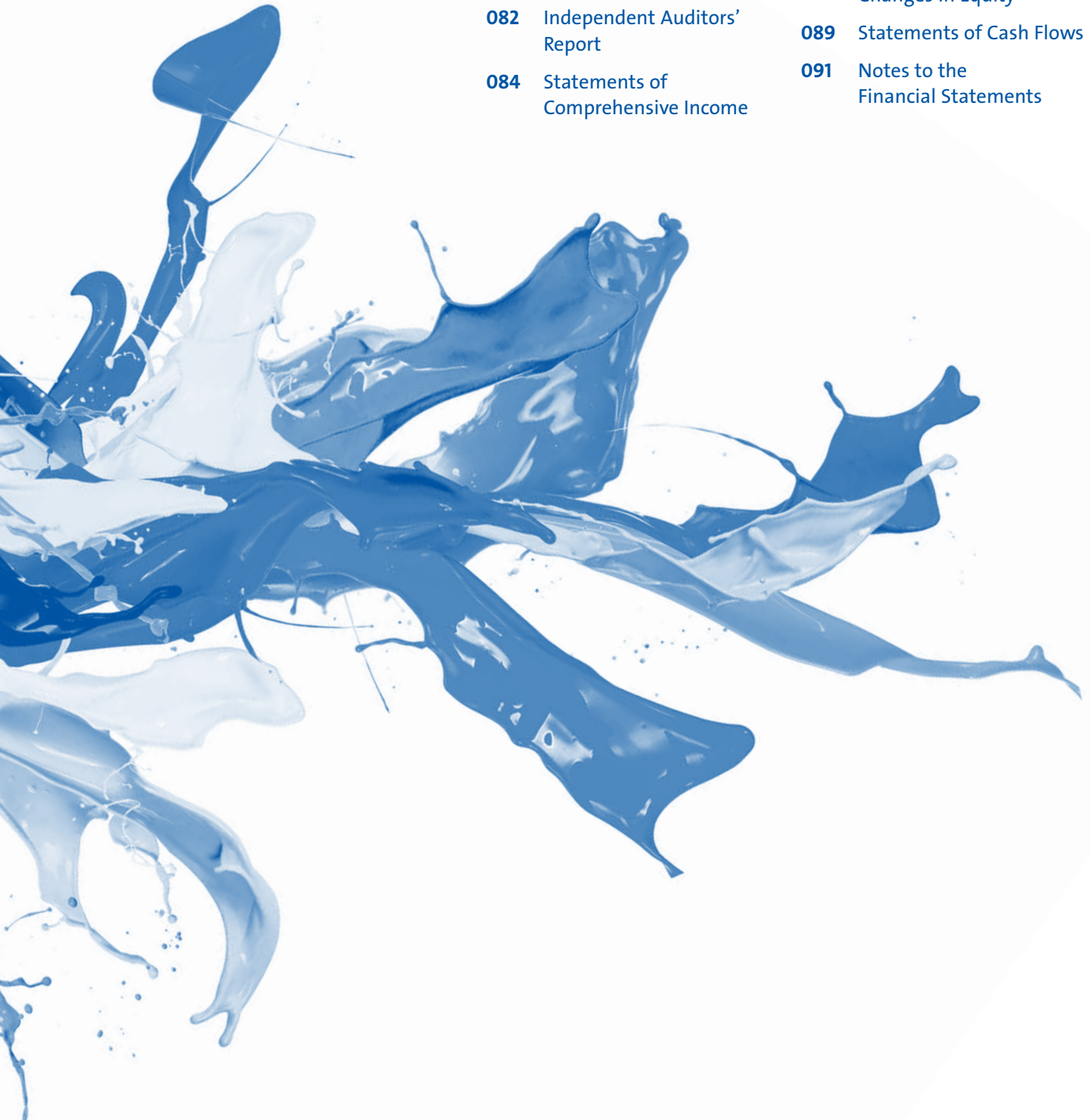


FINANCIAL STATEMENTS

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Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries include manufacturing and distribution of writing instruments, art, painting and hobby products, school and office stationery, printer consumables, papeterie products, provision of computer software and hardware products, provision of logistics services and investment holding. The Group distributes its products through wholesalers, dealers, retailers, modern trade channels including hypermarkets, schools and specialised stores for luxury items. There have been no significant changes in the nature of the Group's activities during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
(Loss)/Profit for the financial year	(13,660)	1,522
Attributable to:		
Owners of the parent	(5,602)	1,522
Non-controlling interests	(8,058)	–
	(13,660)	1,522

DIVIDENDS

The Directors do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are:

Loo Hooi Keat
 Yap Kim Swee
 Datuk Rozaida binti Omar
 Normimy binti Mohamed Noor
 Tan Sri Abi Musa Asa'ari bin Mohamed Nor
 Dato' Afifuddin bin Abdul Kadir
 Dato' Mohamad Norza bin Zakaria
 Dato' Lua Choon Hann

Directors' Report

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS

Issue of shares and debentures

There were no new issues of shares or debentures during the financial year.

Treasury shares

During the financial year, the Company repurchased 2,462,200 of its issued ordinary shares from the open market at an average price of RM0.54 per share. The total consideration paid for the shares repurchase including transaction costs was RM1,337,831. The transactions were financed through internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

In addition, the Company re-issued 90,000 treasury shares by resale in the open market. The average resale price of the treasury shares was RM0.45 per share. The proceeds from the resale were utilised for working capital purposes.

Of the total 512,796,061 issued and fully paid ordinary shares, 4,928,011 ordinary shares are held as treasury shares by the Company. Such treasury shares are held at carrying amount of RM5,149,918. The number of outstanding ordinary shares in issue after deducting the treasury shares is 507,868,050. Further details are disclosed in Note 25(b) to the financial statements.

Executives' Share Option Scheme

The Company's Executives' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 17 December 2009. The ESOS was effected on 1 March 2010 and is to be in force for a period of five (5) years from the effective date of implementation. It may be extended or renewed for a further period of five (5) years, at the sole and absolute discretion of the Board of Directors upon the recommendation of the Option Committee and pursuant to the by-law, and shall not in aggregate exceed a duration of ten (10) years from the effective date of implementation.

The salient features of the ESOS are as follows:

- (i) The Board of Directors has appointed the Option Committee to administer the ESOS.
- (ii) The Company may from time to time grant option to eligible employees of the Group to subscribe for new ordinary shares of RM1.00 each.
- (iii) Subject to the determination and discretion of the Option Committee, ESOS may be granted to any Director named in the Register of Directors of the Company or any employee who is a confirmed full-time employee of the Company and/or its eligible subsidiaries and if that person is servicing under a fixed term of contract of employment, the contract (including any period of employment which that person has already served) should be for a duration of at least one (1) year of continuous service.
- (iv) The total number of shares to be issued under the ESOS shall not exceed five percent (5%) of the issued and paid-up share capital of the Company at any point of time throughout the duration of the ESOS and of which not more than fifty percent (50%) of the Company's new shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than ten percent (10%) of the Company's new shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through person connected with the eligible employee, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.

Directors' Report

SHARE CAPITAL, DEBENTURES AND SHARE OPTIONS (continued)

Executives' Share Option Scheme (continued)

- (v) The option price for each share shall be the higher of the weighted average market price of the Company's shares, as quoted on Bursa Malaysia Securities Berhad, for the five (5) market days immediately preceding the date of offer of the option with a discount of not more than ten percent (10%), or the par value of the shares of the Company of RM1.00 each.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company except that the so allotted and issued shares will not be entitled to any dividends, rights, allotments or other distribution, where the entitlement date precedes the date of allotment of the new shares and will be subject to the provisions of the Articles of Association of the Company relating to transfer, transmission or otherwise of the Company's shares.

No options were granted during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being any arrangements with the objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate emoluments received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in the shares of the Company and of its related corporations are as follows:

SHARES IN THE COMPANY	NUMBER OF ORDINARY SHARES OF RM1 EACH			BALANCE AS AT 31.12.2013
	BALANCE AS AT 1.1.2013	ADDITIONS	DISPOSALS	
Loo Hooi Keat				
– Direct	44,018,421	6,188,702	(712,400)	49,494,723
– Indirect	40,647,587	–	(23,101,602)	17,545,985

By virtue of Loo Hooi Keat's direct and indirect interests in the shares of the Company, he is deemed to be interested in the shares of all the Company's related corporations to the extent of his interest.

Other than Loo Hooi Keat, none of the other Directors in office at the end of the financial year held any interest in the shares of the Company and of its related corporations during or at the beginning and end of the financial year.

Directors' Report

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets other than debts, which were unlikely to realise, in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) which would render the amount of bad debts written off or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year other than the contingent liabilities as disclosed in Note 34 to the financial statements.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors:

- (i) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group or of the Company for the financial year in which this report is made.

Directors' Report

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 27 December 2013, a 96.45% subsidiary, Pelikan Holding AG entered into an agreement to purchase the German and Austria stationery business from Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren, a 70.92% subsidiary, with effect from 1 March 2014. The aforesaid transaction was completed on 28 February 2014 with a final purchase price of EUR15.6 million for the net assets taken over, including the brand names and customer base.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 April 2014.

TAN SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
Director

LOO HOOI KEAT
Director

Selangor Darul Ehsan
23 April 2014

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, TAN SRI ABI MUSA ASA'ARI BIN MOHAMED NOR and LOO HOOI KEAT, being two of the Directors of PELIKAN INTERNATIONAL CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 84 to 162 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 23 April 2014.

