

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 DECEMBER 2020

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial year ended 31 December 2020
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial year ended	
		31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Revenue		197,162	223,266	974,441	1,060,698
Other operating income		10,998	9,321	25,892	25,678
Expenses excluding finance costs and tax		(224,625)	(244,901)	(967,314)	(1,045,704)
Finance costs		(4,234)	(5,052)	(18,204)	(20,334)
(Loss)/Profit before tax		(20,699)	(17,366)	14,815	20,338
Tax expense	B1	4,086	(248)	(3,240)	(11,312)
(Loss)/Profit for the financial year		(16,613)	(17,614)	11,575	9,026
Other comprehensive income/(loss):					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		18,658	13,830	4,982	(9,833)
Reclassification adjustments relating to foreign currency translations of foreign operations deconsolidated		4,894	(2,711)	4,894	(2,711)
Item that will not be reclassified subsequently to profit or loss:					
Actuarial loss on defined benefit plans		(1,852)	(12,131)	(1,852)	(12,131)
Income tax		183	800	183	800
Other comprehensive income/(loss) for the financial year, net of tax		21,883	(212)	8,207	(23,875)
Total comprehensive income/(loss) for the financial year		5,270	(17,826)	19,782	(14,849)
Total (loss)/profit attributable to:					
Owners of the parent		(15,858)	(17,500)	10,964	7,612
Non-controlling interests		(755)	(114)	611	1,414
		(16,613)	(17,614)	11,575	9,026
Total comprehensive income/(loss) attributable to:					
Owners of the parent		6,316	(17,485)	19,240	(15,642)
Non-controlling interests		(1,046)	(341)	542	793
		5,270	(17,826)	19,782	(14,849)
		sen	sen	sen	sen
Basic (loss)/earnings per ordinary share attributable to equity holders of the parent	B10	(2.63)	(2.90)	1.82	1.34

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Interim report as at 31 December 2020
The figures have not been audited.

	Note	31/12/2020 RM'000	31/12/2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		208,642	396,766
Trademarks		18,020	16,710
Development costs		787	2,249
Goodwill		137,986	131,400
Computer software license		3,265	3,042
Investments in associates		60	55
Other financial assets		2,534	2,327
Pension Trust Fund		137,388	137,146
Deferred tax assets		112,257	108,952
		<u>620,939</u>	<u>798,647</u>
Current assets			
Inventories		237,705	228,778
Receivables, deposits and prepayments		231,403	255,038
Tax recoverable		10,070	9,396
Pension Trust Fund		13,476	13,718
Deposits, cash and bank balances		47,897	32,545
		<u>540,551</u>	<u>539,475</u>
Non-current assets classified as held for sale		180,995	-
TOTAL ASSETS		<u>1,342,485</u>	<u>1,338,122</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		640,273	640,273
Foreign currency translation reserves		(80,061)	(90,131)
Accumulated losses		(92,544)	(101,714)
Treasury shares, at cost		(5,150)	(5,150)
		<u>462,518</u>	<u>443,278</u>
Non-controlling interests		1,785	1,243
Total equity		<u>464,303</u>	<u>444,521</u>
Non-current liabilities			
Post-employment benefit obligations	B3	261,123	259,714
Borrowings	B2	134,565	84,923
Lease liabilities		16,937	20,187
Deferred tax liabilities		11,388	14,432
		<u>424,013</u>	<u>379,256</u>
Current liabilities			
Payables		150,270	190,258
Borrowings	B2	263,673	276,327
Lease liabilities		6,139	9,175
Current tax liabilities		34,087	38,585
		<u>454,169</u>	<u>514,345</u>
Total liabilities		<u>878,182</u>	<u>893,601</u>
TOTAL EQUITY AND LIABILITIES		<u>1,342,485</u>	<u>1,338,122</u>
Net assets per share attributable to owners of the parent (RM)		0.76	0.73

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Interim report for the financial year ended 31 December 2020
The figures have not been audited.

