Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 DECEMBER 2017

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial year ended 31 December 2017
The figures have not been audited.

	Note	Individual Quarter 3 months ended 31/12/2017 RM' 000	Individual Quarter 3 months ended 31/12/2016 RM' 000	Cumulative Quarter Financial year ended 31/12/2017 RM' 000	Cumulative Quarter Financial year ended 31/12/2016 RM' 000
Revenue		254,320	246,961	1,234,835	1,180,489
Other operating income		20,200	321	33,848	15,745
Expenses excluding finance cost and tax		(284,236)	(263,066)	(1,196,364)	(1,122,712)
Finance cost		(5,932)	(6,881)	(25,726)	(22,368)
(Loss)/Profit before taxation		(15,648)	(22,665)	46,593	51,154
Taxation	B1	(1,758)	6,085	(16,593)	(16,083)
(Loss)/Profit from continuing operations		(17,406)	(16,580)	30,000	35,071
Discontinued operations:					
Profit/(Loss) from discontinued operations, net of tax		16,097	(6,904)	(4,799)	(28,558)
(Loss)/Profit for the financial period		(1,309)	(23,484)	25,201	6,513
Other comprehensive income/(loss):					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		8,963	13,014	15,161	12,607
Item that will not be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on defined benefit plans		2,284	(57,719)	2,284	(57,719)
Income tax		(172)	(530)	(172)	(530)
		11,075	(45,235)	17,273	(45,642)
Total comprehensive (loss)/income for the financial period		9,766	(68,719)	42,474	(39,129)
Total (loss)/profit attributable to:					
Owners of the parent					
- from continuing operations		(16,128)	(16,035)	30,155	33,883
- from discontinued operations		16,098	(6,904)	(4,799)	(28,558)
		(30)	(22,939)	25,356	5,325
Non-controlling interests		(1,279)	(545)	(155)	1,188
		(1,309)	(23,484)	25,201	6,513
Total comprehensive (loss)/income attributable to:					
Owners of the parent		9,502	(68,542)	42,220	(39,391)
Non-controlling interests		264	(177)	254	262
		9,766	(68,719)	42,474	(39,129)
		sen	sen	sen	sen
(Loss)/Earnings per share attributable to equity holders of the parent					
- Basic	B11	(0.01)	(4.18)	4.62	0.97
- Diluted	B11	Anti-dilutive	Anti-dilutive	4.57	0.96

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 31 December 2017
The figures have not been audited.

	Note	31/12/2017 RM'000	31/12/2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		400,982	423,265
Trademarks		17,747	17,227
Development costs		3,099	2,548
Goodwill		133,656	136,673
Computer software licence		4,929	5,139
Investment in associates		-	-
Available-for-sale financial assets		2,467	2,725
Pension Trust Fund		134,608	134,172
Deferred tax assets		116,900	113,003
		814,388	834,752
Current assets			
Inventories		250,654	260,181
Receivables, deposits & prepayments		322,264	336,442
Tax recoverable		7,703	2,557
Pension Trust Fund		16,256	16,692
Deposits, cash and bank balances		52,414	62,898
		649,291	678,770
TOTAL ASSETS		**1,463,679**	**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		(62,043)	(76,829)
Equity-settled employee benefits		226	226
Accumulated losses		(105,080)	(116,426)
Treasury shares, at cost		(5,150)	(5,150)
		446,840	420,708
Non-controlling interests		284	3,621
Total equity		447,124	424,329
Non-current liabilities			
Post employment benefit obligations	B4		
- Removable pension liabilities		181,526	192,240
- others		129,617	169,228
Borrowings	B2	49,684	48,223
Deferred tax liabilities		17,037	18,069
		377,864	427,760
Current liabilities			
Payables		209,603	232,592
Derivative liabilities		-	412
Borrowings	B2	388,954	361,166
Current tax liabilities		40,134	67,263
		638,691	661,433
Total liabilities		1,016,555	1,089,193
TOTAL EQUITY AND LIABILITIES		**1,463,679**	**1,513,522**
Net assets per share attributable to owners of the parent (RM)		0.81	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 year ended 31 December 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 year	-	-	-	-	25,356	-	25,356	(155)	25,201
Other comprehensive income	-	-	14,786	-	2,078	-	16,864	409	17,273
Total comprehensive income	-	-	14,786	-	27,434	-	42,220	254	42,474
Transactions with non-controlling interests	-	-	-	-	(16,088)	-	(16,088)	(3,591)	(19,679)
At 31 December 2017	618,887	-	(62,043)	226	(105,080)	(5,150)	446,840	284	447,124
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 year	-	-	-	-	5,325	-	5,325	1,188	6,513
Other comprehensive income/(loss)	-	-	13,276	-	(57,992)	-	(44,716)	(926)	(45,642)
Total comprehensive income/(loss)	-	-	13,276	-	(52,667)	-	(39,391)	262	(39,129)
(Dilution)/Accretion from changes in subsidiary's stake	-	-	-	-	(47)	-	(47)	47	-
At 31 December 2016	553,296	65,591	(76,829)	226	(116,426)	(5,150)	420,708	3,621	424,329

