Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 JUNE 2017

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 June 2017
The figures have not been audited.

	Note	Individual Quarter 3 months ended 30/6/2017 RM' 000	Individual Quarter 3 months ended 30/6/2016 RM' 000	Cumulative Quarter Financial period ended 30/6/2017 RM' 000	Cumulative Quarter Financial period ended 30/6/2016 RM' 000
Revenue		358,422	361,275	621,014	612,114
Other operating income		7,887	2,253	14,075	11,028
Expenses excluding finance cost and tax		(326,838)	(321,061)	(578,658)	(560,999)
Finance cost		(6,136)	(5,094)	(11,910)	(10,009)
Profit before taxation		33,335	37,373	44,521	52,134
Taxation	B1	(6,121)	(9,371)	(8,989)	(14,657)
Profit from continuing operations		27,214	28,002	35,532	37,477
Discontinued operations:					
Loss from discontinued operations, net of tax		(10,623)	(7,832)	(17,863)	(14,052)
Profit for the financial period		16,591	20,170	17,669	23,425
Other comprehensive (loss)/income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(3,217)	21,516	5,757	(9,077)
Total comprehensive income for the financial period		13,374	41,686	23,426	14,348
Total profit/(loss) attributable to:					
Owners of the parent					
- from continuing operations		27,475	27,201	35,724	37,042
- from discontinued operations		(10,623)	(7,832)	(17,863)	(14,052)
		16,852	19,369	17,861	22,990
Non-controlling interests		(261)	801	(192)	435
		16,591	20,170	17,669	23,425
Total comprehensive income/(loss) attributable to:					
Owners of the parent		13,444	42,888	24,352	16,225
Non-controlling interests		(70)	(1,202)	(926)	(1,877)
		13,374	41,686	23,426	14,348
		sen	sen	sen	sen
Earnings per share attributable to equity holders of the parent					
- Basic	B11	3.07	3.53	3.26	4.19
- Diluted	B11	3.04	3.49	3.22	4.14

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017
The figures have not been audited.

	Note	30/6/2017 RM'000	31/12/2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		426,130	423,265
Trademarks		17,866	17,227
Development costs		551	2,548
Goodwill		139,110	136,673
Computer software licence		5,080	5,139
Investment in associates		-	-
Available-for-sale financial assets		2,792	2,725
Pension Trust Fund		134,172	134,172
Deferred tax assets		116,805	113,003
		842,506	834,752
Current assets			
Inventories		324,740	260,181
Receivables, deposits & prepayments		417,175	336,442
Tax recoverable		8,319	2,557
Pension Trust Fund		16,692	16,692
Deposits, cash and bank balances		45,355	62,898
		812,281	678,770
TOTAL ASSETS		**1,654,787**	**1,513,522**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		618,887	553,296
Share premium		-	65,591
Foreign currency translation reserves		(70,338)	(76,829)
Equity-settled employee benefits		226	226
Accumulated losses		(98,565)	(116,426)
Treasury shares, at cost		(5,150)	(5,150)
		445,060	420,708
Non-controlling interests		2,695	3,621
Total equity		447,755	424,329
Non-current liabilities			
Post employment benefit obligations	B4		
- Removable pension liabilities		175,548	175,948
- others		171,943	169,214
Borrowings	B2	43,008	48,223
Deferred tax liabilities		17,298	18,069
		407,797	411,454
Current liabilities			
Payables		305,205	232,592
Post employment benefit obligations	B4		
- Removable pension liabilities		16,895	16,292
- others		15	14
Derivative liabilities		-	412
Borrowings	B2	436,024	361,166
Current tax liabilities		41,096	67,263
		799,235	677,739
Total liabilities		1,207,032	1,089,193
TOTAL EQUITY AND LIABILITIES		**1,654,787**	**1,513,522**
Net assets per share attributable to owners of the parent (RM)		0.80	0.76

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017
The figures have not been audited.

