

Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 SEPTEMBER 2017

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

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/9/2017 RM' 000	30/9/2016 RM' 000	30/9/2017 RM' 000	30/9/2016 RM' 000
Revenue		381,187	342,868	1,002,201	954,982
Other operating income		51	1,900	14,126	12,928
Expenses excluding finance cost and tax		(355,962)	(325,531)	(934,620)	(886,530)
Finance cost		(8,040)	(5,584)	(19,950)	(15,593)
Profit before taxation		17,236	13,653	61,757	65,787
Taxation	B1	(5,846)	(7,511)	(14,835)	(22,168)
Profit from continuing operations		11,390	6,142	46,922	43,619
Discontinued operations: (Loss)/profit from discontinued operations, net of tax		(2,549)	430	(20,412)	(13,622)
Profit for the financial period		8,841	6,572	26,510	29,997
Other comprehensive income/(loss): Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		440	8,670	6,197	(407)
Total comprehensive income for the financial period		9,281	15,242	32,707	29,590
Total profit/(loss) attributable to:					
Owners of the parent					
- from continuing operations		10,074	4,844	45,798	41,886
- from discontinued operations		(2,549)	430	(20,412)	(13,622)
Non-controlling interests		7,525	5,274	25,386	28,264
		1,316	1,298	1,124	1,733
		8,841	6,572	26,510	29,997
Total comprehensive income/(loss) attributable to:					
Owners of the parent		8,365	12,926	32,717	29,151
Non-controlling interests		916	2,316	(10)	439
		9,281	15,242	32,707	29,590
Earnings per share attributable to equity holders of the parent		sen	sen	sen	sen
- Basic	B11	1.37	0.96	4.63	5.15
- Diluted	B11	1.36	0.95	4.58	5.09

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

	Note	30/9/2017 RM'000	31/12/2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		425,263	423,265
Trademarks		18,145	17,227
Development costs		647	2,548
Goodwill		138,095	136,673
Computer software licence		5,415	5,139
Investment in associates		-	-
Available-for-sale financial assets		2,835	2,725
Pension Trust Fund		134,172	134,172
Deferred tax assets		117,600	113,003
		<u>842,172</u>	<u>834,752</u>
Current assets			
Inventories		279,712	260,181
Receivables, deposits & prepayments		397,284	336,442
Tax recoverable		10,672	2,557
Pension Trust Fund		16,692	16,692
Deposits, cash and bank balances		70,774	62,898
		<u>775,134</u>	<u>678,770</u>
TOTAL ASSETS		<u>1,617,306</u>	<u>1,513,522</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		618,887	553,296
Share premium		-	65,591
Foreign currency translation reserves		(69,498)	(76,829)
Equity-settled employee benefits		226	226
Accumulated losses		(91,040)	(116,426)
Treasury shares, at cost		(5,150)	(5,150)
		<u>453,425</u>	<u>420,708</u>
Non-controlling interests		3,611	3,621
Total equity		<u>457,036</u>	<u>424,329</u>
Non-current liabilities			
Post employment benefit obligations	B4		
- Removable pension liabilities		174,806	175,948
- others		173,590	169,214
Borrowings	B2	41,855	48,223
Deferred tax liabilities		16,936	18,069
		<u>407,187</u>	<u>411,454</u>
Current liabilities			
Payables		259,885	232,592
Post employment benefit obligations	B4		
- Removable pension liabilities		17,158	16,292
- others		15	14
Derivative liabilities		-	412
Borrowings	B2	434,670	361,166
Current tax liabilities		41,355	67,263
		<u>753,083</u>	<u>677,739</u>
Total liabilities		<u>1,160,270</u>	<u>1,089,193</u>
TOTAL EQUITY AND LIABILITIES		<u>1,617,306</u>	<u>1,513,522</u>
Net assets per share attributable to owners of the parent (RM)		0.82	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 September 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 for the financial period	-	-	-	-	25,386	-	25,386	1,124	26,510
Other comprehensive income/(loss)	-	-	7,331	-	-	-	7,331	(1,134)	6,197
Total comprehensive income/(loss)	-	-	7,331	-	25,386	-	32,717	(10)	32,707
At 30 September 2017	618,887	-	(69,498)	226	(91,040)	(5,150)	453,425	3,611	457,036
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	-	-	-	-	28,264	-	28,264	1,733	29,997
Other comprehensive income/(loss)	-	-	887	-	-	-	887	(1,294)	(407)
Total comprehensive income/(loss)	-	-	887	-	28,264	-	29,151	439	29,590
At 30 September 2016	553,296	65,591	(89,218)	226	(35,448)	(5,150)	489,297	3,751	493,048

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 September 2017
The figures have not been audited.