TAN SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
Director

LOO HOOI KEAT
Director

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, LOO HOOI KEAT, being the Director primarily responsible for the financial management of PELIKAN INTERNATIONAL CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 84 to 162 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOO HOOI KEAT

Subscribed and solemnly declared by the abovenamed LOO HOOI KEAT on 23 April 2014 at

Before me

Commissioner for Oaths

Independent Auditors' Report

to the members of Pelikan International Corporation Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pelikan International Corporation Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 84 to 161.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report

to the members of Pelikan International Corporation Berhad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF: 0206
Chartered Accountants

O O I THIAM POH
2495/01/16 (J)
Chartered Accountant

Kuala Lumpur
23 April 2014

Statements of Comprehensive Income

for the financial year ended 31 December 2013

	NOTE	GROUP		COMPANY	
		2013 RM'000	2012 RM'000 (RESTATED)	2013 RM'000	2012 RM'000
Revenue	6	1,442,136	1,601,203	55,202	64,570
Other operating income		27,553	47,574	26,135	31,248
Materials used		(679,421)	(818,690)	(51,901)	(61,473)
Staff costs	7	(414,049)	(474,505)	(4,971)	(4,643)
Depreciation of property, plant and equipment		(39,264)	(42,237)	(523)	(487)
Amortisation of intangible assets		(5,379)	(10,536)	–	–
Other operating expenses		(306,685)	(325,741)	(7,789)	(11,101)
Profit/(Loss) from operations	10	24,891	(22,932)	16,153	18,114
Finance costs	11	(22,272)	(25,811)	(14,631)	(14,402)
Profit/(Loss) before taxation		2,619	(48,743)	1,522	3,712
Taxation	12	(16,279)	(16,373)	–	–
(Loss)/Profit for the financial year		(13,660)	(65,116)	1,522	3,712
Other comprehensive income/(loss):					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		10,589	(12,434)	–	–
Item that will not be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on defined benefit plans	27	5,811	(42,785)	–	–
Others		(106)	40	–	–
Income tax	12	21	1,657	–	–
		16,315	(53,522)	–	–
Total comprehensive income/(loss)		2,655	(118,638)	1,522	3,712
(Loss)/Profit attributable to:					
Owners of the parent		(5,602)	(58,044)	1,522	3,712
Non-controlling interests		(8,058)	(7,072)	–	–
		(13,660)	(65,116)	1,522	3,712
Total comprehensive income/(loss) attributable to:					
Owners of the parent		8,934	(109,701)	1,522	3,712
Non-controlling interests		(6,279)	(8,937)	–	–
		2,655	(118,638)	1,522	3,712
Basic and diluted loss per ordinary share attributable to equity holders of the Company (sen)	13	(1.10)	(11.46)	–	–

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position

as at 31 December 2013

	NOTE	GROUP			COMPANY		
		31.12.2013 RM'000	31.12.2012 RM'000 RESTATED	1.1.2012 RM'000 RESTATED	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	15	481,655	480,912	559,637	1,331	1,636	1,036
Intangible assets	16	128,080	128,803	137,753	–	–	–
Investments in subsidiaries	17	–	–	–	445,535	499,692	489,445
Investments in associates	18	–	–	–	–	–	–
Available-for-sale financial assets	19	3,227	3,040	2,985	–	–	–
Pension Trust Fund	20	138,184	145,165	152,048	138,184	145,165	152,048
Deferred tax assets	21	34,346	28,113	34,808	–	–	–
		785,492	786,033	887,231	585,050	646,493	642,529
Current assets							
Inventories	22	285,473	291,783	370,272	245	32	33
Receivables, deposits and prepayments	23	309,458	332,635	406,430	298,540	256,978	242,426
Tax recoverable		3,450	4,580	1,824	338	338	338
Pension Trust Fund	20	12,680	17,345	19,448	12,680	17,345	19,448
Deposits, cash and bank balances	24	114,434	160,253	100,808	20,641	19,306	27,493
		725,495	806,596	898,782	332,444	293,999	289,738
TOTAL ASSETS		1,510,987	1,592,629	1,786,013	917,494	940,492	932,267
EQUITY AND LIABILITIES							
Equity attributable to owners of the parent							
Share capital	25	512,796	512,796	512,796	512,796	512,796	512,796
Share premium		57,519	57,521	74,964	57,519	57,521	74,964
Foreign currency translation reserves		(75,757)	(84,688)	(73,064)	–	–	–
Retained profits	26	55,836	55,833	158,918	25,303	23,781	25,077
Treasury shares, at cost	25(b)	(5,150)	(3,855)	(16,751)	(5,150)	(3,855)	(16,751)
		545,244	537,607	656,863	590,468	590,243	596,086
Non-controlling interests		6,921	13,773	22,975	–	–	–
Total equity		552,165	551,380	679,838	590,468	590,243	596,086

Statements of Financial Position

as at 31 December 2013

	NOTE	GROUP			COMPANY		
		31.12.2013 RM'000	31.12.2012 RM'000 RESTATED	1.1.2012 RM'000 RESTATED	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Non-current liabilities							
Post employment benefits obligations	27	254,805	256,274	230,622	–	–	–
Borrowings	30	101,901	117,205	107,827	92,658	111,481	92,525
Deferred tax liabilities	21	30,189	28,137	38,006	–	–	–
		386,895	401,616	376,455	92,658	111,481	92,525
Current liabilities							
Payables	31	236,060	297,871	339,047	23,134	35,576	25,692
Post employment benefits obligations	27	28,862	24,219	19,972	–	–	–
Derivative liabilities	29	3,829	4,773	3,280	–	–	–
Provision	28	100	90	189	–	–	–
Borrowings	30	289,869	300,771	350,920	211,234	203,192	217,964
Current tax liabilities		13,207	11,909	16,312	–	–	–
		571,927	639,633	729,720	234,368	238,768	243,656
Total liabilities		958,822	1,041,249	1,106,175	327,026	350,249	336,181
TOTAL EQUITY AND LIABILITIES		1,510,987	1,592,629	1,786,013	917,494	940,492	932,267

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2013

GROUP	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	NON-DISTRIBUTABLE		DISTRIBUTABLE			TOTAL EQUITY RM'000
				SHARE PREMIUM RM'000	FOREIGN CURRENCY TRANSLATION RESERVES RM'000	RETAINED PROFITS RM'000	ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON- CONTROLLING INTERESTS RM'000	
At 1 January 2012		512,796	(16,751)	74,964	(73,064)	204,188	702,133	22,378	724,511
Effect on adoption of MFRS 119	3.1	-	-	-	-	(45,270)	(45,270)	597	(44,673)
Restated balance as at 1 January 2012		512,796	(16,751)	74,964	(73,064)	158,918	656,863	22,975	679,838
Loss for the financial year		-	-	-	-	(58,044)	(58,044)	(7,072)	(65,116)
Other comprehensive loss		-	-	-	(11,624)	(40,033)	(51,657)	(1,865)	(53,522)
Total comprehensive loss		-	-	-	(11,624)	(98,077)	(109,701)	(8,937)	(118,638)
Treasury shares, at cost	25(b)	-	(4,547)	-	-	-	(4,547)	-	(4,547)
Dividends	25(b) & 14	-	17,443	(17,443)	-	(5,008)	(5,008)	(265)	(5,273)
Total transactions with owners		-	12,896	(17,443)	-	(5,008)	(9,555)	(265)	(9,820)
At 31 December 2012		512,796	(3,855)	57,521	(84,688)	55,833	537,607	13,773	551,380
At 1 January 2013		512,796	(3,855)	57,521	(82,456)	140,100	624,106	14,333	638,439
Effect on adoption of MFRS 119	3.1	-	-	-	(2,232)	(84,267)	(86,499)	(560)	(87,059)
Restated balance as at 1 January 2013		512,796	(3,855)	57,521	(84,688)	55,833	537,607	13,773	551,380
Loss for the financial year		-	-	-	-	(5,602)	(5,602)	(8,058)	(13,660)
Other comprehensive income		-	-	-	8,931	5,605	14,536	1,779	16,315
Total comprehensive income/(loss)		-	-	-	8,931	3	8,934	(6,279)	2,655
Treasury shares, at cost	25(b)	-	(1,337)	-	-	-	(1,337)	-	(1,337)
Sale of own shares	25(b)	-	42	(2)	-	-	40	-	40
Dividends		-	-	-	-	-	-	(573)	(573)
Total transactions with owners		-	(1,295)	(2)	-	-	(1,297)	(573)	(1,870)
At 31 December 2013		512,796	(5,150)	57,519	(75,757)	55,836	545,244	6,921	552,165

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2013

COMPANY	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	NON- DISTRIBUTABLE		TOTAL EQUITY RM'000
				SHARE PREMIUM RM'000	RETAINED PROFITS RM'000	
At 1 January 2012		512,796	(16,751)	74,964	25,077	596,086
Profit for the financial year/ Total comprehensive income		–	–	–	3,712	3,712
Treasury shares, at cost	25(b)	–	(4,547)	–	–	(4,547)
Dividends	25(b) & 14	–	17,443	(17,443)	(5,008)	(5,008)
Total transactions with owners		–	12,896	(17,443)	(5,008)	(9,555)
At 31 December 2012		512,796	(3,855)	57,521	23,781	590,243
At 1 January 2013		512,796	(3,855)	57,521	23,781	590,243
Profit for the financial year/ Total comprehensive income		–	–	–	1,522	1,522
Treasury shares, at cost	25(b)	–	(1,337)	–	–	(1,337)
Sale of own shares	25(b)	–	42	(2)	–	40
Total transactions with owners		–	(1,295)	(2)	–	(1,297)
At 31 December 2013		512,796	(5,150)	57,519	25,303	590,468

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2013

		GROUP	
	NOTE	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,526,337	1,721,075
Cash paid to suppliers and employees		(1,485,593)	(1,626,192)
		40,744	94,883
Interest received		524	1,118
Interest paid		(13,382)	(15,547)
Taxation paid		(17,994)	(25,520)
Net cash from operating activities		9,892	54,934
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest paid		(8,660)	(8,980)
Purchase of property, plant and equipment	15(b)	(22,567)	(20,664)
Proceeds from disposal of property, plant and equipment		19,675	16,979
Purchase of intangible assets	16	(1,009)	(421)
Proceeds from disposal of intangible assets		1,529	4
Development expenses paid	16	(3,180)	(2,481)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off		–	75,334
Proceeds from voluntary liquidation of a subsidiary		–	487
Purchase of available-for-sale financial assets		(14)	–
Proceeds from disposal of available-for-sale financial assets		–	10
Net cash (used in)/from investing activities		(14,226)	60,268
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	14	–	(5,008)
Deposits uplifted/(pledged), net		18,708	(12,588)
Repurchase of shares	25(b)	(1,337)	(4,547)
Proceeds from sale of own shares		40	–
Drawdown of bank borrowings		223,012	388,824
Repayment of bank borrowings		(264,452)	(427,814)
Repayment of hire purchase and lease payables		(630)	(534)
Net cash used in financing activities		(24,659)	(61,667)
Net (decrease)/increase in cash and cash equivalents during the financial year		(28,993)	53,535
Foreign currency translation		(1,575)	(5,767)
Cash and cash equivalents at beginning of the financial year		133,667	85,899
Cash and cash equivalents at end of the financial year	24	103,099	133,667

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2013

		COMPANY	
	NOTE	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		51,921	68,614
Cash paid to suppliers and employees		(62,193)	(73,864)
		(10,272)	(5,250)
Interest received		307	408
Interest paid		(6,926)	(5,814)
Net cash used in operating activities		(16,891)	(10,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest paid		(7,705)	(7,618)
Dividends received		9,299	7,004
Purchase of property, plant and equipment	15(b)	(21)	(827)
Proceeds from disposal of property, plant and equipment		4	–
Proceeds from voluntary liquidation of a subsidiary		–	487
Repayment from subsidiaries		34,885	10,712
Net cash from investing activities		36,462	9,758
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	14	–	(5,008)
Deposits uplifted/(pledged), net		8,425	(2,305)
Repurchase of shares	25(b)	(1,337)	(4,547)
Proceeds from sale of own shares		40	–
Drawdown of bank borrowings		106,043	245,147
Repayment of bank borrowings		(122,874)	(242,831)
Repayment of hire purchase and lease payables		(108)	(50)
Net cash used in financing activities		(9,811)	(9,594)
Net increase/(decrease) in cash and cash equivalents during the financial year		9,760	(10,492)
Cash and cash equivalents at beginning of the financial year		7,910	18,402
Cash and cash equivalents at end of the financial year	24	17,670	7,910

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2013

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company and its subsidiaries include manufacturing and distribution of writing instruments, art, painting and hobby products, school and office stationery, printer consumables, papeterie products, provision of computer software and hardware products, provision of logistics services and investment holding. The Group distributes its products through wholesalers, dealers, retailers, modern trade channels including hypermarkets, schools and specialised stores for luxury items. There have been no significant changes in the nature of the Group's activities during the financial year.

