

Registration No.: 198001009827 (63611 - U)

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

30 JUNE 2021

PELIKAN INTERNATIONAL CORPORATION BERHAD (Registration No.: 198001009827 (63611-U))
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 30 June 2021
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Revenue		287,326	255,412	489,736	462,690
Other operating income		6,209	4,262	11,236	13,532
Expenses excluding finance costs and tax		(268,284)	(234,121)	(481,028)	(452,695)
Finance costs		(4,403)	(4,963)	(8,486)	(9,223)
Profit before tax		20,848	20,590	11,458	14,304
Tax expense	B1	(2,821)	(418)	(4,310)	(2,987)
Profit for the financial period		18,027	20,172	7,148	11,317
Other comprehensive income/(loss): Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		4,110	746	(637)	(12,647)
Total comprehensive income/(loss) for the financial period		22,137	20,918	6,511	(1,330)
Total profit/(loss) attributable to:					
Owners of the parent		17,948	20,096	5,223	11,762
Non-controlling interests		79	76	1,925	(445)
		18,027	20,172	7,148	11,317
Total comprehensive income/(loss) attributable to:					
Owners of the parent		24,500	20,999	7,746	(983)
Non-controlling interests		(2,363)	(81)	(1,235)	(347)
		22,137	20,918	6,511	(1,330)
		sen	sen	sen	sen
Basic earnings per ordinary share attributable to equity holders of the parent	B10	2.98	3.33	0.87	1.95

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 30 June 2021
The figures have not been audited.

	Note	30/06/2021 RM'000	31/12/2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		200,760	208,639
Trademarks		17,986	18,020
Development costs		654	787
Goodwill		137,117	137,986
Computer software license		3,850	3,265
Investments in associates		59	60
Other financial assets		2,449	2,534
Pension Trust Fund		137,388	137,388
Deferred tax assets		115,159	115,100
		<u>615,422</u>	<u>623,779</u>
Current assets			
Inventories		259,041	237,705
Receivables, deposits and prepayments		283,498	231,401
Tax recoverable		10,865	10,070
Pension Trust Fund		13,476	13,476
Deposits, cash and bank balances		30,827	47,897
		<u>597,707</u>	<u>540,549</u>
Non-current assets classified as held for sale		<u>180,703</u>	<u>180,997</u>
TOTAL ASSETS		<u>1,393,832</u>	<u>1,345,325</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		640,273	640,273
Foreign currency translation reserves		(77,353)	(79,876)
Accumulated losses		(87,507)	(92,730)
Treasury shares, at cost		(5,150)	(5,150)
		<u>470,263</u>	<u>462,517</u>
Non-controlling interests		550	1,785
Total equity		<u>470,813</u>	<u>464,302</u>
Non-current liabilities			
Post-employment benefit obligations	B3	254,513	261,123
Borrowings	B2	121,166	134,564
Lease liabilities		15,707	16,937
Deferred tax liabilities		14,088	14,232
		<u>405,474</u>	<u>426,856</u>
Current liabilities			
Payables		207,762	150,268
Borrowings	B2	270,428	263,673
Lease liabilities		6,201	6,139
Current tax liabilities		33,154	34,087
		<u>517,545</u>	<u>454,167</u>
Total liabilities		<u>923,019</u>	<u>881,023</u>
TOTAL EQUITY AND LIABILITIES		<u>1,393,832</u>	<u>1,345,325</u>
Net assets per share attributable to owners of the parent (RM)		0.77	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 2020 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 period ended 30 June 2021
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 2021	640,273	(79,876)	(92,730)	(5,150)	462,517	1,785	464,302
Profit for the financial period	-	-	5,223	-	5,223	1,925	7,148
Other comprehensive income/(loss)	-	2,523	-	-	2,523	(3,160)	(637)
Total comprehensive income/(loss)	-	2,523	5,223	-	7,746	(1,235)	6,511
At 30 June 2021	<u>640,273</u>	<u>(77,353)</u>	<u>(87,507)</u>	<u>(5,150)</u>	<u>470,263</u>	<u>550</u>	<u>470,813</u>
At 1 January 2020	640,273	(90,131)	(101,714)	(5,150)	443,278	1,243	444,521
Profit/(Loss) for the financial period	-	-	11,762	-	11,762	(445)	11,317
Other comprehensive (loss)/income	-	(12,745)	-	-	(12,745)	98	(12,647)
Total comprehensive (loss)/income	-	(12,745)	11,762	-	(983)	(347)	(1,330)
At 30 June 2020	<u>640,273</u>	<u>(102,876)</u>	<u>(89,952)</u>	<u>(5,150)</u>	<u>442,295</u>	<u>896</u>	<u>443,191</u>