	Financial period ended	
	30/9/2017	30/9/2016
	RM' 000	RM' 000
Cash Flows From Operating Activities		
Cash receipts from customers	1,039,485	991,752
Cash paid to suppliers and employees	<u>(1,012,699)</u>	<u>(929,398)</u>
	26,786	62,354
Interest received	813	437
Interest paid	(18,818)	(13,113)
Taxation paid	<u>(50,903)</u>	<u>(25,729)</u>
Net cash (used in)/from operating activities	<u>(42,122)</u>	<u>23,949</u>
Cash Flows From Investing Activities		
Interest paid	(505)	(3,773)
Purchase of property, plant and equipment	(12,061)	(12,281)
Proceeds from disposal of property, plant and equipment	4,311	14,891
Purchase of intangible assets	(1,014)	(1,104)
Proceeds from disposal of intangible assets	10,891	199
Proceeds from disposal of available-for-sale-financial assets	-	140
Net cash from/(used in) investing activities	<u>1,622</u>	<u>(1,928)</u>
Cash Flows From Financing Activities		
Deposit uplifted	-	6,495
Drawdown of bank borrowings	402,349	288,417
Repayment of bank borrowings	(347,871)	(324,848)
Repayment of hire purchase and lease payables	<u>(251)</u>	<u>(157)</u>
Net cash from/(used in) financing activities	<u>54,227</u>	<u>(30,093)</u>
Net increase/(decrease) in cash and cash equivalents during the financial period	13,727	(8,072)
Foreign currency translation	(2,613)	634
Cash and cash equivalents at beginning of the financial period	<u>50,787</u>	<u>57,100</u>
Cash and cash equivalents at end of the financial period	<u><u>61,901</u></u>	<u><u>49,662</u></u>
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	70,774	59,710
Bank overdrafts	<u>(8,593)</u>	<u>(9,769)</u>
	62,181	49,941
Less: Deposits pledged to licensed banks	<u>(280)</u>	<u>(279)</u>
	<u><u>61,901</u></u>	<u><u>49,662</u></u>

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 third quarter and financial period ended 30 September 2017

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 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 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.

A5. Exceptional and/or Extraordinary Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash flows for the current quarter ended 30 September 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 third quarter and financial period ended 30 September 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 September 2017.

A8. Dividends

No dividends have been paid during the current quarter ended 30 September 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
9 months ended 30 September 2017							
Continuing operations							
External revenue	549,990	15,539	219,722	160,619	56,331	-	1,002,201
Intersegment revenue	343,846	-	35,858	14,006	115,990	(509,700)	-
	<u>893,836</u>	<u>15,539</u>	<u>255,580</u>	<u>174,625</u>	<u>172,321</u>	<u>(509,700)</u>	<u>1,002,201</u>
Segment result	<u>40,378</u>	<u>(6,777)</u>	<u>5,640</u>	<u>26,469</u>	<u>25,201</u>	<u>(9,204)</u>	<u>81,707</u>
Discontinued operations							
External revenue	17,456	43,679	4,754	-	2,271	-	68,160
Intersegment revenue	5,878	17,925	8,344	-	2,481	(34,628)	-
	<u>23,334</u>	<u>61,604</u>	<u>13,098</u>	<u>-</u>	<u>4,752</u>	<u>(34,628)</u>	<u>68,160</u>
Segment result	<u>(5,603)</u>	<u>(8,183)</u>	<u>(3,124)</u>	<u>-</u>	<u>(2,195)</u>	<u>(771)</u>	<u>(19,876)</u>

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 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 September 2017							
Continuing operations							
External revenue	211,788	4,384	96,173	52,018	16,824	-	381,187
Intersegment revenue	108,287	-	15,848	3,098	24,082	(151,315)	-
	<u>320,075</u>	<u>4,384</u>	<u>112,021</u>	<u>55,116</u>	<u>40,906</u>	<u>(151,315)</u>	<u>381,187</u>
Segment result	<u>11,378</u>	<u>(5,623)</u>	<u>5,234</u>	<u>10,656</u>	<u>2,453</u>	<u>1,178</u>	<u>25,276</u>
Discontinued operations							
External revenue	578	1,208	75	-	803	-	2,664
Intersegment revenue	109	2,125	233	-	240	(2,707)	-
	<u>687</u>	<u>3,333</u>	<u>308</u>	<u>-</u>	<u>1,043</u>	<u>(2,707)</u>	<u>2,664</u>
Segment result	<u>(452)</u>	<u>(64)</u>	<u>(1,267)</u>	<u>-</u>	<u>(541)</u>	<u>(130)</u>	<u>(2,454)</u>