The address of the registered office and principal place of business of the Company is as follows:

No. 9, Jalan Pemaju U1/15, Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 23 April 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia.

However, Note 39 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

2.2 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 4 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Intercompany balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;
- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

- (c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a negative goodwill. The accounting policy for goodwill is set out in Note 2.5(a) to the financial statements. Discount on acquisition which represents negative goodwill is recognised immediately as income in the statement of comprehensive income.

Acquisition costs incurred are expensed and included in administrative expenses.

In business combinations achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the statement of comprehensive income.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at either fair value or its proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in shareholders' equity.

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration or distribution received.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in the statement of comprehensive income.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment charges. Dividends received from subsidiaries are recorded as a component of other operating income in the Company's separate statement of comprehensive income.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the subsequent costs will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated as it has an indefinite life. Construction/capital work-in-progress represents machinery under installation and renovation-in-progress and is stated at cost. Construction/capital work-in-progress is not depreciated until such time when the asset is ready for their intended use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset over their estimated useful life, as follows:

Buildings	50 years
Machinery, technical equipment and mould	1 – 30 years
Office equipment, furniture and fittings	1 – 15 years
Motor vehicles	1 – 10 years

At the end of each reporting period, the Group and Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Impairment assessment on property, plant and equipment is carried out based on the Group and the Company's policies as disclosed in Note 2.11 to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in the statement of comprehensive income.

2.5 Intangible assets

(a) Goodwill

Goodwill includes purchased goodwill and the excess of the fair value of purchase consideration of subsidiaries and associates over the Group's share of the net fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill represents the excess of the Group's share of the fair value of identifiable net assets acquired over the cost of acquisition. Negative goodwill is recognised in the statement of comprehensive income immediately.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over their estimated economic useful lives and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

(b) Other intangible assets (continued)

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in the statement of comprehensive income when the asset is derecognised.

Research and development

Research expenditure is recognised as an expense when incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. The amount initially recognised is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria as listed above. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 9 years. Impairment is assessed on a yearly basis and whenever there is an indication of impairment. The amortisation period and method are also reviewed at least once at the end of each reporting period.

During the financial year, the Group revised the annual amortisation period of certain development costs from 5 years to 9 years to better reflect the estimated remaining economic life of the development costs. This revision was accounted for prospectively as a change in accounting estimate, which resulted in a decrease in the consolidated amortisation expenses and correspondingly an increase in the Group's profit for the financial year by RM872,554.

Trademark

Trademark relates mainly to the "Geha" brand (in printer consumables, office and presentation equipment) and was acquired through business combinations. The management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash flows to the Group. Trademarks are measured at cost and reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

(b) Other intangible assets (continued)

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use specific software. These costs are amortised over their estimated useful lives (3 – 5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 3 years).

2.6 Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at cost less accumulated impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate. The Group's share of net profit or loss of the associate is recognised in the consolidated statement of comprehensive income. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes, when applicable, in the statement of changes in equity. Unrealised gains or losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss with respect to the Group's net investment in the associate. At the end of each reporting period, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then, recognises the loss in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Associates (continued)

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method of accounting. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of the results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

2.7 Assets acquired under finance lease and hire purchase agreements

Leases are classified as finance lease and hire purchase whenever the terms of the lease transfer substantially all the risk and rewards to the lessee. Assets held under finance lease are initially recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the minimum lease payments. The corresponding liability to the lease is included in the statement of financial position as a finance lease obligation. The capital element of the finance lease rental and hire purchase is applied to reduce the outstanding obligations and the interest element is charged to the statement of comprehensive income so as to give a constant periodic rate of interest on the outstanding liability at the end of each reporting period. Assets acquired under finance leases and hire purchases are depreciated over the useful lives of equivalent owned assets.

2.8 Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

2.9 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises cost of purchase. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Employee benefits

(a) Short term employee benefits

The Group recognises a liability and an expense for bonuses where it is contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(b) Defined contribution plan

The Group's contributions to defined contribution plans are charged to the statement of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(c) Defined benefit plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of each reporting period minus the fair value of plan assets, together with adjustments for actuarial gains and losses and past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of each reporting period.

The defined benefit obligation, 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.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a corresponding charge or credit to other comprehensive income in the period in which they occur. Re-measurements recorded in other comprehensive income are not recycled. However, the entity may transfer those amounts recognised in other comprehensive income within equity.

Past service costs are recognised in profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net-interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Employee benefits (continued)

(c) Defined benefit plan (continued)

Defined benefit costs are split into three categories:

- service cost, past-service cost, gains and losses on curtailments and settlements;
- net-interest expense or income; and
- re-measurement

The Group presents the first two components of defined benefit costs in the line item “employee benefits expense” in its consolidated income statement. Curtailments gains and losses are accounted for as past-service costs.

Re-measurement are recorded in other comprehensive income.

(d) Termination benefits

The Group recognises termination benefits, according to the relevant laws applicable in the respective countries, when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

2.11 Impairment of non-financial assets

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets (excluding investments in subsidiaries and associates), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible assets might be impaired.

The recoverable amount of an asset is estimated individually. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit (“CGU”) to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets (continued)

An impairment loss is recognised in the statement of comprehensive income in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount (net of amortisation or depreciation) that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.

2.12 Income tax

Income tax in the statement of comprehensive income for the year comprises current and deferred tax.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits including withholding taxes payable by foreign subsidiaries and associates on distributions of retained profits to companies in the Group.

Deferred tax is recognised in full using the liability method on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. See significant accounting estimates and judgements in Note 4.3(c) to the financial statements on deferred tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority.

Deferred tax will be recognised as income or expense and included in statement of comprehensive income for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits and other short term, highly liquid investments that are readily convertible to cash and which have an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group and Company's cash management. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Borrowing costs

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to the statement of comprehensive income. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

2.15 Revenue recognition

(a) Revenue

Revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts, and after eliminating sales within the Group in the consolidated statement of comprehensive income. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue in respect of the rendering of services is recognised when the stage of completion at the end of the reporting period and the cost incurred can be reliably measured.

(b) Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

(c) Royalties

Revenue arising from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements entered with customers.

2.16 Share Capital

(a) Classification

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method. Where the treasury stock is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. The consideration paid, including any attributable transaction costs, is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Share Capital (continued)

(b) Share issue cost

Cost directly attributable to the issuance of new shares are deducted from share premium.

(c) Dividends to shareholders of the Company

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

2.17 Provision

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

2.18 Warranty

The Group recognises the estimated liability to repair or replace products still under warranty at the end of each reporting period. This provision is calculated based on past history of the level of repairs and replacements.

2.19 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Foreign currencies (continued)

(b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into functional currency at exchange rates at the dates of transaction. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at exchange rates at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income in the period they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the end of each reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- foreign currencies differences are recognised in foreign currencies translation reserves. On disposal, accumulated translation differences are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in the statement of comprehensive income in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in the statement of comprehensive income upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Foreign currencies (continued)

(c) Foreign operations (continued)

The principal closing rates used in translation of foreign currency amounts are as follows:

	2013 RM	2012 RM
Foreign currency		
GBP (British Pound)	5.4268	5.0311
EUR (EU Euro)	4.5309	4.1130
CHF (Swiss Franc)	3.6960	3.4070
AUD (Australian Dollar)	2.9203	3.2280
USD (US Dollar)	3.2913	3.1117
SGD (Singapore Dollar)	2.5941	2.5432
BGN (Bulgarian Lev)	2.3167	2.1046
TRY (Turkish Lira)	1.5379	1.7397
PLN (Polish Zloty)	1.0919	1.0115
RON (Romanian New Lei)	1.0141	0.9274
AED (Arab Emirates Dirham)	0.8960	0.8472
ARS (Argentine Peso)	0.5051	0.6346
NOK (Norwegian Kroner)	0.5375	0.5574
CNY (Chinese Yuan Renminbi)	0.5383	0.4938
SEK (Swedish Krona)	0.5077	0.4786
HKD (Hong Kong Dollar)	0.4244	0.4015
MXN (Mexican Peso)	0.2517	0.2392
CZK (Czech Koruna)	0.1651	0.1641
TWD (New Taiwan Dollar)	0.1096	0.1072
THB (Thai Baht)	0.1000	0.1025
INR (Indian Rupee)	0.0532	0.0569
JPY (Japanese Yen)	0.0313	0.0362
HUF (Hungarian Forint)	0.0153	0.0142
COP (Colombian Peso in thousand)	1.7100	1.7630
IDR (Indonesian Rupiah in thousand)	0.2700	0.3237

2.20 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in the statement of comprehensive income. Net gains or losses on financial assets classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in the statement of comprehensive income as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in the statement of comprehensive income when the financial assets are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Financial instruments (continued)

(a) Financial assets (continued)

Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in the statement of comprehensive income when the financial assets are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in the statement of comprehensive income. However, interest calculated using the effective interest method is recognised in the statement of comprehensive income whilst dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in the statement of comprehensive income.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Financial instruments (continued)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in the statement of comprehensive income. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in the statement of comprehensive income as components of other income or other operating losses.

Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in the statement of comprehensive income when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Held-to-maturity investments and loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the debtors or investee, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on held-to-maturity investments and loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

The carrying amount of held-to-maturity investments is directly reduced by the impairment loss whilst the carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in the statement of comprehensive income.

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income.