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 2020 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 period ended 30 June 2021
The figures have not been audited.

	Financial period ended	
	30/06/2021	30/06/2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash receipts from customers	447,961	435,763
Cash paid to suppliers and employees	<u>(437,082)</u>	<u>(474,953)</u>
	10,879	(39,190)
Interest received	275	176
Interest paid	(6,314)	(8,590)
Taxation paid	<u>(4,652)</u>	<u>(3,858)</u>
Net cash from/(used in) operating activities	<u>188</u>	<u>(51,462)</u>
Cash Flows From Investing Activities		
Interest paid	(1,602)	(441)
Purchase of property, plant and equipment	(2,855)	(2,844)
Proceeds from disposal of property, plant and equipment	226	1,043
Purchase of intangible assets	(163)	(494)
Purchase of other financial assets	<u>-</u>	<u>(2)</u>
Net cash used in investing activities	<u>(4,394)</u>	<u>(2,738)</u>
Cash Flows From Financing Activities		
Drawdowns of bank borrowings	115,370	216,443
Repayments of bank borrowings	(126,212)	(134,991)
Repayments of lease liabilities	<u>(4,736)</u>	<u>(4,017)</u>
Net cash (used in)/from financing activities	<u>(15,578)</u>	<u>77,435</u>
Net (decrease)/increase in cash and cash equivalents during the financial period	(19,784)	23,235
Effects of exchange rate changes on cash and cash equivalents	69	(1,420)
Cash and cash equivalents at beginning of the financial period	<u>36,715</u>	<u>22,373</u>
Cash and cash equivalents at end of the financial period	<u><u>17,000</u></u>	<u><u>44,188</u></u>
Cash and cash equivalents comprise:		
Deposits, cash and bank balances	30,827	55,831
Bank overdrafts	<u>(13,288)</u>	<u>(11,109)</u>
	17,539	44,722
Less: Deposits pledged to licensed banks	<u>(539)</u>	<u>(534)</u>
	<u><u>17,000</u></u>	<u><u>44,188</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 2020 and the accompanying explanatory notes attached to the interim financial statements.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2021

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2021 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 2020.

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 2020.

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 2020 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 30 June 2021.

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 30 June 2021.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2021

A8. Dividends

No dividends have been paid during the current quarter ended 30 June 2021.

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
6 months ended						
30 June 2021						
External revenue	309,183	102,027	58,823	19,703	-	489,736
Intersegment revenue	149,043	16,274	7,996	46,569	(219,882)	-
	<u>458,226</u>	<u>118,301</u>	<u>66,819</u>	<u>66,272</u>	<u>(219,882)</u>	<u>489,736</u>
Segment result	<u>16,030</u>	<u>1,484</u>	<u>5,075</u>	<u>55</u>	<u>(2,700)</u>	<u>19,944</u>
3 months ended						
30 June 2021						
External revenue	184,485	60,560	32,367	9,914	-	287,326
Intersegment revenue	87,896	8,285	4,084	25,609	(125,874)	-
	<u>272,381</u>	<u>68,845</u>	<u>36,451</u>	<u>35,523</u>	<u>(125,874)</u>	<u>287,326</u>
Segment result	<u>18,570</u>	<u>2,920</u>	<u>3,241</u>	<u>1,276</u>	<u>(756)</u>	<u>25,251</u>

Germany

The German segment's revenue represents 63.2% of the Group's revenue. In the current quarter, departmental stores and other stationaries stores benefited from lifted restrictions, with sales soaring 16.5%. In addition, the increase was also due to the improved sales from logistic services and favourable Euro exchange rate against Ringgit Malaysia.

