contribution margins have improved due to the aforesaid strategies implemented. Notwithstanding this, the weaker sales after the back to school season has negatively affected the segment result in the current quarter.

Switzerland

The Swiss market concentrated mainly in printer consumable business. Positive sales development were evident in certain printer consumable products, mainly toners which contributed to increased sales as compared to the previous year's corresponding quarter.

The segment result was lower than the corresponding quarter with a loss of RM9.1 million for the current quarter. Product contribution of the region was lower as compared to the previous year's corresponding quarter due to the high pressure on the final selling price. The region faces high competition from cheaper Japanese products as a result of the foreign exchange development between Japanese Yen and United States Dollar. In addition, the lower result was also due to impairment of assets in the last quarter. The toner plant has been sized down in the last quarter of the year to concentrate only as a contract manufacturer of toner powder.

Rest of Europe

The contribution in revenue from all other European countries, except Germany and Switzerland, represents 21.0% of the Group's total revenue.

Other than the quarterly growth of 0.7% in Spain's economy, the overall economy of Rest of Europe countries are generally still weak. Italy's economy stagnated in the current quarter, marking the 14th consecutive quarter without any growth, while in Greece, the economy contracted by 0.2% in the final three months after three consecutive quarters of growth. The overall weak economy, which continues to affect consumer sentiment and spending resulted in negative sales development in this region.

Furtherthereto, the Group downsized the plant in Scotland by one third to improve the cost structure of the plant going forward. Such measures also negatively affected the results in the current quarter.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2014

A9. Segment Information (cont'd)

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated higher sales by 2.6% as compared to the previous year's corresponding quarter. This segment has achieved a good revenue growth in particular for school product segment as the brand is well established in the market. The introduction of new products and special promotions for customers had resulted in increased demand from key customers, local government bodies and export markets.

The region had achieved segment results of RM12.7 million in the current quarter.

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 previous year's corresponding quarter due to decrease in sales in Japan, resulted from higher number of product launches in 2013 as opposed to 2014. The decreased was partially offset by the positive demand of certain school and office products in Taiwan and Middle East respectively.

The effects of foreign exchange was unfavourable in the current quarter wherein the region had incurred an additional translation loss on foreign exchange of RM12.7 million as compared to previous year's corresponding quarter. As a consequence, the region recorded a segment loss of RM9.6 million in the current quarter.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 31 December 2014.

A11. Changes in the Composition of the Group

There were no other changes in the composition of the Group during the current quarter ended 31 December 2014.

A12. Events Subsequent to the End of the Reporting Period

There were no event subsequent to the financial year ended 31 December 2014, apart from those described in Note A14.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 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 EUR6.0 million (RM25.5 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 2014, Pelikan Hardcopy Scotland Limited ("PHSL")'s retirement fund has GBP25.7 million (RM139.6 million) assets to meet pension liabilities of GBP38.0 million (RM206.5 million). An amount of GBP12.3 million (RM66.9 million) has been recognised as a pension liability in the financial statements of PHSL as at 31 December 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

On 15 December 2014, the Company announced the completion of the Proposed Private Placement wherein 40,500,000 new shares were issued at RM1.33 per share, raising a total of RM53,865,000 for the Company.

On 8 July 2014 ("**Initial Announcement**"), the Board of Directors ("**Board**") of the Company had announced it's intention to undertake a streamlining of its key subsidiaries and selected assets via its listed entity Herlitz Aktiengesellschaft ("**Herlitz**"), a 71.32% subsidiary of the Company. Herlitz is listed on the Frankfurt Stock Exchange.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2014

A14. Status of Corporate Proposals (cont'd)

On 11 November 2014, the Board had announced that the Company, Pelikan Holding AG ("PHAG"), Pelikan Netherlands B.V., a 100% subsidiary of PHAG ("**PNBV**") and MOLKARI Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG, a 98.54% subsidiary of Pelikan ("**Molkari**") had on 10 November 2014 entered into a Heads of Agreement ("**HoA**") with Herlitz to agree on the assets to be contributed, its valuation of EUR231.22 and offering structure.