Impairment losses on available-for-sale equity investments are not reversed in the statement of comprehensive income in subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to the statement of comprehensive income if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the statement of comprehensive income.

Notes to the Financial Statements

for the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Contingent liabilities and contingent assets

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic is remote. Possible obligation, whose existence will only be confirmed by occurrence or non occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of an outflow of economic benefit is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

2.23 Segment reporting

Operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 5 to the financial statements, including the factors used to identify the reportable segments and measurement basis of segment information.

2.24 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

Notes to the Financial Statements

for the financial year ended 31 December 2013

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

3.1 New and revised MFRSs affecting amounts reported and/or disclosures in the financial statements

In the current financial year, the Group has applied a number of new and revised MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2013. The adoption of these new and revised MFRSs did not have any impact on the financial statements of the Group and the Company, except for the following:

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income:

The amendments to MFRS 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

- (a) items that will not be reclassified subsequently to profit or loss; and
- (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the presentation changes, the application of the amendments to MFRS 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

MFRS 119 Employee Benefits (revised)

As a result of MFRS 119 Employee Benefits (revised) adoption, actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The expected returns on plan assets of defined plans and interest on net defined benefit obligation (net of the plan assets), which are calculated using the discount rate used to measure the net pension obligation or asset, are recognised in profit or loss.

In addition, the standard also introduced the inclusion of risk sharing elements in the determination of the defined benefit liability and clarifies that an entity should take mandatory employee contributions into account in the valuation of the present value of the defined benefit obligation. These contributions are regarded as a “negative benefit”. The net benefit (the total benefit excluding future employee contributions) should therefore be attributed over the service period under the projected unit credit method.

The Group has adopted MFRS 119 Employee Benefits (revised) and applied this standard retrospectively during the current financial year, with the permitted exceptions of not disclosing the sensitivity disclosures for the defined benefit obligation for comparative period (year ended 31 December 2012).

Notes to the Financial Statements

for the financial year ended 31 December 2013

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

3.1 New and revised MFRSs affecting amounts reported and/or disclosures in the financial statements (continued)

MFRS 119 Employee Benefits (revised) (continued)

The impact arising from the change is summarised as follows:

	GROUP		
	AS PREVIOUSLY REPORTED RM'000	EFFECT ON ADOPTION OF MFRS 119 RM'000	RESTATED RM'000
Consolidated Statement of Comprehensive Income			
For the financial year ended 31 December 2012:			
Staff costs	475,469	(964)	474,505
Taxation	16,377	(4)	16,373
Loss for financial year	66,084	(968)	65,116
Other comprehensive loss	10,168	43,354	53,522
Total comprehensive loss	76,252	42,386	118,638
Consolidated Statement of Financial Position			
As at 1 January 2012:			
Non-current assets			
Deferred tax assets	35,333	(525)	34,808
Equity attributable to owners of the parent			
Retained profits	204,188	(45,270)	158,918
Non-controlling interests	22,378	597	22,975
Non-current liabilities			
Post employment benefits obligations	185,095	45,527	230,622
Current liabilities			
Payables	339,603	(556)	339,047
Post employment benefits obligations	20,795	(823)	19,972
Consolidated Statement of Financial Position			
As at 31 December 2012:			
Non-current assets			
Deferred tax assets	26,916	1,197	28,113
Equity attributable to owners of the parent			
Foreign currency translation reserves	82,456	2,232	84,688
Retained profits	140,100	(84,267)	55,833
Non-controlling interests	14,333	(560)	13,773
Non-current liabilities			
Post employment benefits obligations	171,699	84,575	256,274
Current liabilities			
Payables	298,146	(275)	297,871
Post employment benefits obligations	20,263	3,956	24,219

Notes to the Financial Statements

for the financial year ended 31 December 2013

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

3.2 New and revised MFRSs in issue but not yet effective

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB that are relevant but have not been adopted by the Group and the Company.

MFRSs, AMENDMENTS TO MFRSs AND IC INTERPRETATIONS		EFFECTIVE FOR FINANCIAL PERIODS BEGINNING ON OR AFTER
MFRS 10	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	1 January 2014
MFRS 12	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	1 January 2014
MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	1 January 2014
MFRS 132	Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)	1 January 2014
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)	1 January 2014
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)	1 January 2014
IC Interpretation 21	Levies	1 January 2014
MFRS 119	Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)	1 July 2014
Amendments to MFRSs	Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Amendments to MFRSs	Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures		Deferred
MFRS 9	Financial Instruments (2009)	Deferred
MFRS 9	Financial Instruments (2010)	Deferred
MFRS 9	Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)	Deferred

The Group and the Company are in the process of assessing the impact of implementing these amendments and will adopt the above pronouncements when they become effective in the respective periods.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during and at the end of the reporting period, except for those discussed in Note 2.5(b) to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical judgements made in applying accounting policies

Contingent liabilities

When the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be contingent liabilities and account for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The determination and treatment of other contingent liabilities are based on the Directors' and management's view of the expected outcome of the contingencies, after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of the business.

4.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have significant effect on the amounts recognised in the financial statements:

(a) Impairment of goodwill and trademark

The Group determines whether goodwill and trademark are impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill and trademark are allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts and further details are disclosed in Note 16 to the financial statements.

(b) Depreciation of property, plant and equipment

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values, therefore future depreciation charges may be revised. Estimating the value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts and further details are disclosed in Note 15 to the financial statements.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and capital allowances to the extent that is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying amounts of unused tax losses is disclosed in Note 21 to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.3 Key sources of estimation uncertainty (continued)

(d) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(e) Impairment of assets

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying amount. This evaluation is subject to factors such as market performance, economic and political situation of the country.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value in use. The value in use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgment has been used to determine the discount rate for the cash flows and the future growth of the business.

(f) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

(g) Impairment of development expenditure

Certain judgements in terms of assessing future uncertain parameters such as future economic growth, future inflationary figures, appropriate discount rates and etc., are required to be made in order to project the future cash flows of the development products. These judgements are based on the historical track record and expectations of future events that are believed to be reasonable under the current circumstances. Where expectations differ from the original estimate, the differences will impact the carrying amount of development expenditure.

(h) Income taxes

The Group is subject to income taxes in a few jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Notes to the Financial Statements

for the financial year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.3 Key sources of estimation uncertainty (continued)

(i) Fair value of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on similar size and business risk.

(j) Defined benefit plan

The Group determines the present value of the defined benefit obligation and the fair value of any plan asset based on calculations provided by independent actuaries using the relevant assumptions as disclosed in Note 27 to the financial statements. Where expectations differ from the original estimate, the differences will impact the carrying amount of the post employment benefits obligations.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical locations of the assets. The management has determined the operating segments based on the reports reviewed by the Chief Executive Officer.

The Group is organised on a worldwide basis into 5 main geographical units:

- Germany
- Switzerland
- Rest of Europe
- Americas
- Rest of world

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Segment revenue, expenses and results include transfers between operating segments. These transfers are eliminated on consolidation.

Notes to the Financial Statements

for the financial year ended 31 December 2013

5. SEGMENT INFORMATION (continued)

Analysis of the Group's revenue, results and other information by geographical locations of the assets are as follows:

2013	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
Revenue:							
External customers	785,469	102,383	296,641	196,869	60,774	–	1,442,136
Inter-segment	585,308	44,904	58,332	11,410	86,854	(786,808)	–
Total revenue	1,370,777	147,287	354,973	208,279	147,628	(786,808)	1,442,136
Results:							
Segment result	4,321	2,342	(15,730)	37,116	12,096	(15,254)	24,891
Finance costs	(17,770)	(2,482)	(6,448)	(1,336)	(16,211)	21,975	(22,272)
Taxation	(2,744)	3,180	(1,881)	(13,669)	(1,165)	–	(16,279)
(Loss)/Profit for the financial year	(16,193)	3,040	(24,059)	22,111	(5,280)	6,721	(13,660)
Other segment information:							
Interest income	5,997	2,553	280	630	8,452	(17,388)	524
Depreciation and amortisation	27,042	4,922	4,618	4,591	3,470	–	44,643
Other material non-cash items:							
Impairment of intangible assets	8	–	110	–	–	–	118
Impairment losses on receivables	762	(55)	324	874	(85)	–	1,820
Inventories written down	(1,904)	3,468	632	478	421	–	3,095
Capital expenditure	16,555	212	880	9,628	541	–	27,816
Assets:							
Segment assets	775,512	69,086	172,862	176,196	166,467	–	1,360,123
Pension trust fund	–	–	–	–	150,864	–	150,864
							1,510,987
Liabilities:							
Segment liabilities	380,391	51,485	123,211	57,048	346,687	–	958,822

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for the financial year ended 31 December 2013

5. SEGMENT INFORMATION (continued)

2012 (RESTATED)	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
Revenue:							
External customers	927,658	103,763	306,405	196,690	66,687	–	1,601,203
Inter-segment	775,903	64,444	51,336	10,579	110,703	(1,012,965)	–
Total revenue	1,703,561	168,207	357,741	207,269	177,390	(1,012,965)	1,601,203
Results:							
Segment result	(14,903)	(15,305)	(9,178)	31,872	11,892	(27,310)	(22,932)
Finance costs	(19,266)	(3,317)	(8,097)	(1,324)	(16,829)	23,022	(25,811)
Taxation	4,682	(7,734)	(2,158)	(9,084)	(2,079)	–	(16,373)
(Loss)/Profit for the financial year	(29,487)	(26,356)	(19,433)	21,464	(7,016)	(4,288)	(65,116)
Other segment information:							
Interest income	6,752	7,695	363	681	2,250	(16,623)	1,118
Depreciation and amortisation	24,245	12,049	5,439	4,822	6,218	–	52,773
Other material non-cash items:							
Gain on disposal of investment in subsidiaries	21,151	–	–	–	–	–	21,151
Impairment of property, plant and equipment	5,715	–	–	–	556	–	6,271
Impairment of intangible assets	228	799	320	–	–	–	1,347
Impairment losses on receivables	362	90	424	24	96	–	996
Inventories written down	3,551	3,118	(773)	721	1,157	–	7,774
Capital expenditure	12,346	4,491	1,038	4,336	1,615	–	23,826
Assets:							
Segment assets	828,246	73,210	184,252	177,950	166,461	–	1,430,119
Pension trust fund	–	–	–	–	162,510	–	162,510
							<u>1,592,629</u>
Liabilities:							
Segment liabilities	415,095	66,419	124,541	65,441	369,753	–	1,041,249

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for the financial year ended 31 December 2013