	Share Capital	Foreign currency translation reserves (non distributable)	Accumulated losses	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
At 1 January 2020	640,273	(90,131)	(101,714)	(5,150)	443,278	1,243	444,521
Profit for the financial year	-	-	10,964	-	10,964	611	11,575
Other comprehensive income/(loss)	-	10,070	(1,794)	-	8,276	(69)	8,207
Total comprehensive income	-	10,070	9,170	-	19,240	542	19,782
At 31 December 2020	640,273	(80,061)	(92,544)	(5,150)	462,518	1,785	464,303
At 1 January 2019	618,887	(78,500)	(96,663)	(5,150)	438,574	464	439,038
Effect on adoption of MFRS 16	-	-	(1,040)	-	(1,040)	(14)	(1,054)
Restated balance as at 1 January 2019	618,887	(78,500)	(97,703)	(5,150)	437,534	450	437,984
Profit for the financial year	-	-	7,612	-	7,612	1,414	9,026
Other comprehensive loss	-	(11,631)	(11,623)	-	(23,254)	(621)	(23,875)
Total comprehensive (loss)/income	-	(11,631)	(4,011)	-	(15,642)	793	(14,849)
Transaction with owners: Issue of shares pursuant to private placement	21,386	-	-	-	21,386	-	21,386
At 31 December 2019	640,273	(90,131)	(101,714)	(5,150)	443,278	1,243	444,521

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Interim report for the financial year ended 31 December 2020

The figures have not been audited.

	Financial year ended	
	31/12/2020	31/12/2019
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	1,034,393	1,076,951
Cash paid to suppliers and employees	<u>(988,269)</u>	<u>(1,024,022)</u>
	46,124	52,929
Interest received	542	322
Interest paid	(14,382)	(16,136)
Taxation paid	<u>(10,909)</u>	<u>(14,920)</u>
Net cash from operating activities	<u>21,375</u>	<u>22,195</u>
Cash Flows From Investing Activities		
Interest paid	(3,254)	(3,388)
Purchase of property, plant and equipment	(10,427)	(23,181)
Proceeds from disposal of property, plant and equipment	3,082	5,431
Purchase of intangible assets	(1,183)	(180)
Proceeds from disposal of intangible assets	-	9
Purchase of other financial assets	<u>(5)</u>	<u>-</u>
Net cash used in investing activities	<u>(11,787)</u>	<u>(21,309)</u>
Cash Flows From Financing Activities		
Deposits pledged	(5)	(16)
Net proceeds from issue of shares	-	21,386
Drawdowns of bank borrowings	292,431	367,397
Repayments of bank borrowings	(274,800)	(399,606)
Repayments of lease liabilities	<u>(11,066)</u>	<u>(8,121)</u>
Net cash from/(used in) financing activities	<u>6,560</u>	<u>(18,960)</u>
Net increase/(decrease) in cash and cash equivalents during the financial year	16,148	(18,074)
Effects of exchange rate changes on cash and cash equivalents	(1,806)	854
Cash and cash equivalents at beginning of the financial year	<u>22,373</u>	<u>39,593</u>
Cash and cash equivalents at end of the financial year	<u><u>36,715</u></u>	<u><u>22,373</u></u>
Cash and cash equivalents comprise :		
Deposits, cash and bank balances	47,897	32,545
Bank overdrafts	<u>(10,643)</u>	<u>(9,638)</u>
	37,254	22,907
Less: Deposits pledged to licensed banks	<u>(539)</u>	<u>(534)</u>
	<u><u>36,715</u></u>	<u><u>22,373</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 2019 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 2020

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 2020 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 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 2019.

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 2019.

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 2019 was not subject to any qualification and did not include any adverse comments made under subsection (3) of Section 266 of the Companies Act 2016.

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 31 December 2020.

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.

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 2020.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2020

A8. Dividends

No dividends have been paid during the current quarter ended 31 December 2020.

A9. Segment Information

	Germany RM'000	Rest of Europe RM'000	Americas RM'000	Rest of the World RM'000	Elimination RM'000	Group RM'000
12 months ended						
31 December 2020						
External revenue	609,551	208,539	118,130	38,221	-	974,441
Intersegment revenue	275,310	27,180	13,851	92,146	(408,487)	-
	<u>884,861</u>	<u>235,719</u>	<u>131,981</u>	<u>130,367</u>	<u>(408,487)</u>	<u>974,441</u>
Segment result	<u>34,420</u>	<u>10,401</u>	<u>7,273</u>	<u>(3,386)</u>	<u>(15,689)</u>	<u>33,019</u>
3 months ended						
31 December 2020						
External revenue	117,345	39,796	28,730	11,291	-	197,162
Intersegment revenue	67,398	4,656	4,321	17,040	(93,415)	-
	<u>184,743</u>	<u>44,452</u>	<u>33,051</u>	<u>28,331</u>	<u>(93,415)</u>	<u>197,162</u>
Segment result	<u>(3,625)</u>	<u>(2,556)</u>	<u>(2,228)</u>	<u>(2,235)</u>	<u>(5,821)</u>	<u>(16,465)</u>

Germany

The German segment's revenue represents 62.6% of the Group's revenue, an increase in contribution due to the lower sales in other countries due to the COVID-19 pandemic. The increased sales were mainly due to the positive development of online channels (+ 10.1% as compared to previous year's corresponding quarter), coupled with the improve sales from logistic services and favourable Euro exchange rate against Ringgit Malaysia.