The final size of proposed offering are as follows:-

(a) the issuance of up to 32,867,765 new Herlitz Shares against cash contribution at a minimum issue price of EUR1.00 per share; and

(b) the offer for sale of up to 60,000,000 new Herlitz Shares received by the Contributors from the Proposed Contribution in Kind at a minimum price of EUR1.00 per share.

On 17 December 2014, 18 December 2014 and 19 December 2014, the shareholders of the Company, PHAG and Herlitz approved the transactions.

The proposal are being implemented now and have yet to be completed.

A15. Status of Utilisation of Proceeds

The Private Placement comprising the issuance of 40,500,000 new ordinary shares was completed on 15 December 2014.

The status of utilisation of the proceeds from Proposed Private Placement as at 23 February 2015 are as follows:

Purpose	**Proposed Utilisation RM'000**	**Amount Utilised RM'000**	**Amount Unutilised RM'000**
Repayment of bank borrowings	20,000	20,000	-
Working capital for the Company and its subsidiaries	33,365	20,843	12,522
Estimated expenses relating to the Private Placement	500	500	-
Total	53,865	41,343	12,522

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

B1. Taxation

	3 months ended		Financial year ended	
	31/12/14	31/12/13	31/12/14	31/12/13
	RM'000	RM'000	RM'000	RM'000
Taxation charged in respect of current financial period				
- income tax	(11,869)	(7,272)	(22,971)	(20,105)
- deferred tax	13,314	3,625	13,286	3,826
	1,445	(3,647)	(9,685)	(16,279)

For the current quarter ended 31 December 2014, the Group's effective tax rate is lower than the statutory income tax rate in Malaysia as a result of the recognition of previously unrecognised deferred tax assets.

However, overall, for the financial year ended 31 December 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 31 December 2014 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	46,061	18,120	75,007	-	139,188
Euro	36,367	19,885	1,599	-	57,851
Swiss Franc	-	-	5,232	-	5,232
US Dollar	68,545	96,889	-	-	165,434
Czech Koruna	105	-	-	-	105
Colombian Peso	-	2	-	-	2
Great Britain Pound	11	1,972	15	1,292	3,290
Argentina Peso	3,603	50	-	-	3,653
Singapore Dollar	3	-	-	-	3
Mexican Peso	-	7,118	-	-	7,118
Total	154,695	144,036	81,853	1,292	381,876

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 EUR6.0 million (RM25.5 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	26,468
Payable after 12 months	274,330
	300,798
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	126,393
Liabilities assumed by the Company	65,087
	191,480
Other pension liabilities of the Group	109,318
	300,798

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 31 December 2014 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	2,777
Authorised but not contracted for:	
Property, plant and equipment	2,118

B6. Review of Performance

The Group achieved revenue of RM283.8 million in the current quarter as opposed to RM323.5 million in the previous year's corresponding quarter, a decline of RM39.7 million. The decline was mainly attributable to the weaker sales in the European market during the last quarter after a strong back to school season in the second and third quarter. The Europe region continue to implement strategies within its product assortments and distribution channels to improve operating margins and reduce operational costs. The Americas region, however achieved a steady increase in revenue in the current quarter by 2.6% as compared to the previous year's corresponding quarter.

The Group recorded a loss before tax of RM47.1 million in the current quarter. The losses are mainly attributable to the lower margin contribution due to the lower sales value in the last quarter of the year, coupled with unfavourable foreign exchange effects, in particular the weakening of the Ringgit Malaysia ("RM") against United States Dollar ("USD"). In line with the Group's strategies, the printer consumable business continue to be scaled down in terms of its cost structures to focus on its core competencies in supplies of remanufactured toners and ink cartridges. These scaling down activities had resulted in closure of manufacturing lines in Scotland and Switzerland for which redundancies cost and impairment of assets was incurred in the current quarter.

For the full year under review, the Group achieved a turnover of RM1,382.1 million against a turnover of RM1,442.1 million in the previous year. The Group incurred during this year a translation loss of RM17.2 million mainly arising from the weakening of RM against USD. Further, the Group's continued exercise to reorganise the printer consumable plants further contributes to additional non-recurring expenses for redundancies cost and impairment of assets had also negatively impacted the results. For the financial year ended 31 December 2014, the Group's loss before tax was RM24.0 million.