5. SEGMENT INFORMATION (continued)

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

Business segment information

	GROUP	
	2013 RM'000	2012 RM'000
Sale of goods and royalty fees	1,389,739	1,549,099
Logistics and related services	34,207	35,622
Information technology and related services	18,190	16,482
	1,442,136	1,601,203

6. REVENUE

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sales of goods	1,389,730	1,548,931	55,202	64,570
Royalty fees	9	168	—	—
Services rendered	52,397	52,104	—	—
	1,442,136	1,601,203	55,202	64,570

7. STAFF COSTS

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000 RESTATED	2013 RM'000	2012 RM'000
Wages, salaries and bonuses	341,414	386,428	4,337	3,793
Defined contribution plan	57,374	65,736	15	17
Defined benefit retirement plan	8,792	13,421	466	461
Other employee related benefits	6,469	8,920	153	372
	414,049	474,505	4,971	4,643

Staff costs as shown above include the remuneration of the key management personnel (including the Executive Director) as disclosed in Note 8 and Note 9 to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2013

8. COMPENSATION OF KEY MANAGEMENT PERSONNELS

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages, salaries and bonuses	9,952	12,095	1,320	1,320
Defined contribution plan	230	230	158	158
Defined benefit retirement plan	234	298	–	–
Other employee related benefits	525	733	35	35
	10,941	13,356	1,513	1,513

9. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-executive Directors				
Fees	460	390	460	390
Estimated monetary value of benefits in kind	–	10	–	10
Executive Director				
Salaries	1,320	1,320	1,320	1,320
Defined contribution plan	158	158	158	158
Estimated monetary value of benefits in kind	35	35	35	35
	1,973	1,913	1,973	1,913

Notes to the Financial Statements

for the financial year ended 31 December 2013

10. PROFIT/(LOSS) FROM OPERATIONS

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit/(loss) from operations is arrived at after charging/(crediting):				
Amortisation of intangible assets	5,379	10,536	–	–
Auditors' remuneration:				
– statutory audit	3,512	3,656	150	163
– underprovision in prior year	67	102	–	36
Bad debts written off	3,246	891	55	–
Depreciation of property, plant and equipment	39,264	42,237	523	487
Dividend income	–	–	(9,299)	(7,004)
External logistics, outward freight and packaging	70,262	74,508	–	–
Fair value adjustments on derivative liabilities	(944)	1,493	–	–
Gain on disposal of investment in subsidiaries	–	(21,151)	–	–
Gain on voluntary liquidation of a subsidiary	–	(159)	–	(203)
Impairment losses on receivables	1,820	996	–	–
Impairment of intangible assets	118	1,347	–	–
Impairment of property, plant and equipment	–	6,271	–	–
Interest income	(524)	(1,118)	(8,186)	(8,820)
Inventories written down	3,095	7,774	–	104
(Gain)/loss on disposal of property, plant and equipment	(6,901)	2,330	–	–
(Gain)/loss on disposal of intangible asset	(226)	12	–	–
Loss on disposal of investment	–	91	–	–
Net loss/(gain) on foreign exchange:				
– realised	3,334	(9,514)	3,620	(7,016)
– unrealised	(6,748)	(1,425)	(6,022)	154
Property, plant and equipment written off	246	2,037	21	–
Receipts from Pension Trust Fund	–	–	(6,024)	(8,361)
Rental:				
– land and buildings	24,708	29,580	232	229
– other equipment	2,792	3,459	29	52
– plant and machinery	2,555	2,647	–	–
Research and development expenses	17,555	11,607	–	432
Sales promotion	62,886	63,151	60	19
Waiver of amount due from subsidiaries	–	–	4,611	4,547
Investment in subsidiaries written off	–	–	1,890	–

The cost of inventories recognised as expense during the financial year of the Group amounted to RM784,952,000 (2012: RM858,715,000).

Notes to the Financial Statements

for the financial year ended 31 December 2013

11. FINANCE COSTS

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on bank borrowings	20,636	23,491	14,259	14,299
Factoring charges	1,636	2,320	–	–
Interest – others	–	–	372	103
	22,272	25,811	14,631	14,402

12. TAXATION

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000 RESTATED	2013 RM'000	2012 RM'000
Current year tax expense based on profit for the financial year:				
– Malaysian tax	31	33	–	–
– Foreign tax	19,647	17,405	–	–
	19,678	17,438	–	–
Under-provision in prior years	428	381	–	–
	20,106	17,819	–	–
Deferred tax	(3,827)	(1,446)	–	–
Tax expense	16,279	16,373	–	–

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000 RESTATED	2013 RM'000	2012 RM'000
Deferred tax:				
Amount recognised in profit or loss	(3,827)	(1,446)	–	–
Amount recognised in other comprehensive income	(21)	(1,657)	–	–
Total (Note 21)	(3,848)	(3,103)	–	–

Notes to the Financial Statements

for the financial year ended 31 December 2013

12. TAXATION (continued)

The numerical reconciliation between the average effective tax and the tax based on applicable tax rate are as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000 RESTATED	2013 RM'000	2012 RM'000
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	655	(12,186)	381	928
Tax effects of:				
– different tax regime	2,291	2,407	–	–
– expenses not deductible for tax purposes	2,209	7,860	5,285	4,579
– income not subject to tax	(3,142)	(9,569)	(7,425)	(7,370)
– deferred tax assets not recognised in respect of current year's tax losses	13,838	27,480	1,759	1,863
– under-provision in prior years	428	381	–	–
Tax expense	16,279	16,373	–	–

13. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the profit and share data used in the computation of basic loss per share:

	GROUP	
	2013 RM'000	2012 RM'000 RESTATED
Loss attributable to owners of the parent	(5,602)	(58,044)

	GROUP	
	2013 '000	2012 '000
Weighted average number of ordinary shares in issue	512,796	512,796
Weighted average number of shares repurchased	(4,257)	(6,350)
Weighted average number of shares reissued	29	–
	508,568	506,446

	SEN	SEN
Basic loss per ordinary share	(1.10)	(11.46)

The Group does not have any potential dilutive ordinary shares. Accordingly, the diluted loss per share equals the basic loss per share.

Notes to the Financial Statements

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14. DIVIDENDS

	GROUP AND COMPANY			
	2013	2012	2013	2012
	DIVIDEND PER SHARE SEN	DIVIDEND AMOUNT RM'000	DIVIDEND PER SHARE SEN	DIVIDEND AMOUNT RM'000
Dividend paid	–	–	1.0	5,008

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	CAPITAL WORK-IN- PROGRESS RM'000	TOTAL RM'000
Carrying amounts							
At 1 January 2012	28,136	322,247	168,720	32,758	1,934	5,842	559,637
Additions	–	180	8,166	5,236	1,702	5,640	20,924
Disposals	–	(12,421)	(3,108)	(2,267)	(239)	(1,274)	(19,309)
Transfers	–	596	1,858	126	–	(2,580)	–
Depreciation	–	(9,861)	(22,614)	(8,912)	(850)	–	(42,237)
Impairment	–	(5,128)	(505)	(638)	–	–	(6,271)
Write off	–	–	(1,841)	(4)	–	(192)	(2,037)
Disposal of subsidiaries	–	(12,573)	(18,254)	(1,789)	–	(176)	(32,792)
Foreign currencies translation	817	900	1,008	108	30	134	2,997
At 31 December 2012	28,953	283,940	133,430	24,618	2,577	7,394	480,912
At 1 January 2013	28,953	283,940	133,430	24,618	2,577	7,394	480,912
Additions	–	3,566	7,667	6,277	854	4,425	22,789
Disposals	–	(8,790)	(2,521)	(418)	(140)	(905)	(12,774)
Transfers	–	–	3,875	135	–	(4,672)	(662)
Depreciation	–	(11,641)	(19,409)	(7,307)	(907)	–	(39,264)
Write off	–	–	(15)	(200)	–	(31)	(246)
Foreign currencies translation	472	18,806	9,595	1,465	18	544	30,900
At 31 December 2013	29,425	285,881	132,622	24,570	2,402	6,755	481,655

Notes to the Financial Statements

for the financial year ended 31 December 2013

15. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000	CAPITAL WORK-IN- PROGRESS RM'000	TOTAL RM'000
At 31 December 2013							
Cost	29,425	420,461	455,690	150,505	5,254	6,755	1,068,090
Accumulated depreciation and impairment	–	(134,580)	(323,068)	(125,935)	(2,852)	–	(586,435)
Carrying amounts	29,425	285,881	132,622	24,570	2,402	6,755	481,655
At 31 December 2012							
Cost	28,953	396,338	435,899	158,009	4,983	7,394	1,031,576
Accumulated depreciation and impairment	–	(112,398)	(302,469)	(133,391)	(2,406)	–	(550,664)
Carrying amounts	28,953	283,940	133,430	24,618	2,577	7,394	480,912
COMPANY			MACHINERY, TECHNICAL EQUIPMENT AND MOULD RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	MOTOR VEHICLES RM'000		TOTAL RM'000
Carrying amount							
At 1 January 2012			138	157	741		1,036
Additions			12	6	1,069		1,087
Depreciation			(119)	(41)	(327)		(487)
At 31 December 2012/1 January 2013			31	122	1,483		1,636
Additions			–	243	–		243
Disposals			–	(4)	–		(4)
Depreciation			(31)	(71)	(421)		(523)
Write off			–	(21)	–		(21)
At 31 December 2013			–	269	1,062		1,331
At 31 December 2013							
Cost			428	502	1,998		2,928
Accumulated depreciation and impairment			(428)	(233)	(936)		(1,597)
Carrying amounts			–	269	1,062		1,331
At 31 December 2012							
Cost			428	294	1,998		2,720
Accumulated depreciation and impairment			(397)	(172)	(515)		(1,084)
Carrying amounts			31	122	1,483		1,636

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for the financial year ended 31 December 2013

15. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) The carrying amounts of property, plant and equipment pledged as security for borrowings as disclosed in Note 30 to the financial statements are as follows:

	GROUP	
	2013 RM'000	2012 RM'000
Freehold land	5,357	4,907
Buildings	201,919	201,225
Machinery and technical equipment	13,053	15,634
	220,329	221,766

- (b) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Purchase of property, plant and equipment financed by hire purchase and finance lease arrangements	22,789 (222)	20,924 (260)	243 (222)	1,087 (260)
Cash payments on purchase of property, plant and equipment	22,567	20,664	21	827

- (c) The carrying amount of the Group's and the Company's property, plant and equipment under hire purchase and finance lease agreements are as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Machinery, technical equipment and mould	319	642	—	—
Office equipment, furniture and fittings	179	—	179	—
Motor vehicles	771	932	217	290
	1,269	1,574	396	290