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 year ended 31 December 2017
The figures have not been audited.

	Financial year ended	
	31/12/2017	**31/12/2016**
	RM' 000	**RM' 000**
Cash Flows From Operating Activities		
Cash receipts from customers	1,349,698	1,326,388
Cash paid to suppliers and employees	(1,324,185)	(1,272,066)
	25,513	54,322
Interest received	299	643
Interest paid	(23,893)	(19,942)
Taxation paid	(51,761)	(26,396)
Net cash (used in)/from operating activities	(49,842)	8,627
Cash Flows From Investing Activities		
Interest paid	(2,498)	(4,078)
Purchase of property, plant and equipment	(12,442)	(18,682)
Proceeds from disposal of property, plant and equipment	2,010	17,280
Purchase of intangible assets	(1,379)	(1,381)
Proceeds from disposal of intangible assets	9,916	-
Proceeds from derecognition of a subsidiary	(4,577)	5,123
Proceeds from disposal of available-for-sale-financial assets	287	142
Net cash used in investing activities	(8,683)	(1,596)
Cash Flows From Financing Activities		
Deposit uplifted	-	6,494
Drawdown of bank borrowings	455,960	413,945
Repayment of bank borrowings	(403,319)	(433,002)
Repayment of hire purchase and lease payables	(425)	(271)
Net cash from/(used in) financing activities	52,216	(12,834)
Net decrease in cash and cash equivalents during the financial year	(6,309)	(5,803)
Effects of exchange rate changes on cash and cash equivalents	(1,280)	(511)
Cash and cash equivalents at beginning of the financial year	50,786	57,100
Cash and cash equivalents at end of the financial year	43,197	50,786
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	52,414	62,898
Bank overdrafts	(8,937)	(11,832)
	43,477	51,066
Less: Deposits pledged to licensed banks	(280)	(280)
	43,197	50,786

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 fourth quarter and financial year ended 31 December 2017

A1. Basis of Preparation

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

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 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 fourth quarter and financial year ended 31 December 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 31 December 2017.

A8. Dividends

No dividends have been paid during the current quarter ended 31 December 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
12 months ended 31 December 2017							
Continuing operations							
External revenue	685,317	18,493	244,680	210,667	75,678	-	1,234,835
Intersegment revenue	409,701	-	39,585	17,323	133,451	(600,060)	-
	1,095,018	18,493	284,265	227,990	209,129	(600,060)	1,234,835
Segment result	22,005	(9,891)	3,839	38,381	36,653	(18,668)	72,319
Discontinued operations							
External revenue	17,787	43,780	4,752	-	3,725	-	70,044
Intersegment revenue	5,886	17,697	8,435	-	2,499	(34,517)	-
	23,673	61,477	13,187	-	6,224	(34,517)	70,044
Segment result	(543)	6,781	(4,617)	-	(4,700)	(894)	(3,973)

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 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 31 December 2017							
Continuing operations							
External revenue	135,327	2,954	46,644	50,048	19,347	-	254,320
Intersegment revenue	65,855	-	5,522	3,317	17,461	(92,155)	-
	201,182	2,954	52,166	53,365	36,808	(92,155)	254,320
Segment result	(18,373)	(3,114)	(2,129)	11,912	11,452	(9,464)	(9,716)
Discontinued operations							
External revenue	331	101	(21,688)	-	1,454	-	(19,802)
Intersegment revenue	8	(228)	(1,704)	-	18	1,906	-
	339	(127)	(23,392)	-	1,472	1,906	(19,802)
Segment result	5,060	14,964	(1,165)	-	(2,505)	(123)	16,231

Continuing operations:

Germany

The German segment which represents 52.5% of the Group's revenue showed an increase in revenue of RM3.2 million as compared to the previous year's corresponding quarter. The increased sales was mainly due to the favourable Euro exchange rate against Ringgit Malaysia.