	Share Capital	Share premium (non distributable)	Foreign currency translation reserves (non distributable)	Equity-settled employee benefits (non distributable)	Accumulated losses / Retained profits (distributable)	Treasury shares, at cost	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
At 1 January 2017	553,296	65,591	(76,829)	226	(116,426)	(5,150)	420,708	3,621	424,329
Adjustments of effects of Companies Act 2016 (Note a)	65,591	(65,591)	-	-	-	-	-	-	-
Profit/(loss) for the financial period	-	-	-	-	17,861	-	17,861	(192)	17,669
Other comprehensive income/(loss)	-	-	6,491	-	-	-	6,491	(734)	5,757
Total comprehensive income/(loss)	-	-	6,491	-	17,861	-	24,352	(926)	23,426
At 30 June 2017	618,887	-	(70,338)	226	(98,565)	(5,150)	445,060	2,695	447,755
At 1 January 2016	553,296	65,591	(90,105)	226	(63,712)	(5,150)	460,146	3,312	463,458
Profit for the financial period	-	-	-	-	22,990	-	22,990	435	23,425
Other comprehensive loss	-	-	(6,765)	-	-	-	(6,765)	(2,312)	(9,077)
Total comprehensive (loss)/income	-	-	(6,765)	-	22,990	-	16,225	(1,877)	14,348
At 30 June 2016	553,296	65,591	(96,870)	226	(40,722)	(5,150)	476,371	1,435	477,806

Note a
With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium of RM65,591,000 has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

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 2016 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 2017
The figures have not been audited.

	Financial period ended	
	30/6/2017	**30/6/2016**
	RM' 000	**RM' 000**
Cash Flows From Operating Activities		
Cash receipts from customers	627,917	586,311
Cash paid to suppliers and employees	(638,161)	(560,103)
	(10,244)	26,208
Interest received	877	347
Interest paid	(11,657)	(7,693)
Taxation paid	(42,876)	(19,708)
Net cash used in operating activities	(63,900)	(846)
Cash Flows From Investing Activities		
Interest paid	(443)	(2,718)
Purchase of property, plant and equipment	(9,296)	(8,137)
Proceeds from disposal of property, plant and equipment	3,339	1,205
Purchase of intangible assets	(191)	(497)
Proceeds from disposal of intangible assets	3	-
Proceeds from disposal of available-for-sale-financial assets	-	139
Net cash used in investing activities	(6,588)	(10,008)
Cash Flows From Financing Activities		
Drawdown of bank borrowings	284,143	126,034
Repayment of bank borrowings	(230,037)	(146,757)
Repayment of hire purchase and lease payables	(103)	(65)
Net cash from/(used in) financing activities	54,003	(20,788)
Net decrease in cash and cash equivalents during the financial period	(16,485)	(31,642)
Foreign currency translation	(1,220)	(1,981)
Cash and cash equivalents at beginning of the financial period	50,787	57,100
Cash and cash equivalents at end of the financial period	33,082	23,477
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	45,355	38,393
Bank overdrafts	(11,993)	(8,142)
	33,362	30,251
Less: Deposits pledged to licensed banks	(280)	(6,774)
	33,082	23,477

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2017 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 2016.

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 2016.

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 2016 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 30 June 2017 except for the discontinued operation as disclosed in Note A14.

A6. Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior interim periods of the current financial period or prior financial years.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2017

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 2017.

A8. Dividends

No dividends have been paid during the current quarter ended 30 June 2017.

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 2017							
Continuing operations							
External revenue	338,202	11,155	123,549	108,601	39,507	-	621,014
Intersegment revenue	235,559	-	20,010	10,908	91,908	(358,385)	-
	573,761	11,155	143,559	119,509	131,415	(358,385)	621,014
Segment result	29,000	(1,154)	406	15,813	22,748	(10,382)	56,431
Discontinued operations							
External revenue	16,878	42,471	4,679	-	1,468	-	65,496
Intersegment revenue	5,769	15,800	8,111	-	2,241	(31,921)	-
	22,647	58,271	12,790	-	3,709	(31,921)	65,496
Segment result	(8,258)	(13,009)	4,606	-	(120)	(641)	(17,422)

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2017

A9. Segment Information (cont'd)