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16. INTANGIBLE ASSETS

GROUP	GOODWILL RM'000	TRADEMARKS RM'000	DEVELOPMENT COSTS RM'000	COMPUTER SOFTWARE LICENSE RM'000	TOTAL RM'000
Carrying amounts					
At 1 January 2012	97,038	15,017	23,430	2,268	137,753
Additions	–	–	2,481	421	2,902
Disposals	–	–	–	(16)	(16)
Amortisation	–	(4)	(9,287)	(1,245)	(10,536)
Impairment	(320)	–	(845)	(182)	(1,347)
Foreign currencies translation	169	(9)	(105)	(8)	47
At 31 December 2012/1 January 2013	96,887	15,004	15,674	1,238	128,803
Additions	–	–	3,180	1,847	5,027
Disposals	–	–	(1,235)	(68)	(1,303)
Transfer from property, plant and equipment (Note 15)	–	–	–	662	662
Amortisation	–	–	(4,464)	(915)	(5,379)
Impairment	–	–	–	(118)	(118)
Foreign currencies translation	(2,152)	1,525	812	203	388
At 31 December 2013	94,735	16,529	13,967	2,849	128,080
At 31 December 2013					
Cost	101,043	17,603	42,265	65,573	226,484
Accumulated amortisation and impairment	(6,308)	(1,074)	(28,298)	(62,724)	(98,404)
Carrying amounts	94,735	16,529	13,967	2,849	128,080
At 31 December 2012					
Cost	101,372	15,977	43,611	74,803	235,763
Accumulated amortisation and impairment	(4,485)	(973)	(27,937)	(73,565)	(106,960)
Carrying amounts	96,887	15,004	15,674	1,238	128,803

During the financial year, the Group purchased computer software license amounting to RM838,000 (2012: RM Nil) through hire purchase and finance lease arrangements. The carrying amount of the Group's computer software license under hire purchase and finance lease agreements is RM666,000 (2012: RM Nil).

Notes to the Financial Statements

for the financial year ended 31 December 2013

16. INTANGIBLE ASSETS (continued)

Impairment test for goodwill and trademarks

Allocation of goodwill and trademarks:

	GROUP	
	2013 RM'000	2012 RM'000
Goodwill		
Germany	66,887	71,100
Switzerland	3,255	3,000
Argentina	10,931	10,279
Japan	12,799	11,664
Taiwan	863	844
	94,735	96,887
Trademarks		
Germany	16,529	15,004

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:

	EBIT MARGIN		GROWTH RATE		DISCOUNT RATE	
	2013 %	2012 %	2013 %	2012 %	2013 %	2012 %
Germany	0.4	5.0	1.0	1.0	5.2	5.7
Switzerland	2.6	0.2	1.3	3.5	5.1	5.3
Argentina	16.9	15.7	20.0	1.0	25.7	18.9
Japan	9.9	18.5	2.0	2.0	3.9	5.4
Taiwan	8.7	7.1	1.0	2.0	6.7	5.0

EBIT – budgeted earnings before interest and tax

Growth rate – weighted average growth rate used to extrapolate cash flows beyond the budget period

Discount rate – pre-tax discount rate applied to the cash flow projections

Management determined EBIT based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts within the industry. The discount rates used are pre-tax and reflect specific risks relating to the relevant country.

The management believes that there are no reasonable possible changes in any of the key assumptions used that would cause the carrying amount of the CGUs to materially exceed the recoverable amounts.

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17. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2013 RM'000	2012 RM'000
Quoted shares, at cost	167,319	167,319
Unquoted shares, at cost	80,326	75,668
Less: Impairment loss	(2,653)	(2,653)
	244,992	240,334
Amount due from subsidiaries (Non-trade)	200,543	259,358
	445,535	499,692
Market values of quoted shares	168,050	162,973

Amount due from subsidiaries amounting to RM200,543,000 (2012: RM259,358,000) is considered to be part of the Company's net investments in subsidiaries, which are stated at cost less accumulated impairment losses.

Details of the subsidiaries are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2013 %	2012 %	
Direct subsidiaries				
Pelikan Holding AG (listed on Swiss SIX Exchange)	Switzerland	96.45	96.45	Investment holding
Pelikan Japan K.K.*	Japan	99.11	99.11	Distribution of stationery and office products
Pelikan México S.A. de C.V.	Mexico	98.23	98.23	Production and distribution of stationery and office products
Pelikan Polska Sp.z.o.o	Poland	100.00	100.00	Dormant
Pelikan Middle East FZE*	United Arab Emirates	100.00	100.00	Distribution of stationery and office products
Pelikan Singapore Pte. Ltd.*	Singapore	100.00	100.00	Distribution of stationery and office products
Pelikan Taiwan Co., Ltd.*	Taiwan	100.00	100.00	Distribution of stationery and office products
Pelikan Trading (Shanghai) Co. Ltd.*	China	100.00	100.00	Distribution of stationery and office products. Ceased operation on 1 July 2013
PT Pelikan Indonesia*	Indonesia	99.00	99.00	Distribution of stationery and office products
Pelikan Production (Malaysia) Sdn. Bhd.	Malaysia	100.00	100.00	Production of stationery and office products
Pelikan Hardcopy Holding AG	Switzerland	100.00	100.00	Investment holding
Pelikan Trading India Private Limited*	India	100.00	100.00	Dormant
Pelikan (Thailand) Co. Ltd.*	Thailand	82.77	–	Distribution of stationery and office supplies

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17. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2013 %	2012 %	
Herlitz Aktiengesellschaft (listed on Berlin Stock Exchange and Frankfurt Stock Exchange)	Germany	70.92	70.92	Production and distribution of stationery and office products
Molkari Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG	Germany	98.52	98.52	Property holding
Ganymed Falkensee Grundstücksverwaltungs GmbH*	Germany	100.00	100.00	Dormant
Indirect subsidiaries				
Pelikan (Schweiz) AG	Switzerland	96.45	96.45	Distribution of stationery and office products
Günther Wagner S.A.*	Switzerland	–	96.45	Dormant
Pelikan GmbH	Germany	96.45	96.45	Investment holding
Pelikan Vertriebsgesellschaft mbH & Co. KG	Germany	96.45	96.45	Distribution of stationery and office products
Pelikan PBS-Produktionsgesellschaft mbH & Co. KG	Germany	96.45	96.45	Production and distribution of stationery and office products
Kreuzer Produktion + Vertrieb GmbH*	Germany	96.45	96.45	Dormant
Pelikan PBS-Produktion Verwaltungs-GmbH*	Germany	96.45	96.45	Dormant
Pelikan Vertrieb Verwaltungs-GmbH*	Germany	96.45	96.45	Dormant
ReMerch GmbH	Germany	96.45	96.45	Services
Pelikan Italia S.p.a.	Italy	96.45	96.45	Distribution of stationery and office products
Pelikan S.A.	Spain	96.45	96.45	Distribution of stationery and office products
Pelikan N.V./S.A. (formerly known as Pelikan Belux N.V./S.A.)	Belgium	96.45	96.45	Distribution of stationery and office products
Pelikan Hellas Ltd.	Greece	96.45	96.45	Distribution of stationery and office products
Pelikan Austria Gesellschaft m.b.H.*	Austria	96.45	96.45	Dormant
Pelikan Nederland B.V.*	Netherlands	96.45	96.45	Dormant
Pelikan, Inc.*	USA	96.45	96.45	Dormant
Pelikan Asia Sdn. Bhd.	Malaysia	96.45	96.45	Distribution of stationery and office products
Pelikan Nordic AB	Sweden	96.45	96.45	Distribution of stationery and office products
Pelikan France S.A.S.	France	96.45	96.45	Distribution of stationery and office products
Pelikan Colombia S.A.S.	Colombia	98.06	98.06	Production and distribution of stationery and office products

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17. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2013 %	2012 %	
Pelikan Hardcopy Europe Ltd.*	United Kingdom	100.00	100.00	Investment holding
Pelikan Hardcopy Production AG	Switzerland	100.00	100.00	Production and distribution of office products
Pelikan Hardcopy Scotland Limited	United Kingdom	100.00	100.00	Production and distribution of office and industrial products
Initio GmbH	Germany	100.00	100.00	Dormant
Greif Werke GmbH	Germany	100.00	100.00	Dormant
Dongguan Pelikan Hardcopy Ltd.	China	100.00	100.00	Production of stationery and office products
Pelikan Hardcopy Asia Pacific Ltd.*	Hong Kong	100.00	100.00	Dormant
Pelikan Hardcopy CZ s.r.o.	Czech Republic	100.00	100.00	Production of office products
Linea GmbH	Germany	96.45	96.45	Distribution of office products
Pelikan Argentina S.A.	Argentina	98.17	98.17	Distribution of stationery and office products
Pelikan Ofis Ve Kirtasiye Malzemeleri Ticaret Ltd. Sirketi*	Turkey	97.87	97.87	Distribution of stationery and office products
Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren	Germany	70.92	70.92	Production and distribution of stationery and office products. Effective from 31 December 2013, the Company merged with Herlitz Aktiengesellschaft, as disclosed in Note 17(e) to the financial statements
Susy Card GmbH	Germany	70.92	70.92	Development, production and distribution of papeterie products
Herlitz Papierverarbeitungs GmbH	Germany	70.92	70.92	Dormant
Convex Schreibwaren-Handels GmbH	Germany	70.92	70.92	Distribution of stationery and office products
Mercoline GmbH	Germany	70.92	70.92	Production and distribution of software and provision of IT services
eCom Logistik GmbH & Co. KG	Germany	70.92	70.92	Logistics services
eCom Logistik Verwaltungs GmbH	Germany	70.92	70.92	Dormant
Herlitz Spolka z.o.o.	Poland	70.92	70.92	Production and distribution of stationery and office products
Herlitz Spol s.r.o.	Czech Republic	70.92	70.92	Distribution of stationery and office products
HCZ Real Estate s.r.o.	Czech Republic	70.92	–	Dormant
Herlitz Slovakia s.r.o.	Slovakia	70.92	70.92	Distribution of stationery and office products
Herlitz Hungária Kft.	Hungary	70.92	70.92	Distribution of stationery and office products
Herlitz România S.R.L.	Romania	36.17	36.17	Distribution of stationery and office products

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17. INVESTMENTS IN SUBSIDIARIES (continued)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2013 %	2012 %	
Herlitz Bulgaria EooD	Bulgaria	70.92	70.92	Distribution of stationery and office products
POS Servicegesellschaft mbH	Germany	70.92	70.92	Point of sale services

* Not audited by BDO or BDO member firms

- (a) Investment in subsidiaries amounting to RM104,748,789 (2012: RM97,939,651) were pledged as security for borrowings of the Company as disclosed in Note 30 to the financial statements.
- (b) On 1 January 2013, the business (including assets and liabilities) of Günther Wagner SA had been merged into Pelikan Holding AG.
- (c) Following the spin-off of Herlitz Spol s.r.o.'s real estate business into HCZ Real Estate s.r.o. on 1 March 2013, HCZ Real Estate s.r.o. became a wholly-owned subsidiary of Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren.
- (d) On 31 March 2013, the Group's equity interest in one of its associates, Pelikan (Thailand) Co. Ltd, was increased from 49.0% to 82.77% and hence, Pelikan (Thailand) Co. Ltd became a subsidiary from that date.
- (e) Effective from 31 December 2013, Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren transferred its entire assets, including all rights and obligations pertaining thereto, by way of a merger including dissolution, to Herlitz Aktiengesellschaft.