The segment suffered a segment loss of RM18.4 million mainly due to the negative results of the production functions and the services organisation during the current quarter which is a low season for the business.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2017

A9. Segment Information (cont'd)

Switzerland

The Swiss segment sales were generally lower in the current quarter compared to the previous year's corresponding quarter.

The region recorded a segment loss of RM3.1 million due to the unfavourable foreign exchange translation of Euro denominated financial liabilities.

Rest of Europe

The contribution in revenue from all other European countries, except Germany and Switzerland, represents 18.8% of the Group's total revenue.

Compared with the same quarter of the previous year, seasonally adjusted GDP rose by 2.7% in the euro area and by 2.6% in the European Union in the current quarter, after an increase of 2.8% in both zones 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. 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 6.6% as compared to the previous year's corresponding quarter. As a result, the region's segment loss of RM2.1 million was lower as compared to the previous year's corresponding quarter.

Americas

Americas, which comprise 16.1% of the Group's revenue represented by Mexico, Colombia and Argentina. The overall segment sales were relatively around the same levels as compared to previous year's corresponding quarter. Sales performance in Colombia shows positive sales growth, especially in the export market, which was driven by the gradual tax safeguard reduction on the Ecuador market. Argentina's sales for this quarter shows a more encouraging results as compared to previous year's corresponding quarter. The positive sales growth were offset by the reduction in sales in Mexico as a result of the earthquakes in Mexico during the previous quarter.

The decline in the Mexican market due to the earthquakes in the previous quarter, coupled with the strong price pressure in Argentina as a result of recession had resulted in a lower segment result of RM3.3 million as compared to previous year's corresponding quarter.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2017

A9. Segment Information (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. The introduction of limited editions of fine writing instruments in both Japan and Taiwan had resulted in improvement of the segment revenue as compared to the previous year's corresponding quarter.

The unfavourable effects of foreign exchange in previous year's corresponding quarter due to the weakened Ringgit Malaysia against United States Dollar were normalised in the current quarter, which resulted in a better segment results in the current quarter.

Discontinued operations:

Discontinued revenue, which comprise 5.4% 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. The Group ceased to take control on the hardcopy business in Scotland as it undertook a pre-packed insolvency plan to realise its assets of business undertaking for creditors benefit mainly the pension fund.

In the current quarter, as a result of the business disposal and the termination of employees, certain employee related liabilities were no longer required.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 31 December 2017.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2017

A11. Changes in the Composition of the Group

As disclosed Note A15, arising from the mentioned corporate proposal, the effective interest of the Group on Pelikan Group GmbH (formerly known as Pelikan Aktiengesellschaft) changed from 97.15% to 98.64%.

On 7 December 2017, Pelikan Hardcopy Production AG, a wholly-owned subsidiary of the Company transferred its entire equity stake in Pelikan Hardcopy CZ s.r.o. to the Company.

On 30 December 2017, Pelikan Nederland B.V., a 97.36% owned subsidiary of the Company transferred its entire equity stake in Pelikan S.A. to Pelikan Group GmbH. Arising thereto, the effective interest of the Group on Pelikan S.A. changed from 97.36% to 98.64%.

Other than above, there were no other changes in the composition of the Group during the current quarter ended 31 December 2017.

A12. Events Subsequent to the End of the Reporting Period

There were no event subsequent to the financial year ended 31 December 2017.

A13. Contingent Liabilities

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 EUR2.5 million (RM12.2 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, especially when it has now exited the Hardcopy business. 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.

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

In addition, the Group ceased to govern the financial and operating policies of PHSL as it undertook a pre-packed insolvency plan to realise its assets and business undertaking for creditors benefit mainly the pension fund. Accordingly, the Company derecognised the related assets and liabilities of PHSL.