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

B7. Variation of results against preceding quarter

In the current quarter, the Group's revenue decrease to RM283.8 million as compared to RM401.5 million in the preceding quarter, as a result of the slowdown of sales in the European markets subsequent to the "back to school" season.

The Group recorded a loss before tax of RM47.1 million in the current quarter. The losses are mainly attributable to the lower margin contribution due to the lower sales value in the last quarter of the year. The impact of the weakening RM and also the plant reorganisations undertaken for the printer consumable plants in the last quarter further deteriorated the results.

B8. Prospects

According to the European Commission's winter forecast, the economies of all European Union Member States are expected to grow in 2015. The economic activity is expected to pick up moderately in the EU and in the euro area, with growth forecasted to rise to 1.7% for the EU as a whole and to 1.3% for the euro area. In 2016, annual growth should reach 2.1% and 1.9% respectively. The German economy which is the largest market for the Group is expected to grow by a moderate 1.5% in 2015, and to accelerate to a rate of 2.0% in 2016. Based on the International Monetary Fund, economic activity for Mexico is expected to pick up modestly with GDP growth projected at 3.2% for 2015 and 3.5% in 2016. 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.

Nevertheless, the ongoing corporate exercise to spin off the key stationery business into Herlitz is expected to allow the key stationery segment to grow by itself and allow the Group to address the remaining plants and business outside the new Herlitz Group separately. The business structure going forward is expected to allow the Group to better deploy resources and strengthen its core business focus and improve performance going forward.

B9. Dividend

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

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 year ended**	
		31/12/14	**31/12/13**	**31/12/14**	**31/12/13**
Loss for the financial period attributable to equity holders of the parent	(RM'000)	(43,024)	(9,477)	(33,516)	(5,602)
Weighted average number of ordinary shares in issue	('000)	553,296	512,796	533,046	512,796
Shares repurchased	('000)	(4,928)	(5,018)	(4,928)	(4,257)
Shares reissued	('000)	-	90	-	29
		548,368	507,868	528,118	508,568
Loss per share	(sen)	(7.85)	(1.87)	(6.35)	(1.10)

Diluted earnings per share:		**3 months ended**		**Financial year ended**	
		31/12/14	**31/12/13**	**31/12/14**	**31/12/13**
Loss for the financial period attributable to equity holders of the parent	(RM'000)	(43,024)	(9,477)	(33,516)	(5,602)
Weighted average number of ordinary shares in issue	('000)	553,296	512,796	533,046	512,796
Shares repurchased	('000)	(4,928)	(5,018)	(4,928)	(4,257)
Shares reissued	('000)	-	90	-	29
Shares assumed exercise of Employee Share Option Scheme	('000)	7,534	-	7,534	-
		555,902	507,868	535,652	509,161
Loss per share	(sen)	(7.74)	(1.87)	(6.26)	(1.10)

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 year ended**	
	31/12/14	**31/12/13**	**31/12/14**	**31/12/13**
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging / (crediting):				
Interest income	(549)	(203)	(1,475)	(524)
Interest expense	5,306	5,542	22,313	22,272
Depreciation and amortisation	10,876	10,644	42,985	44,643
Impairment loss on receivables	1,682	(1,041)	2,666	1,820
Inventories write down	(539)	2,109	259	3,095
Loss/(Gain) on disposal of				
- Property, plant and equipment	(40)	(12)	6	(6,901)
- Intangible assets	(9)	(226)	(26)	(226)
- Investment in subsidiaries	-	-	(3,566)	-
- Available-for-sale financial assets	-	-	(13)	-
Foreign exchange loss/(gain)	3,791	(5,736)	10,171	(3,414)

B13. Derivative Liabilities

	Contract/ Notional amount EUR'000	**Liabilities RM'000**
Interest rate swap	10,000	2,989

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

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

B14. Realised and Unrealised Profits/(Losses) Disclosure

	As at 31/12/14 RM'000	As at 31/12/13 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised loss	(54,228)	56,398
- Unrealised loss	(4,187)	(3,047)
	(58,415)	53,351
Add : Consolidation adjustments	729	2,485
Total retained profits as per Statement of Financial Position	(57,686)	55,836