	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
3 months ended 30 June 2017							
Continuing operations							
External revenue	203,843	6,036	72,981	54,771	20,791	-	358,422
Intersegment revenue	134,046	-	10,440	4,072	61,234	(209,792)	-
	337,889	6,036	83,421	58,843	82,025	(209,792)	358,422
Segment result	22,917	(1,828)	3,802	9,859	9,803	(5,082)	39,471
Discontinued operations							
External revenue	7,850	28,541	1,794	-	801	-	38,986
Intersegment revenue	2,264	7,059	3,627	-	1,381	(14,331)	-
	10,114	35,600	5,421	-	2,182	(14,331)	38,986
Segment result	(6,270)	(7,874)	4,208	-	(124)	(270)	(10,330)

Continuing operations:

Germany

The German segment which represents 49.3% of the Group's revenue showed a decrease in revenue of RM2.3 million (1.1%) as compared to the previous year's corresponding quarter. Based on the recent preliminary economic data, Germany's economy slowed unexpectedly in the second quarter following a stronger than expected expansion at the start of the year. Nevertheless, the response to the back to school season was still encouraging but, certain orders were deferred to the next quarter of the year. In addition, the reduction was also partly attributable to the region's strategy to focus and maintain on the "right" key customers for long-term growth purposes.

The performance for the German plant continues to improve in the current quarter mainly due to higher production volumes, partly related to productions for the back to school season.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2017

A9. Segment Information (cont'd)

Switzerland

The Swiss segment sales were relatively around the same levels as compared to the previous year's corresponding quarter.

The effects of foreign exchange on translation of Euro denominated financial liabilities was unfavourable in the current quarter wherein the region had incurred translation loss on foreign exchange due to the weakening of Swiss France against Euro. As a consequence, the region recorded a segment loss of RM1.8 million.

Rest of Europe

The contribution in revenue from all other European countries, except Germany and Switzerland, represents 18.0% of the Group's total revenue.

Since the preceding quarter, revenue from Greece and certain Eastern Europe countries, such as Romania and Poland continue to reflect positive sales development as compared to the previous year's corresponding quarter. Response to the back to school season in these European countries were better and favourable acceptance of new models and listings with new key customers continue to contribute positive sales trend in Greece. In addition, the overall increased sales was also due to the favourable Euro exchange rate against Ringgit Malaysia.

Accordingly, the segment profit was higher than the previous year's corresponding quarter.

Americas

Americas, which comprise 15.8% of the Group's revenue are represented by Mexico, Colombia and Argentina. The overall segment sales were relatively around the same levels as compared to previous year's corresponding quarter, showing a slight decrease as a result of the teacher's national strike at Colombia and one-off tenders from customers in Mexico last year.

The effects of foreign exchange on translation of United States Dollar ("USD") denominated financial assets was unfavourable in the current quarter wherein the region had incurred translation loss on foreign exchange due to the strengthening of Mexican Peso against USD. As a consequence, the region recorded a lower segment result of RM9.9 million as compared to RM18.4 million in previous year's corresponding quarter.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2017

A9. Segment Information (cont'd)

Continuing operations (cont'd):

Rest of the World

Rest of the World which comprise 5.8% of the Group's revenue consist mainly countries such as Japan, Taiwan/China, South East Asia and Middle East. These markets are relatively stable and growing albeit its' small percentage over the sales of the Group. However, in the current quarter, the segment revenue was lower by 11.2% as compared to the previous year's corresponding quarter as a result of delayed product launches and competition faced, in particular in the Japan and Taiwan/China fine writing business segment.

Positive foreign exchange development as a result of the strengthening of RM against USD had resulted in the region achieving segment result of RM9.8 million in the current quarter.

Discontinued operations:

Discontinued revenue, which comprise 9.5% of the Group's revenue are represented by the revenue from sales of remanufactured toner, inkjet cartridge and nylon ribbons ("Printer Consumables") and point of sales services. The Printer Consumable business undertakings in Germany, Czech Republic, France and China were disposed on 30 June 2017 while the point of sales services were disposed on 31 May 2017.