Continuing operations:

Germany

The German segment which represents 51.4% of the Group's revenue showed an increase in revenue of RM31.3 million (17.3%) as compared to the previous year's corresponding quarter. The German segment achieved real sales growth in Euro currency and the higher exchange rates in the current quarter has further improved the translated sales. Based on the preliminary unadjusted data, overall, the German economy grew by 2.3% on the year in the current quarter. Corresponding to the positive development, the level and size of orders from customers improved during this year's back to school ("BTS") season which is a good sign that retail level confidence had improved generally. Correspondingly, the segment results improved by RM6.9 million as compared to the previous year's corresponding quarter.

A. Notes to the Interim Financial Report
For the third quarter and financial period ended 30 September 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 Franc against Euro. As a consequence, the region recorded a segment loss of RM5.6 million.

Rest of Europe

The contribution in revenue from all other European countries, except Germany and Switzerland, represents 20.5% of the Group's total revenue.

Compared with the same quarter of the previous year, seasonally adjusted GDP rose by 2.5% in both the euro area and in the European Union in the current quarter, after increasing 2.3% and 2.4% respectively, in the previous quarter. The positive economic data had improved consumer sentiment and this can be seen in the increase in sales in certain Eastern Europe countries. New customers were secured, mainly in Poland and Slovakia. In addition, the overall translated revenue increased as compared to the previous year's corresponding quarter due to the appreciation of Euro currency against Ringgit Malaysia of approximately 7.5% as compared to the previous year's corresponding quarter.

The region had achieved segment results of RM5.2 million in the current quarter.

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated higher sales by 7.3% as compared to previous year's corresponding quarter. Notwithstanding the earthquake in Mexico during the current quarter, Mexico achieved growth in local currency of approximately 12.7% as compared to previous year's corresponding quarter, while Colombia too achieved a small growth in sales. The positive sales growth were partially offset by the reduction in sales in Argentina as a result of the recession which affected all sectors of the economy in the country.

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 of the foreign exchange impact in Mexico and lower margin contribution from lower sales in Argentina, the region recorded a lower segment result of RM10.7 million as compared to RM12.9 million in previous year's corresponding quarter.

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

A9. Segment Information (cont'd)

Rest of the World

Rest of the World which comprise 5.3% 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 12.7% as compared to the previous year's corresponding quarter as a result of competition faced, in particular in the Japan and Taiwan/China fine writing business segment.

The region had achieved segment results of RM2.5 million in the current quarter.

Discontinued operations:

Discontinued revenue, which comprise 6.4% 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.

In the current quarter, the discontinued operations suffered additional losses mainly due to redundancies and closure costs.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 September 2017.

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

A12. Events Subsequent to the End of the Reporting Period

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

A13. Contingent Liabilities

(a) In the ordinary course of business, the business 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 (RM17.4 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 (RM138.9 million) assets to meet its estimated pension liabilities of GBP45.9 million (RM260.2 million). The Company provided a guarantee of GBP12.6 million for the shortfall. An amount of GBP21.4 million (RM121.3 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 third quarter and financial period ended 30 September 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 30/09/17 RM’000	As at 30/09/16 RM’000
Revenue	68,160	86,058
Other operating income	14,338	8,055
Expenses excluding finance cost and tax	(102,374)	(106,254)
Finance cost	<u>(314)</u>	<u>(1,302)</u>
Loss before taxation	(20,190)	(13,443)
Taxation	<u>(222)</u>	<u>(179)</u>
Loss from discontinued operations	<u><u>(20,412)</u></u>	<u><u>(13,622)</u></u>

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

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

A15. Corporate Proposals

On 7 March 2017, the Company had issued a notice to Pelikan Aktiengesellschaft (“Pelikan AG”) of its intention to undertake a squeeze-out against cash compensation pursuant to Section 327a (1) of the German Stock Corporation Act (“Squeeze-out”). Upon the completion of the Squeeze Out, the non-controlling interests’ shares of 3,348,927 shares, representing 1.38% of Pelikan AG’s issued and paid-up capital shall be transferred to the Company against a cash compensation and Pelikan AG will become a 100% owned subsidiary of the Pelikan Group.

The Company had on 9 October 2017 announced that the shareholders of Pelikan AG have at the general meeting held on 6 October 2017 passed the resolution to transfer the shares held by the non-controlling interest shareholders of Pelikan AG to the Company as majority shareholder in return for the cash compensation of EUR1.11 per Pelikan AG shares (“Resolution”). The Resolution has been submitted to the Commercial Court for registration and Pelikan AG will become a 100% owned subsidiary of the Pelikan Group thereon.