The results of the discontinued operations are as follows:

	As at 31/12/17 RM'000	As at 31/12/16 RM'000
Revenue	70,044	140,812
Other operating income	11,180	9,774
Expenses excluding finance cost and tax	(85,197)	(175,896)
Finance cost	(776)	(1,791)
Loss before taxation	(4,749)	(27,101)
Taxation	(50)	(1,457)
Loss from discontinued operations	(4,799)	(28,558)

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 fourth quarter and financial year ended 31 December 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 registered on the commercial register on 7 December 2017 and the squeeze-out is now complete. Pelikan AG has on 11 December 2017 ceased to trade on the Frankfurt Stock Exchange and are now known as Pelikan Group GmbH. Pelikan AG became a 100% owned subsidiary of the Pelikan Group thereon, with interest held respectively by the Company, Pelikan Holding AG (a 97.36% owned subsidiary of the Company), Pelikan Nederland B.V. (a 97.36% owned subsidiary of the Company) and Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG (a 99.93% owned subsidiary of the Company). The effective interest of the Group on Pelikan Group GmbH changed from 97.15% to 98.64%.

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

B1. Taxation

	3 months ended		Financial year ended	
	31/12/17	31/12/16	31/12/17	31/12/16
	RM'000	RM'000	RM'000	RM'000
Taxation charged in respect of current financial period				
- income tax	(3,655)	5,230	(19,115)	(17,364)
- deferred tax	2,069	(423)	2,472	(176)
	(1,586)	4,807	(16,643)	(17,540)
Tax expense on				
- continuing operations	(1,758)	6,085	(16,593)	(16,083)
- discontinued operations	172	(1,278)	(50)	(1,457)
	(1,586)	4,807	(16,643)	(17,540)

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 31 December 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	5,624	1,615	-	-	7,239
Colombia Peso	15	-	-	-	15
Euro	184,192	18,899	38,684	-	241,775
Japanese Yen	-	1,620	-	-	1,620
Mexican Peso	-	19,801	-	-	19,801
Ringgit Malaysia	5,471	750	11,000	-	17,221
US Dollar	64,923	86,044	-	-	150,967
Total	260,225	128,729	49,684	-	438,638

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 EUR2.5 million (RM12.2 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, especially when it has now exited the Hardcopy business. 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
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	116,439
Liabilities assumed by the Company	65,087
	181,526
Other pension liabilities of the Group	129,617
	311,143

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 2017 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	10,907

B6. Review of Performance

The Group achieved a continuing revenue of RM254.3 million in the current quarter as opposed to RM247.0 million in the previous year's corresponding quarter. The increase in sales is mainly attributable to the sales growth in certain Eastern European countries, Latin America, mainly in Colombia and Asia regions. The sales growth is further improved by the stronger Euro against Ringgit Malaysia. The positive sales growth was partially offset by the reduction in sales in Mexico as a result of the earthquakes in Mexico during the previous quarter.

On a full year basis, the Group achieved continued revenue of RM1,234.8 million against a continued revenue of RM1,180.5 million. The overall translated revenue increased as compared to the previous year due to the appreciation of Euro currency against Ringgit Malaysia of approximately 6.6% as compared to previous year. Colombia's sales were encouraging, in particular, the export market were performing due to the gradual tax safeguard reduction on the Ecuador market.

Despite the positive sales growth rates, the negative effects of the strengthening of Mexican Pesos against United States Dollar had affected the overall Group results. In addition, the Group incurred additional personnel expenses in relation to some restructuring measures for a more streamlined workforce of approximately RM3.4 million. As a consequence, the Group achieved a continued profit before tax of RM46.6 million as opposed to RM51.2 million in the previous year.

The discontinued operations losses in the current year mainly reflects the losses incurred on the entire hardcopy business and the point of sale services, in addition to the release of employee related liabilities.

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

B7. Variation of Results Against Preceding Quarter

	Current Quarter 31/12/17 RM'000	Immediate Preceding Quarter 30/09/17 RM'000	Changes %
Continuing operations:			
Revenue	254,320	374,609	-32.1
(Loss)/Profit before interest and tax	(9,716)	25,212	->100.0
(Loss)/Profit before taxation	(15,648)	17,229	->100.0
(Loss)/Profit from continuing operations	(17,406)	11,382	->100.0
Discontinued operations:			
Profit/(Loss) from discontinued operations, net of tax	16,097	(2,541)	+>100.0

The Group's continued revenue decreased to RM254.3 million in the current quarter as compared to RM374.6 million in the preceding quarter. Despite achieving higher sales growth in countries such as Colombia, Argentina and Japan, the lower seasonality of stationery sales for the last quarter in the European markets subsequent to the "back to school" season had contributed to the lower revenue.