However, as compared to the previous year's corresponding quarter, the discontinued operations suffered additional losses mainly due to the provision of redundancies cost and closure cost 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 30 June 2017.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2017

A11. Changes in the Composition of the Group

There were no other changes in the composition of the Group during the current quarter ended 30 June 2017.

A12. Events Subsequent to the End of the Reporting Period

There were no event subsequent to the financial period ended 30 June 2017.

A13. Contingent Liabilities

(a) In the ordinary course of business, the business of Pelikan Hardcopy Holding AG and German Hardcopy AG 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 EUR3.5 million (RM17.1 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.

(b) Based on the latest actuaries assumptions as at 31 December 2016, Pelikan Hardcopy Scotland Limited's ("PHSL") retirement fund has GBP24.5 million (RM136.4 million) assets to meet its estimated pension liabilities of GBP45.9 million (RM255.5 million). The Company provided a guarantee of GBP12.6 million for the shortfall. An amount of GBP21.4 million (RM119.1 million) has been recognised as a pension liability of the Group for the financial year ended 31 December 2016 in accordance with the MFRS 119 Employee Benefits.

The increase in the pension liability as at 31 December 2016 is primarily resulted from the reduction in gilt yields following United Kingdom's referendum to exit European Union.

Whilst the pension payouts continue to be made out of the pension assets, the Group is looking at various options for the pension scheme in the longer term.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2017

A14. Discontinued Operations

On 12 May 2017, Pelikan Aktiengesellschaft ("Pelikan AG"), a 97.15% subsidiary of the Company entered into a purchase and assignment agreement to sell its wholly-owned subsidiary, POS Servicegesellschaft mbH ("POSS") to a third party with effect from 31 May 2017 for a consideration of EUR1.00. Following the sale, POSS will continue to provide merchandising/point of sale services to the Group and other industry and commercial partners.

On 30 June 2017, the Group announced that the Group and its key subsidiaries involved in the manufacturing, sales and distribution of remanufactured toner, inkjet cartridge and nylon ribbons ("Printer Consumables") disposed its business undertakings in Germany, France, Czech Republic and China for an overall cash consideration of RM30.0 million. The disposal was completed on 30 June 2017.

The results of the discontinued operations are as follows:

	As at 30/06/17 RM'000	**As at 30/06/16 RM'000**
Revenue	65,496	60,486
Other operating income	9,708	(907)
Expenses excluding finance cost and tax	(92,626)	(73,133)
Finance cost	(242)	(402)
Loss before taxation	(17,664)	(13,956)
Taxation	(199)	(96)
Loss from discontinued operations	(17,863)	(14,052)

The comparative condensed consolidated statement of comprehensive income has been re-presented to show the discontinued operations separately from the continuing operations.

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

B1. Taxation

	3 months ended		Financial period ended	
	30/06/17	**30/06/16**	**30/06/17**	**30/06/16**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Taxation charged in respect of current financial period				
- income tax	(6,221)	(8,380)	(9,914)	(15,313)
- deferred tax	(78)	(1,062)	726	560
	(6,299)	(9,442)	(9,188)	(14,753)
Tax expense on				
- continuing operations	(6,121)	(9,371)	(8,989)	(14,657)
- discontinued operations	(178)	(71)	(199)	(96)
	(6,299)	(9,442)	(9,188)	(14,753)

The Group's effective tax rate were 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 unused tax losses of other subsidiaries.

B2. Borrowings

Details of the Group's borrowings as at 30 June 2017 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**
Argentina Peso	7,698	-	-	-	7,698
Euro	196,639	19,909	42,496	-	259,044
Great Britain Pound	6	5,400	-	512	5,918
Hungarian Forint	967	-	-	-	967
Japanese Yen	-	191	-	-	191
Mexican Peso	-	34,254	-	-	34,254
Polish Zloty	-	3,621	-	-	3,621
Ringgit Malaysia	279	8,855	-	-	9,134
US Dollar	73,516	84,689	-	-	158,205
Total	279,105	156,919	42,496	512	479,032

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 Pelikan Hardcopy Holding AG and German Hardcopy AG 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 EUR3.5 million (RM17.1 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.