The region's segment result improved as compared to previous year's corresponding quarter due to better margin contribution from better customer mix. In addition, the increase was also contributed by better performance from the German plant due to higher production volumes to catch up the loss productions from the earlier months as a result of COVID-19 lockdown.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2020

A9. Segment Information (cont'd)

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 21.4% of the Group's total revenue. As the COVID-19 outbreak worsens in certain countries, lockdown and containment measures were re-imposed in the current quarter. As a result, the region's sales were negatively impacted, especially in countries such as Romania, Poland and Greece.

The region suffered a negative result during the current quarter due to the lower sales contribution.

Americas

Americas, which comprise 12.1% of the Group's revenue are represented by Mexico, Colombia and Argentina. The COVID-19 outbreak which resulted in extended quarantine periods had negatively impacted the region's sales in the current quarter. Sales in these countries contracted between the range of 40.0% to 45.0% as compared to previous year's corresponding quarter.

The region continued to take various cost control measures to mitigate the negative impact from the lower sales contribution which resulted from the prolonged quarantine periods.

Rest of the World

Rest of the World which comprise 3.9% of the Group's revenue consist mainly countries such as Japan, Taiwan/China, South East Asia and Middle East. Sales were delayed and product launches were deferred due to lockdown and containment measures in the current quarter.

The region suffered a negative result during the current quarter due to the lower sales contribution and unfavourable effects of foreign exchange.

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 31 December 2020.

In accordance to MFRS 5 Non-Current Assets Held For Sale and Discontinued Operations, the Group had classified property, plant and equipment located at Falkensee, Germany as non-current assets held for sale.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2020

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 December 2020 apart from the liquidation of Remerch GmbH and Linea GmbH.

A12. Events Subsequent to the End of the Reporting Period

There was no event subsequent to the financial year ended 31 December 2020.

A13. Contingent Liabilities

There was no material contingent liabilities as at 31 December 2020.

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

B1. Tax Expense

	3 months ended		Financial year ended	
	31/12/20 RM'000	31/12/19 RM'000	31/12/20 RM'000	31/12/19 RM'000
Tax expense charged in respect of current financial period				
- income tax	(44)	(1,932)	(2,722)	(13,090)
- deferred tax	4,130	1,684	(518)	1,778
	<u>4,086</u>	<u>(248)</u>	<u>(3,240)</u>	<u>(11,312)</u>

On a cumulative basis, for the financial year ended 31 December 2020, the Group's effective tax rate were lower than the statutory income tax rate in Malaysia as a result of the recognition of tax benefit.

B2. Borrowings

Details of the Group's borrowings as at 31 December 2020 are as set out below:

Currency	Short Term		Long Term		Total RM'000
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000	
Colombian Peso	-	364	-	-	364
Czech Koruna	4,514	-	-	-	4,514
Euro	167,805	2,749	102,713	-	273,267
Japanese Yen	-	1,405	-	1,990	3,395
Mexican Peso	-	13,448	-	-	13,448
Polish Zloty	1,580	1,036	2,634	2,078	7,328
Ringgit Malaysia	31,112	-	25,150	-	56,262
US Dollar	24,766	14,894	-	-	39,660
Total	<u>229,777</u>	<u>33,896</u>	<u>130,497</u>	<u>4,068</u>	<u>398,238</u>

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

B3. Post-Employment Benefit Obligations

The Group operates both funded and unfunded defined benefit plans for its employees. The defined benefit plans, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields, at the end of each reporting period, of government securities which have currency and terms to maturity approximating the terms of the related liability. Judgement and estimates had been used to determine the valuation of the plans and the latest actuarial valuations of the plans were carried out in 2020.