In the current quarter, certain cost such as the staff costs normalised to pre pandemic as there were no major salary assistance benefits and other government assistance as compared to previous year's corresponding quarter.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2021

A9. Segment Information (cont'd)

Rest of Europe

The contribution in revenue from all other European countries, except Germany, represents 20.8% of the Group's total revenue. The improving health situation and ensuing continued easing of virus containment measures had resulted in the positive development to the economic activities in this region. Higher sales were achieved as compared to the previous year's corresponding quarter. In addition, the increase was also due to the favourable Euro exchange rate against Ringgit Malaysia.

In the previous year's corresponding quarter, certain countries in the region had received government assistance due to the pandemic. With the improving health situation, the said government assistance was minimal in the current quarter. Nevertheless, the region achieved a segment result of RM2.9 million in the current quarter from better margin contribution from the higher sales.

Americas

Americas, which comprise 12.0% of the Group's revenue are represented by Mexico, Colombia and Argentina. In the previous year's corresponding quarter, the COVID-19 outbreak which resulted in lockdown and containment measures affected the sales in the region during that period. As of to date, new infection waves continued to negatively affect the economic activities in this region. Although higher sales were achieved as compared to the previous year's corresponding quarter with the government's intention for school to reopen soon, overall, the market sentiment is still weak in this region.

The segment profit was higher than the previous year's corresponding quarter due to better sales being achieved.

Rest of the World

Rest of the World which comprise 4.0% of the Group's revenue consist mainly countries such as Japan, Taiwan/China, South East Asia and Middle East. As of to date, new infection waves continued to negatively affect the economic activities in this region. The market sentiment is still weak in this region.

The region achieved a segment result of RM1.3 million in the current quarter.

A. Notes to the Interim Financial Report
For the second quarter and financial period ended 30 June 2021

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 30 June 2021.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2021.

A12. Events Subsequent to the End of the Reporting Period

Other than as disclosed in Note A14, there was no event subsequent to the financial period ended 30 June 2021.

A13. Contingent Liabilities

There was no material contingent liabilities as at 30 June 2021.

A14. Status of Corporate Proposal

On 8 July 2021, the Company had announced a proposed disposal of German logistics centre for a disposal consideration of EUR81.0 million (equivalent to RM399.33 million) ("Proposed Disposal"). Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Board expects the Proposed Disposal to be completed by last quarter of 2021.

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

B1. Tax Expense

	3 months ended		Financial period ended	
	30/06/21	30/06/20	30/06/21	30/06/20
	RM'000	RM'000	RM'000	RM'000
Tax expense charged in respect of current financial period				
- income tax	(1,869)	(610)	(3,537)	(3,505)
- deferred tax	(952)	192	(773)	518
	<u>(2,821)</u>	<u>(418)</u>	<u>(4,310)</u>	<u>(2,987)</u>

On a cumulative basis, for the financial period ended 30 June 2021, the Group's effective tax rate were higher than the statutory income tax rate in Malaysia mainly due to non-availability of group relief where subsidiaries with taxable profits cannot utilise the unused tax losses of other subsidiaries.