B4. Post Employment Benefit Obligations

	RM'000
Payable within 12 months	16,910
Payable after 12 months	347,491
	364,401
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	127,356
Liabilities assumed by the Company	65,087
	192,443
Other pension liabilities of the Group	171,958
	364,401

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 2017 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	2,997
Authorised but not contracted for:	
Property, plant and equipment	382

B6. Review of Performance

The Group achieved a continuing revenue of RM358.4 million in the current quarter as opposed to RM361.3 million in the previous year's corresponding quarter. Sales during the back to school season shows encouraging response in certain European countries, notwithstanding some of the delivery orders were deferred to July 2017. Americas and Asia region are more or less achieving stable development, with slight decrease in the current quarter as compared to the previous year's corresponding quarter due to delayed product launches and external factors such as strike of national teachers in Colombia and increased competition during the current quarter.

For the current quarter, the Group achieved a continued profit before tax of RM33.3 million as opposed to RM37.3 million in the previous years' corresponding quarter. The decrease were mainly due to the foreign exchange losses incurred in the Americas region.

On a cumulative period to date basis, the Group achieved continued revenue of RM621.0 million against a continued revenue of RM612.1 million in the previous year's corresponding period. The Group's key market in German is more or less achieving stable development whilst the Group's business in Americas showed a positive growth rate. Despite the positive sales growth rates, the negative effects of the strengthening of Mexican Pesos against USD had affected the overall Group results. As a consequence, for the current quarter, the Group achieved a profit before tax of RM44.5 million as opposed to RM52.1 million in the previous years' corresponding period.

The discontinued operations losses in the current quarter reflects the losses incurred in the printer consumable business and point of sale services.

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

B7. Variation of Results Against Preceding Quarter

	Current Quarter 30/06/17 RM'000	Immediate Preceding Quarter 31/03/17 RM'000	Changes %
Continuing operations:			
Revenue	358,422	262,592	+36.5
Profit before interest and tax	39,471	16,960	+>100.0
Profit before taxation	33,335	11,186	+>100.0
Profit from continuing operations	27,214	8,318	+>100.0
Discontinued operations:			
Loss from discontinued operations, net of tax	(10,623)	(7,240)	-46.7

The Group's continued revenue increased to RM358.4 million in the current quarter as compared to RM262.6 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. Positive sales growth were also evident in Americas and Asia regions in particular, Mexico, Colombia and Japan.

As a result of the higher sales, the Group recorded a profit before taxation of RM33.3 million in the current quarter as compared to a profit before taxation of RM11.2 million in the preceding quarter.

B8. Prospects

The European economy is performing well despite a number of challenges in 2016. The economic expansion has continued into 2017, thereby completing four years of moderate, uninterrupted GDP growth. Recent data show economic growth continuing at a steady pace, supported by macroeconomic policies, robust job creation, strong confidence, gradual improvement in world trade, and the euro's relatively low exchange rate. But the conditions for an acceleration of economic activity are not yet present due to lingering legacies of the crisis. Overall, according to the European Commission's spring 2017 forecast, after 1.8% in 2016, euro area GDP growth is set to remain fairly steady at 1.7% in 2017 and 1.8% in 2018. Global growth (excluding the EU) is projected to pick up gradually from a seven-year low of 3.2% in 2016 to 3.7% in 2017 and 3.9% in 2018.

The German economy have forecast to achieve GDP growth of 1.6% and 1.8% in 2017 and 2018 respectively. The positive economic data on the Group's key region is quite encouraging for the business development as it improves overall consumer sentiments which can help bolster sales in particular in the "back to school" season.