B4. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2020 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>183</u>

B5. Review of Performance

The Group achieved revenue of RM197.2 million in the current quarter as opposed to RM223.3 million in the previous year's corresponding quarter. The COVID-19 outbreak continued to negatively impact sales in most other countries where we operate, especially in the Americas and certain European countries.

On a full year basis, the Group achieved revenue of RM974.4 million as compared to RM1,060.7 million in the previous year. The COVID-19 outbreak had negatively impacted sales in countries where we operate, especially in Americas and certain European countries where extended quarantine periods were imposed. Nevertheless, the decreased in sales was compensated by the real sales growth in the German market, particularly, sales to online customers.

The Group recorded a profit before tax of RM14.8 million as opposed to RM20.3 million in the previous year. The lower results were mainly attributable to the lower sales contribution achieved from reduced sales. The global uncertainty in the markets, including the COVID-19 outbreak remain as the key challenge for the Group. Nevertheless, the Group still believes that with a lean and flexible operating structure, it can persevere over tough economic conditions faced and capitalise on emerging growth opportunities once they present themselves. In the current year, the Group took various cost measures to mitigate the negative impact from the lower sales contribution which resulted from the prolonged quarantine periods. The Group also received government assistance in certain countries.

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

B6. Variation of Results Against Preceding Quarter

	Current Quarter 31/12/20 RM'000	Immediate Preceding Quarter 30/09/20 RM'000	Changes %
Revenue	197,162	314,589	-37.3
Profit before interest and tax	(16,465)	25,957	->100.0
Profit before tax	(20,699)	21,210	->100.0
Profit for the financial period	<u>(16,613)</u>	<u>16,871</u>	->100.0

The Group's revenue decreased to RM197.2 million in the current quarter as compared to RM314.6 million in the preceding quarter. The final quarter is a weak quarter for the Group's school products due to the holiday season in particular the European region. In addition, the resurgence in the number of COVID-19 cases, together with the appearance of new, more contagious strains of the coronavirus, have forced many countries to reintroduce or tighten containment measures in the current quarter, thus affecting the sales.

The Group recorded a loss before tax of RM20.7 million in the current quarter. The losses were mainly attributable to the lower sales contribution achieved from the reduced sales of RM117.4 million as compared to the preceding quarter. Besides that, the Group also made additional provisions for redundancies of RM2.8 million in the current quarter.

B7. Prospects

The global economic outlook remains uncertain as the recurrence of pandemic is faced by many countries worldwide and more measures for lockdowns or movement restrictions are being imposed. As such, the Group's operations continued to be affected by the pandemic as certain countries still restrict movements and non-essential business, schools and shops are closed. The prolonged closures may affect the business of the Group and we expect that the economic conditions to be slow for the near future. Nevertheless, the Group experienced positive sales developments for "back to school" season for countries which have eased the movement or store opening restrictions such as Germany. The Group has implemented measures to reduce operating costs and budgeted investments while taking on any support from government fiscal policies and assistance where available. Online sales efforts are also stepped up in countries where physical stores are not open or when customer visits to stores becomes lesser.

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

B8. Dividend

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

B9. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

B10. (Loss)/Earnings Per Ordinary Share

Basic (loss)/earnings per ordinary share:	3 months ended		Financial year ended	
	31/12/20	31/12/19	31/12/20	31/12/19
(Loss)/Profit attributable to owners of the parent (RM'000)	<u>(15,858)</u>	<u>(17,500)</u>	<u>10,964</u>	<u>7,612</u>
Weighted average number of ordinary shares in issue ('000)	<u>603,205</u>	<u>603,205</u>	<u>603,205</u>	<u>566,647</u>
Basic (loss)/earnings per ordinary share (sen)	<u>(2.63)</u>	<u>(2.90)</u>	<u>1.82</u>	<u>1.34</u>

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial year ended	
	31/12/20 RM'000	31/12/19 RM'000	31/12/20 RM'000	31/12/19 RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Interest income	(212)	(109)	(542)	(322)
Interest expense	4,234	5,052	18,204	20,334
Depreciation, amortisation and impairment	10,195	10,543	33,429	33,296
Impairment/(Reversal of impairment) losses on receivables	2,806	303	3,283	1,402
Inventories written down	2,669	1,537	2,703	1,588
Loss/(Gain) on disposal of property, plant and equipment	192	(3,648)	(519)	(3,751)
Foreign exchange loss/(gain)	1,684	346	3,899	(3,508)