The Group recorded a loss before taxation of RM15.6 million in the current quarter. The losses were mainly attributable to the lower sales contribution achieved from the reduced sales of RM120.3 million as compared to the preceding quarter.

B8. Prospects

Growth rates for the euro area and the EU beat expectations last year as the transition from economic recovery to expansion continues. For the year as a whole, GDP is estimated to have grown by 2.4% in both euro area and the EU, higher than predicted in autumn and the highest rate in 10 years. Overall, according to the European Commission's winter 2018 (interim) forecast, euro area GDP is forecasted to continue growing in 2018 at broadly the same pace as in 2017 (2.3%), before moderating to 2.0% in 2019. The expected gradual withdrawal of policy stimulus, the uncertainty around the Brexit transition agreement and the emergence of supply-side constraints are set to weigh on economic activity. The expected slowing of economic growth in 2019 is also consistent with a gradual convergence of actual growth towards potential growth in the medium term.

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

B8. Prospects (cont'd)

Germany's GDP growth reached a six-year high of 2.2% in 2017, driven by strong private consumption, higher investment and growing foreign demand. Overall, real GDP growth is expected to strengthen to 2.3% in 2018 and remain above 2.0% in 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"), January 2018, published by the International Monetary Fund, in Latin America, the recovery is expected to strengthen with growth of 1.9% in 2018 (as projected in the fall) and 2.6% in 2019 (a 0.2% point upward revision). This change is primarily reflects an improved outlook for Mexico, benefiting from stronger U.S. demand, a firmer recovery in Brazil, and favourable effects of stronger commodity prices and easier financing conditions on some commodity-exporting countries. 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 the entire hardcopy business and the point of sale services will cut the losses contributed by these business units to the Group going forward. The Group is now fully focused in the stationery business mainly through the Pelikan Group GmbH Group. 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 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. (Loss)/Earnings Per Ordinary Share

Basic (loss)/earnings per share:	**3 months ended**		**Financial year ended**	
	31/12/17	**31/12/16**	**31/12/17**	**31/12/16**
(Loss)/Profit attributable to owners of the parent (RM'000)	(30)	(22,939)	25,356	5,325
from continuing operations (RM'000)	(16,128)	(16,035)	30,155	33,883
from discontinued operations (RM'000)	16,098	(6,904)	(4,799)	(28,558)
Weighted average number of ordinary shares in issue ('000)	548,368	548,368	548,368	548,368
Basic (loss)/earnings per share (sen)	(0.01)	(4.18)	4.62	0.97
from continuing operations (sen)	(2.94)	(2.92)	5.50	6.18
from discontinued operations (sen)	2.93	(1.26)	(0.88)	(5.21)

Diluted earnings per share:	**3 months ended**		**Financial year ended**	
	31/12/17	**31/12/16**	**31/12/17**	**31/12/16**
(Loss)/Profit attributable to owners of the parent (RM'000)	(30)	(22,939)	25,356	5,325
from continuing operations (RM'000)	(16,128)	(16,035)	30,155	33,883
from discontinued operations (RM'000)	16,098	(6,904)	(4,799)	(28,558)
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	6,290	6,290	6,290
	554,658	554,658	554,658	554,658
Diluted earnings per share (sen)	Anti-dilutive	Anti-dilutive	4.57	0.96
from continuing operations (sen)	Anti-dilutive	Anti-dilutive	5.44	6.11
from discontinued operations (sen)	2.90	Anti-dilutive	Anti-dilutive	Anti-dilutive

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**	
	31/12/17	**31/12/16**	**31/12/17**	**31/12/16**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit before taxation is arrived at after charging/ (crediting):				
Interest income	-	(205)	(299)	(642)
Interest expense	5,932	6,881	25,726	22,368
Depreciation and amortisation	6,583	1,351	27,430	26,116
Impairment loss on receivables	224	849	790	1,427
(Reversal of Inventories)/ Inventories write down	(486)	(2,216)	315	(4,225)
(Gain)/loss on disposal of:				
- Property, plant and equipment	(7,463)	(111)	(9,731)	70
- Available-for-sale financial assets	-	-	-	(5)
Foreign exchange (gain)/loss	(2,910)	10,152	(6,815)	1,024