There were no material financial effects to the Group arising from the transactions mentioned in Note 17(b), (c), (d) and (e) above.

The Group's subsidiaries which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group, and hence no disclosure of the respective non-controlling interests is made in the financial statements.

18. INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares, at cost	–	300	–	300
Share of post acquisition reserves	–	(298)	–	–
Foreign currencies translation	–	(2)	–	–
Less: Impairment loss	–	–	–	(300)
	–	–	–	–
Group's share of net assets	–	–	–	–

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18. INVESTMENTS IN ASSOCIATES (continued)

The summarised financial information of the associates are as follows:

	GROUP	
	2013 RM'000	2012 RM'000
Current assets	–	3,836
Non-current assets	–	386
Current liabilities	–	(5,891)
	–	(1,669)
Revenue	–	2,206
Loss for the financial year	–	(716)

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE PERCENTAGE OF OWNERSHIP		PRINCIPAL ACTIVITIES
		2013 %	2012 %	
Direct associate				
Pelikan (Thailand) Co Ltd*	Thailand	–	49.00	Distribution of stationery and office supplies
Indirect associate				
Artof C.A.*	Venezuela	21.91	21.91	Dormant

* Not audited by BDO

On 31 March 2013, the Group's equity interest in one of its associates, Pelikan (Thailand) Co. Ltd, was increased from 49.0% to 82.77% and hence, Pelikan (Thailand) Co. Ltd became a subsidiary from that date, as disclosed in Note 17 to the financial statements.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	GROUP	
	2013 RM'000	2012 RM'000
Quoted shares	3,336	3,027
Less: Impairment loss	(169)	(57)
	3,167	2,970
Unquoted shares	60	70
	3,227	3,040
Market value of quoted shares	3,167	2,970

Information on the fair value hierarchy is disclosed in Note 36(c) to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2013

20. PENSION TRUST FUND

	GROUP AND COMPANY	
	2013	2012
	RM'000	RM'000
Current	12,680	17,345
Non-current	138,184	145,165
	150,864	162,510

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 of RM65,087,000. 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.

As disclosed in Note 27, the post employment benefits obligations are as follows:

	GROUP		
	31.12.2013	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000
		RESTATED	RESTATED
Liabilities funded by Pension Trust Fund	124,237	120,623	101,418
Liabilities assumed by the Company	65,087	65,087	65,087
	189,324	185,710	166,505
Other post employment benefit obligations of the Group	94,343	94,783	84,089
	283,667	280,493	250,594

21. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP			COMPANY		
	31.12.2013	31.12.2012	1.1.2012	31.12.2013	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		RESTATED	RESTATED			
Presented after appropriate offsetting as follows:						
Deferred tax assets	34,346	28,113	34,808	–	–	–
Deferred tax liabilities:						
– subject to income tax	(24,761)	(22,497)	(32,152)	–	–	–
– subject to capital gains tax	(5,428)	(5,640)	(5,854)	–	–	–
	(30,189)	(28,137)	(38,006)	–	–	–
	4,157	(24)	(3,198)	–	–	–

Notes to the Financial Statements

for the financial year ended 31 December 2013

21. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000 RESTATED	2013 RM'000	2012 RM'000
At 1 January:				
As previously stated	(1,221)	(2,673)	—	—
Effects of adoption MFRS 119	1,197	(525)	—	—
As restated	(24)	(3,198)	—	—
Credited/(charged) to statement of comprehensive income: (Note 12)				
– tax losses	9,990	4,250	—	—
– property, plant and equipment	(103)	8,814	—	—
– inventories	(828)	351	—	—
– others	(5,211)	(10,312)	—	—
	3,848	3,103	—	—
Foreign currencies translation and others	333	71	—	—
At 31 December	4,157	(24)	—	—
Subject to income tax:				
Deferred tax assets				
Tax losses	24,734	13,371	—	—
Others	9,612	14,742	—	—
	34,346	28,113	—	—
Deferred tax liabilities				
Property, plant and equipment and intangibles	(24,761)	(22,497)	—	—
Subject to capital gains tax:				
Deferred tax liabilities				
Property, plant and equipment	(5,428)	(5,640)	—	—

The tax effects of unused tax losses for which no deferred tax assets are recognised in the statement of financial position are as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unused tax losses	329,455	315,617	7,034	5,275

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22. INVENTORIES

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At cost				
Raw materials	44,569	44,413	245	32
Work in progress	32,989	36,441	–	–
Finished goods	145,939	152,639	–	–
	223,497	233,493	245	32
At net realisable value				
Raw materials	9,942	11,090	–	–
Work in progress	11,126	9,159	–	–
Finished goods	40,908	38,041	–	–
	285,473	291,783	245	32

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables				
Third parties	211,237	227,619	2,077	2,098
Subsidiaries	–	–	12,515	11,292
Associates	–	4,930	–	–
Less: Impairment loss	(10,104)	(12,254)	–	–
	201,133	220,295	14,592	13,390
Other receivables				
Amounts due from:				
– Subsidiaries	–	–	206,966	183,365
– Third parties	98,847	101,349	70,118	53,319
Prepayments	2,010	3,660	310	350
Deposits	7,468	7,331	6,554	6,554
	309,458	332,635	298,540	256,978

Trade receivables of the Group pledged as security for borrowings amounted to RM5,967,000 (2012: RM4,562,000) as disclosed in Note 30 to the financial statements.

The fair values of receivables approximate their carrying amounts.

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for the financial year ended 31 December 2013

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Credit terms offered by the Group in respect of trade receivables range from 30 days to 120 days (2012: 30 days to 120 days) from date of invoices.

Amounts due from subsidiaries and associates which arose mainly from trade transactions, advances and payments made on behalf are unsecured, interest free and are repayable on demand, except for certain amounts due from subsidiaries which are subject to interest rate of 2.95% (2012: 2.74%) per annum and trade transactions which are subject to normal trade credit terms.

Included in receivables of the Group are amounts due from related parties amounting to RM5,452,000 (2012: RM6,576,000), which arose from trade transactions are unsecured, interest free and repayable on demand.

The currency exposure profile of receivables, deposits and prepayments is as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
– EUR	140,528	167,133	155,106	129,829
– RM	84,924	68,961	128,680	113,436
– COP	21,631	29,674	–	–
– MXN	20,706	18,427	–	–
– USD	14,213	17,208	11,528	12,135
– ARS	9,571	10,951	–	–
– JPY	8,289	9,335	28	181
– CHF	3,321	4,852	294	–
– GBP	2,128	2,073	1,789	–
– SGD	1,774	1,984	385	377
– THB	1,337	–	75	57
– CZK	325	1,007	–	–
– CNY	267	316	–	–
– TWD	198	301	655	963
– IDR	102	87	–	–
– SEK	60	3	–	–
– HKD	49	4	–	–
– PLN	35	55	–	–
– AED	–	264	–	–
	309,458	332,635	298,540	256,978

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for the financial year ended 31 December 2013

23. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The ageing analysis of trade receivables of the Group and the Company are as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Neither past due nor impaired	163,960	178,613	7,329	9,278
0 to 30 days past due	21,920	20,811	2,484	1,866
31 to 60 days past due	8,143	9,581	795	155
61 to 90 days past due	3,889	2,327	1,215	419
More than 90 days past due	13,325	21,217	2,769	1,672
	211,237	232,549	14,592	13,390
Allowance for impairment	(10,104)	(12,254)	–	–
	201,133	220,295	14,592	13,390

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. None of the trade receivables of the Group and of the Company that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

As at 31 December 2013, the Group and Company have trade receivables amounting to RM26,655,000 (2012: RM27,085,000) and RM7,263,000 (2012: RM4,112,000) respectively that are past due at the end of the reporting period but not impaired. Trade receivables that are past due but not impaired relate to customers that have good track records with the Group and the Company. Based on past experience and no adverse information to-date, the Directors of the Group and Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered to be fully recoverable.

Receivables that are past due and impaired

Trade receivables of the Group and of the Company that are past due and impaired at the end of the reporting period are as follows:

GROUP	COLLECTIVELY IMPAIRED RM'000	INDIVIDUALLY IMPAIRED RM'000	TOTAL RM'000
2013			
Trade receivables, gross	13,812	6,810	20,622
Less: Impairment loss	(3,632)	(6,472)	(10,104)
	10,180	338	10,518

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23. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

GROUP	COLLECTIVELY IMPAIRED RM'000	INDIVIDUALLY IMPAIRED RM'000	TOTAL RM'000
2012			
Trade receivables, gross	16,128	10,723	26,851
Less: Impairment loss	(3,142)	(9,112)	(12,254)
	12,986	1,611	14,597

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments.

The reconciliation of movement in the impairment loss are as follows:

	GROUP	
	2013 RM'000	2012 RM'000
At 1 January	12,254	13,371
Charged for the financial year	1,820	996
Written off	(4,577)	(2,276)
Foreign currencies translation	607	163
At 31 December	10,104	12,254

24. DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits with licensed banks	7,303	22,669	6,133	11,458
Cash and bank balances	107,131	137,584	14,508	7,848
Deposits, cash and bank balances	114,434	160,253	20,641	19,306
Bank overdrafts (Note 30)	(8,364)	(4,907)	–	–
	106,070	155,346	20,641	19,306
Less: Deposits pledged to licensed banks (Note 30)	(2,971)	(21,679)	(2,971)	(11,396)
	103,099	133,667	17,670	7,910

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24. DEPOSITS, CASH AND BANK BALANCES (continued)

Effective interest rates per annum of deposits as at the end of reporting period are as follows:

	GROUP		COMPANY	
	2013 %	2012 %	2013 %	2012 %
Deposits with licensed banks	1.00 – 3.70	1.00 – 3.50	2.75 – 3.70	1.00 – 3.05

The deposits of the Group and of the Company as at 31 December 2013 have maturity periods ranging between overnight and one month (2012: between overnight and one month). Certain deposits have been pledged to financial institutions for credit facilities.