B2. Borrowings

Details of the Group's borrowings as at 30 June 2021 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
Czech Koruna	6,216	-	-	-	6,216
Euro	188,695	3,702	91,232	-	283,629
Hungarian Forint	1,672	-	-	-	1,672
Japanese Yen	-	1,912	-	2,922	4,834
Mexican Peso	-	11,006	-	-	11,006
Polish Zloty	9,030	-	1,863	-	10,893
Ringgit Malaysia	12,245	-	25,149	-	37,394
US Dollar	25,098	10,852	-	-	35,950
Total	<u>242,956</u>	<u>27,472</u>	<u>118,244</u>	<u>2,922</u>	<u>391,594</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 30 June 2021 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>513</u>

B5. Review of Performance

The Group achieved revenue of RM287.3 million in the current quarter as opposed to RM255.4 million in the previous year's corresponding quarter. In the previous year's corresponding quarter, the COVID-19 outbreak which resulted in lockdown and containment measures affected the sales in countries where we operate, especially in the Americas, certain European and Asia countries. As of to date, new infections waves continued to affect the economic activities in these regions. In the current quarter, higher sales were achieved in the Americas and certain European countries as compared to previous year's corresponding quarter. However, overall, the market sentiment is still weak in these regions. For the German market, departmental stores and other stationaries stores benefited from lifted restrictions, with sales soaring 16.5% on the current quarter.

The Group recorded a profit before tax of RM20.8 million as opposed to RM20.6 million in the previous year. Higher sales contribution was achieved from increased sales. In the current quarter, certain cost such as the staff costs normalised to pre pandemic as there were no major salary assistance benefits and other government assistance in certain countries as compared to previous year's corresponding quarter.

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

B6. Variation of Results Against Preceding Quarter

	Current Quarter 30/06/21 RM'000	Immediate Preceding Quarter 31/03/21 RM'000	Changes %
Revenue	287,326	202,410	+42.0
Profit/(Loss) before interest and tax	25,251	(5,307)	+>100.0
Profit/(Loss) before tax	20,848	(9,390)	+>100.0
Profit/(Loss) for the financial period	<u>18,027</u>	<u>(10,879)</u>	+>100.0

The Group's revenue increased to RM287.3 million in the current quarter as compared to RM202.4 million in the preceding quarter. The second quarter is normally a stronger quarter for the Group's school products due to the "back to school" season in Europe. As a result of the higher sales, the Group recorded profit before tax of RM20.8 million in the current quarter as compared to loss before tax of RM9.4 million in the preceding quarter.

B7. Prospects

The economic outlook continues to be challenging especially in countries which continue to face resurgence in cases of COVID-19 infections. The accelerated steps undertaken by many countries on the vaccination should help alleviate the situation and fasten the process back to normalcy. The Group expects that the overall economic improvement and the reduction in COVID-19 infections in countries where we operate to bring about more positive results going forward. Nevertheless, the Group continues to remain cautious and continue its efforts to improve productivity, initiate cost measures and focus on improving distribution efforts on less affected channels such as online and through cash and carry food retail channels.

B8. Dividend

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

B9. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

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

B10. Earnings Per Ordinary Share

Basic earnings per ordinary share:	3 months ended		Financial period ended	
	30/06/21	30/06/20	30/06/21	30/06/20
Profit attributable to owners of the parent (RM'000)	17,948	20,096	5,223	11,762
Weighted average number of ordinary shares in issue ('000)	603,205	603,205	603,205	603,205
Basic earnings per ordinary share (sen)	2.98	3.33	0.87	1.95

B11. Additional Notes to the Statement of Comprehensive Income

	3 months ended		Financial period ended	
	30/06/21 RM'000	30/06/20 RM'000	30/06/21 RM'000	30/06/20 RM'000
Profit before tax is arrived at after charging/(crediting):				
Interest income	(160)	(122)	(275)	(176)
Interest expense	4,403	4,963	8,486	9,223
Depreciation and amortisation	7,836	8,164	14,821	15,394
Impairment losses on receivables	260	139	359	233
Inventories written down	15	15	25	24
Gain on disposal of property, plant and equipment	(109)	(11)	(148)	(579)
Foreign exchange loss/(gain)	1,341	1,131	2,384	(3,849)