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

B1. Taxation

	3 months ended		Financial period ended	
	30/09/17	30/09/16	30/09/17	30/09/16
	RM'000	RM'000	RM'000	RM'000
Taxation charged in respect of current financial period				
- income tax	(5,546)	(7,281)	(15,460)	(22,594)
- deferred tax	(323)	(313)	403	247
	<u>(5,869)</u>	<u>(7,594)</u>	<u>(15,057)</u>	<u>(22,347)</u>
Tax expense on				
- continuing operations	(5,846)	(7,511)	(14,835)	(22,168)
- discontinued operations	(23)	(83)	(222)	(179)
	<u>(5,869)</u>	<u>(7,594)</u>	<u>(15,057)</u>	<u>(22,347)</u>

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 September 2017 are as set out below:

Currency	Short Term		Long Term		Total
	Secured	Unsecured	Secured	Unsecured	
	RM'000	RM'000	RM'000	RM'000	RM'000
Argentina Peso	5,329	-	-	-	5,329
Colombia Peso	12	-	-	-	12
Euro	197,306	34,617	41,413	-	273,336
Great Britain Pound	6	2,551	-	442	2,999
Japanese Yen	-	375	-	-	375
Mexican Peso	-	30,177	-	-	30,177
Ringgit Malaysia	13,977	8,855	-	-	22,832
US Dollar	68,069	73,396	-	-	141,465
Total	<u>284,699</u>	<u>149,971</u>	<u>41,413</u>	<u>442</u>	<u>476,525</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 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 (RM17.4 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	17,173
Payable after 12 months	<u>348,396</u>
	<u>365,569</u>
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	<u>126,877</u>
Liabilities assumed by the Company	<u>65,087</u>
	191,964
Other pension liabilities of the Group	<u>173,605</u>
	<u><u>365,569</u></u>

Pursuant to the acquisitions of Pelikan Holding AG group ("PHAG group") in 2005, part of the defined benefits retirement plans of the PHAG group in Germany (known as "Removable Pension Liabilities") is now funded by an external Pension Trust Fund created for this purpose, whilst the Company is assuming the balance of the said Removable Pension Liabilities fixed in Ringgit Malaysia as at the completion date of the acquisitions of PHAG group. If the assets in the Pension Trust Fund are capable of paying the entire Removable Pension Liabilities, the Removable Pension Liabilities assumed by the Company will be relinquished.

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

B5. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2017 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>10,005</u>

B6. Review of Performance

The Group achieved a continuing revenue of RM381.2 million in the current quarter as opposed to RM342.9 million in the previous year's corresponding quarter. The increase in sales is mainly attributable to the sales growth in Germany, certain Eastern European countries and Latin America, mainly in Mexico and Colombia. The positive economic data for the German and the European market had improved consumer sentiment and this can be seen in the increase in sales during the BTS season.

The operations fared better in the current quarter as compared to the previous year's corresponding quarter wherein the Group recorded a continuing profit before tax of RM17.2 million in the current quarter as compared to a continuing profit before tax of RM13.7 million in the previous year's corresponding quarter. The improvement in results were partially affected by the foreign exchange losses incurred in the Americas and Swiss region.

On a cumulative period to date basis, the Group achieved continued revenue of RM1,002.2 million against a continued revenue of RM955.0 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 continued profit before tax of RM61.8 million as opposed to RM65.8 million in the previous years' corresponding period.

The discontinued operations losses in the current quarter reflects the losses incurred for further redundancies and closure costs.

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

B7. Variation of Results Against Preceding Quarter

	Current Quarter 30/09/17 RM'000	Immediate Preceding Quarter 30/06/17 RM'000	Changes %
Continuing operations:			
Revenue	381,187	358,422	+6.4
Profit before interest and tax	25,276	39,471	-36.0
Profit before taxation	17,236	33,335	-48.3
Profit from continuing operations	11,390	27,214	-58.1
Discontinued operations:			
Loss from discontinued operations, net of tax	<u>(2,549)</u>	<u>(10,623)</u>	-76.0

The Group's continued revenue increased to RM381.2 million in the current quarter as compared to RM358.4 million in the preceding quarter. The increase in revenue continue to be driven by the BTS season for the European region, in particular sales in Eastern Europe. In addition, the increase was partly as a result of the appreciation of Euro currency, being the main sales currency of the Group by 1.9% against Ringgit Malaysia as compared to the previous quarter.

As the BTS season ends at the end of the current quarter, the production volume for the German plant are lower as compared to the previous quarter, thus lowering the cost absorption and profitability of the plant. In addition, the negative development of certain currencies had affected the overall Group results in the current quarter as compared to previous quarter.