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

B8. Prospects (cont'd)

Based on the World Economic Outlook Update ("WEO"), April 2017, published by the International Monetary Fund, growth forecasts for 2017 were revised down in a number of regions, such as the Middle East and the Americas' region. Growth in Mexico is projected to moderate to 1.7% in 2017 and 2.0% in 2018. The 1.2% cumulative growth downgrade over the two years reflects subdued prospects for investment and consumption in the face of tighter financial condition and increased uncertainty about the future U.S.–Mexico trade relation. However, based on the latest WEO in July 2017, Mexico's growth forecast for 2017 is revised up from 1.7% to 1.9% on the back of the strong activity in the first quarter of the year, with an unchanged forecast for 2018. The Group remains optimistic of its performance in the Americas' region due to its strong brand presence and recognition in the region.

The development of the key currencies of the Group namely Euro and United States Dollar ("USD") remains mixed. The strengthening of the Euro currency against Ringgit Malaysia ("RM") would benefit the Group whilst the strengthening of the USD against Ringgit Malaysia ("RM") will have a negative result on the Group.

The discontinuation of printer consumable business and the point of sale services will cut the losses contributed by these business units to the Group going forward. The Group shall continue to enjoy higher sales in the next quarter from the "back to school" peak season in Europe. This was already apparent in July sales in the key German markets whereby the sales were much higher than planned.

The focus to bring relevant products into the markets in particular branded products shall remain as the key priority for the Group. Streamlining of product mix and offerings to customers remained an important factor going forward to improve profitability and reduce business complexity and cost.

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 Ordinary Share

Basic earnings/(loss) per ordinary share:	**3 months ended**		**Financial period ended**	
	30/06/17	**30/06/16**	**30/06/17**	**30/06/16**
Profit/(loss) attributable to owners of the parent (RM'000)	16,852	19,369	17,861	22,990
from continuing operations (RM'000)	27,475	27,201	35,724	37,042
from discontinued operations (RM'000)	(10,623)	(7,832)	(17,863)	(14,052)
Weighted average number of ordinary shares in issue ('000)	548,368	548,368	548,368	548,368
Basic earnings/(loss) per ordinary share (sen)	3.07	3.53	3.26	4.19
from continuing operations (sen)	5.01	4.96	6.52	6.75
from discontinued operations (sen)	(1.94)	(1.43)	(3.26)	(2.56)

Diluted earnings/(loss) per ordinary share:	**3 months ended**		**Financial period ended**	
	30/06/17	**30/06/16**	**30/06/17**	**30/06/16**
Profit/(loss) attributable to owners of the parent (RM'000)	16,852	19,369	17,861	22,990
from continuing operations (RM'000)	27,475	27,201	35,724	37,042
from discontinued operations (RM'000)	(10,623)	(7,832)	(17,863)	(14,052)
Weighted average number of ordinary shares used in the calculation of basic earnings ('000)	548,368	548,368	548,368	548,368
Effects of dilution due to ESOS ('000)	6,290	6,593	6,290	6,593
	554,658	554,961	554,658	554,961
Diluted earnings/(loss) per ordinary share (sen)	3.04	3.49	3.22	4.14
from continuing operations (sen)	4.95	4.90	6.44	6.67
from discontinued operations (sen)	(1.91)	(1.41)	(3.22)	(2.53)

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	
	30/06/17	30/06/16	30/06/17	30/06/16
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after charging / (crediting):				
Interest income	(515)	(99)	(877)	(347)
Interest expense	6,136	5,094	11,910	10,009
Depreciation and amortisation	7,161	8,726	13,997	17,597
Impairment/(Reversal of Impairment) loss on receivables	183	(427)	470	(625)
Inventories/(Reversal of Inventories) write down	753	(90)	819	(140)
Gain on disposal of property, plant and equipment	(111)	(478)	(2,096)	(130)
Gain on disposal of available-for-sale financial assets	-	(4)	-	(4)
Foreign exchange (gain)/loss	(5,454)	4,028	(4,312)	(5,143)

B13. Realised and Unrealised Profits/(Losses) Disclosure

	As at 30/06/17	As at 31/12/16
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised loss	(176,278)	(176,785)
- Unrealised profit	85,385	65,527
	(90,893)	(111,258)
Add : Consolidation adjustments	(7,672)	(5,168)
Total accumulated losses as per Statement of Financial Position	(98,565)	(116,426)