B8. Prospects

Economic activity in the euro area has accelerated. The pick-up in GDP growth in recent quarters is part of a fairly synchronised global upswing in advanced economies and emerging markets alike. Higher external demand appears to have encouraged European firms to invest more and it has dampened the impact of the euro's appreciation on exports so far. With investment picking up and private consumption still robust, domestic demand is now better balanced. 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 autumn 2017 forecast, real GDP in the euro area and in the EU are forecasted to grow by 2.2% and 2.3% respectively in 2017. The European Commission expects growth to continue in both euro area and in the EU at 2.1% in 2018 and at 1.9% in 2019 (spring 2017 forecast, in April 2017: 2018: 1.8% in the euro area, 1.9% in the EU).

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

B8. Prospects (cont'd)

The German economy is expected to maintain a strong growth momentum over the forecast horizon driven by domestic demand and supported by robust world trade and a firming recovery in the euro area. Overall, the real GDP in German is expected to increase at an average pace of around 2.1% per year over 2017-2019. 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.

Based on the World Economic Outlook Update ("WEO"), October 2017 and Regional Economic Outlook Update - Latin America and the Caribbean, October 2017, published by the International Monetary Fund, after disappointing growth over the past few years, economic activity in Latin America remains on track to recover gradually in 2017-18 as the global economy gathers steam and recessions in a few countries in the region come to an end. Long-term growth, however, remains weak, hampering income convergence toward advanced economy levels. Fiscal space to support demand is limited, particularly for commodity exporters. But monetary policy can play a supportive role because inflation has been moderating rapidly. In Mexico, growth is expected to soften to 2.1% in 2017 and 1.9% in 2018. Despite the uncertainty related to renegotiation of the North American Free Trade Agreement and a downward revision to economic activity in the United States, growth for 2017 has been revised upward by 0.4% since the April 2017 WEO, reflecting better-than-expected growth outturns for the first two quarters of the year and a recovery in financial market confidence. 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 RM will have a negative result on the Group. Currently, the RM has been strengthening against Euro and USD.

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 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.

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

B10. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

B11. Earnings Per Ordinary Share

Basic earnings/(loss) per ordinary share:

	3 months ended		Financial period ended	
	30/09/17	30/09/16	30/09/17	30/09/16
Profit/(loss) attributable to owners of the parent (RM'000)	7,525	5,274	25,386	28,264
from continuing operations (RM'000)	10,074	4,844	45,798	41,886
from discontinued operations (RM'000)	(2,549)	430	(20,412)	(13,622)
Weighted average number of ordinary shares in issue ('000)	548,368	548,368	548,368	548,368
Basic earnings/(loss) per ordinary share (sen)	1.37	0.96	4.63	5.15
from continuing operations (sen)	1.83	0.88	8.35	7.64
from discontinued operations (sen)	(0.46)	0.08	(3.72)	(2.49)

Diluted earnings/(loss) per ordinary share:

	3 months ended		Financial period ended	
	30/09/17	30/09/16	30/09/17	30/09/16
Profit/(loss) attributable to owners of the parent (RM'000)	7,525	5,274	25,386	28,264
from continuing operations (RM'000)	10,074	4,844	45,798	41,886
from discontinued operations (RM'000)	(2,549)	430	(20,412)	(13,622)
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)	1.36	0.95	4.58	5.09
from continuing operations (sen)	1.82	0.87	8.26	7.55
from discontinued operations (sen)	(0.46)	0.08	(3.68)	(2.46)

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

B12. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/09/17	30/09/16	30/09/17	30/09/16
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Interest income	(128)	(90)	(813)	(437)
Interest expense	8,040	5,584	19,950	15,593
Depreciation and amortisation	7,227	7,667	21,224	25,264
Impairment loss on receivables	96	1,203	566	578
(Reversal of Inventories)/ Inventories write down	(18)	(1,869)	801	(2,009)
(Gain)/loss on disposal of property, plant and equipment	(172)	311	(2,268)	181
Gain on disposal of available-for- sale financial assets	-	(1)	-	(5)
Foreign exchange loss/(gain)	74	(1,343)	(4,238)	(6,486)

B13. Realised and Unrealised Profits/(Losses) Disclosure

	As at 30/09/17 RM'000	As at 31/12/16 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised loss	(177,126)	(176,785)
- Unrealised profit	93,203	65,527
	(83,923)	(111,258)
Add : Consolidation adjustments	(7,117)	(5,168)
Total accumulated losses as per Statement of Financial Position	<u>(91,040)</u>	<u>(116,426)</u>