The currency exposure profile of cash and cash equivalents are as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
– EUR	76,314	118,228	6,593	2,143
– USD	16,190	4,785	6,794	2,932
– MXN	7,268	9,016	–	–
– RM	6,751	13,246	6,494	12,436
– ARS	2,757	2,983	–	–
– COP	1,222	648	–	–
– JPY	1,090	2,794	743	1,282
– TWD	1,028	516	–	–
– CHF	589	2,841	14	510
– CNY	305	969	–	–
– HKD	262	567	–	–
– THB	221	–	–	–
– CZK	159	109	–	–
– SGD	130	43	–	–
– PLN	52	203	–	–
– IDR	33	72	–	–
– INR	27	28	–	–
– SEK	22	794	–	–
– GBP	13	574	2	2
– AUD	1	274	1	1
– AED	–	1,316	–	–
– TRY	–	247	–	–
	114,434	160,253	20,641	19,306

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25. SHARE CAPITAL

	GROUP AND COMPANY			
	2013		2012	
	NUMBER OF SHARES '000	AMOUNT RM'000	NUMBER OF SHARES '000	AMOUNT RM'000
Ordinary shares of RM1.00 each:				
Authorised:				
As at 1 January/31 December	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
As at 1 January/31 December	512,796	512,796	512,796	512,796

(a) Issues of shares

There was no issue of shares during the financial year.

(b) Treasury shares

	GROUP AND COMPANY			
	2013		2012	
	NUMBER OF SHARES '000	AMOUNT RM'000	NUMBER OF SHARES '000	AMOUNT RM'000
At cost:				
As at 1 January	2,556	3,855	7,035	16,751
Additions	2,462	1,337	5,537	4,547
Reissued	(90)	(42)	–	–
Share dividend distributed during the financial year	–	–	(10,016)	(17,443)
As at 31 December	4,928	5,150	2,556	3,855

The shareholders of the Company granted a mandate to the Company to repurchase its own shares at the Annual General Meeting held on 25 June 2013.

During the financial year, the Company repurchased a total of 2,462,200 (2012: 5,536,600) of its shares from the open market for, a total consideration of RM1,337,831 (2012: RM4,547,054). The transaction was financed through internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

In addition, the Company re-issued 90,000 treasury shares by resale in the open market. The average resale price of the treasury shares was RM0.45 per share. The proceeds from the resale were utilised for working capital purposes.

Treasury shares have no rights to voting, dividends or participation in other distribution. As at 31 December 2013, the Company held 4,928,011 (2012: 2,555,811) treasury shares, with carrying amount of RM5,149,918 (2012: RM3,854,168).

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26. RETAINED PROFITS

Effective from 1 January 2008, the Company was given the option to make an irrevocable election to move to a single tier system or continue to use its tax credits under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest, by 31 December 2013.

The Company has made election to move to the single tier system and as a result, there is no additional tax liability to be incurred upon payment of dividends out of its entire retained earnings as at the end of the reporting period.

27. POST EMPLOYMENT BENEFITS OBLIGATIONS

The Group operates both funded and unfunded defined benefits retirement plans for its employees. The latest actuarial valuations of the plans were carried out in 2013.

	REMOVABLE PENSION LIABILITIES FUNDED BY PENSION TRUST FUND RM'000	ASSUMED BY THE COMPANY RM'000	OTHERS RM'000	GROUP TOTAL RM'000
At 31 December 2013				
Current	19,474	–	9,388	28,862
Non-current	104,763	65,087	84,955	254,805
	124,237	65,087	94,343	283,667
At 31 December 2012 (restated)				
Current	15,646	–	8,573	24,219
Non-current	104,977	65,087	86,210	256,274
	120,623	65,087	94,783	280,493
At 31 December 2011 (restated)				
Current	10,988	–	8,984	19,972
Non-current	90,430	65,087	75,105	230,622
	101,418	65,087	84,089	250,594

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.

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27. POST EMPLOYMENT BENEFITS OBLIGATIONS (continued)

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	2013 RM'000	GROUP 2012 RM'000 RESTATED
Service cost:		
Current service cost	6,146	4,402
Past service cost and (gain)/loss from settlements	(6,430)	(2,550)
Net interest expense	9,076	11,569
Components of defined benefit costs recognised in profit or loss	8,792	13,421
Re-measurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(8,029)	(12,150)
Actuarial gains and losses arising from changes in demographic assumptions	–	3,801
Actuarial gains and losses arising from changes in financial assumptions	(206)	48,298
Actuarial gains and losses arising from experience adjustments	2,424	2,836
Components of defined benefit costs recognised in other comprehensive income	(5,811)	42,785
Total	2,981	56,206

The amount recognised in the consolidated statement of financial position may be analysed as follows:

	GROUP		
	31.12.2013 RM'000	31.12.2012 RM'000 RESTATED	1.1.2012 RM'000 RESTATED
Present value of funded defined benefit obligations	286,524	280,778	268,541
Fair value of plan assets	(216,688)	(209,828)	(207,799)
Status of funded plans	69,836	70,950	60,742
Present value of unfunded obligations	213,831	209,543	189,852
	283,667	280,493	250,594

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27. POST EMPLOYMENT BENEFITS OBLIGATIONS (continued)

Movements in the present value of the defined benefit obligation in the current year were as follows:

	2013 RM'000	GROUP 2012 RM'000 RESTATED
Opening defined benefit obligation	490,321	458,393
Current service cost	6,146	4,402
Interest cost	15,626	18,737
Re-measurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	–	3,801
Actuarial gains and losses arising from changes in financial assumptions	(206)	48,298
Actuarial gains and losses arising from experience adjustments	2,424	2,836
Past services cost, including losses/(gains) on curtailments	(6,430)	(2,550)
Benefits paid	(50,486)	(50,846)
Foreign currencies translation and others	42,960	7,250
Closing defined benefit obligation	500,355	490,321

Movements in the fair value of the plan assets in the current year were as follows:

	2013 RM'000	GROUP 2012 RM'000 RESTATED
Opening fair value of plan assets	209,828	207,799
Interest income	6,550	7,168
Re-measurement gains/(losses):		
Return on plan assets (excluding amounts included in net interest expense)	8,029	12,150
Contributions from the employer	4,616	8,136
Contributions from plan participants	1,480	2,186
Benefits paid	(29,993)	(30,671)
Foreign currencies translation and others	16,178	3,060
Closing fair value of plan assets	216,688	209,828

Notes to the Financial Statements

for the financial year ended 31 December 2013

27. POST EMPLOYMENT BENEFITS OBLIGATIONS (continued)

The major categories of plan assets are as follows:

	GROUP		
	31.12.2013 RM'000	31.12.2012 RM'000 RESTATED	1.1.2012 RM'000 RESTATED
Debt instruments	86,959	100,395	105,702
Equity instruments	61,394	44,301	36,191
Alternative investments	41,426	34,393	32,385
Properties	14,726	18,147	19,714
Qualifying insurance policies	6,538	5,047	3,638
Convertibles	–	4,845	6,237
Cash and others	5,645	2,700	3,932
	216,688	209,828	207,799

The principal actuarial assumptions used in respect of the Group's defined benefit plans were as follows:

	GROUP	
	2013 %	2012 %
Discount rate	2.00 – 6.75	1.75 – 6.75

Significant actuarial assumptions for the determination of the defined obligation are discount rate. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by RM13,945,000 (increase by RM14,950,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

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28. PROVISION

	GROUP WARRANTY RM'000
At 1 January 2012	189
Charged to statement of comprehensive income	(96)
Foreign currencies translation and others	(3)
At 31 December 2012	90
Charged to statement of comprehensive income	–
Foreign currencies translation and others	10
At 31 December 2013	100

29. DERIVATIVE LIABILITIES

	2013		2012	
	CONTRACT/ NOTIONAL AMOUNT EUR'000	LIABILITIES RM'000	CONTRACT/ NOTIONAL AMOUNT EUR'000	LIABILITIES RM'000
Group				
Interest rate swap	10,000	3,829	10,000	4,773

The Group has entered into interest rate swap contract with a total of EUR10 million resulting in an exchange of floating for fixed interest rates from fiscal year 2012 to hedge exposure to movements in interest rate on a financing transaction. For a period of 5 years, the variable interest rate is exchanged on the basis of the 3-month Euribor interest at 3.15%. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

Notes to the Financial Statements

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30. BORROWINGS

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Bank overdrafts	8,364	4,907	—	—
Bankers' acceptances/Trust receipts	6,529	13,243	127	1,083
Revolving credits	174,328	169,555	143,727	137,089
Discounted bills	34,494	34,107	29,578	27,458
Hire purchase and lease payables	654	614	126	52
Short term loans	27,380	36,002	—	—
Term loans	38,120	42,343	37,676	37,510
	289,869	300,771	211,234	203,192
Non-current				
Hire purchase and lease payables	1,232	735	239	199
Term loans	100,669	116,470	92,419	111,282
	101,901	117,205	92,658	111,481
Total				
Bank overdrafts (Note 24)	8,364	4,907	—	—
Bankers' acceptances/Trust receipts	6,529	13,243	127	1,083
Revolving credits	174,328	169,555	143,727	137,089
Discounted bills	34,494	34,107	29,578	27,458
Hire purchase and lease payables	1,886	1,349	365	251
Short term loans	27,380	36,002	—	—
Term loans	138,789	158,813	130,095	148,792
	391,770	417,976	303,892	314,673

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30. BORROWINGS (continued)

Contractual terms of borrowings:

GROUP 2013	EFFECTIVE INTEREST RATE %	FUNCTIONAL CURRENCY	TOTAL CARRYING AMOUNT RM'000	MATURITY PROFILE					
				< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Bank overdrafts	7.96 – 9.40	EUR	4,499	4,499	–	–	–	–	–
Bankers' acceptances/Trust receipts	3.25 – 8.01	RM	873	873	–	–	–	–	–
Revolving credits	3.75 – 3.94	USD	49,370	49,370	–	–	–	–	–
Revolving credits	5.08 – 5.28	RM	19,122	19,122	–	–	–	–	–
Discounted bill	2.40 – 2.73	USD	16,681	16,681	–	–	–	–	–
Discounted bill	2.75 – 3.35	EUR	675	675	–	–	–	–	–
Hire purchase and lease payables	5.77 – 5.87	EUR	1,137	358	267	290	168	54	–
Hire purchase and lease payables	2.33 – 3.55	RM	409	145	140	81	43	–	–
Hire purchase and lease payables	4.80	CHF	281	122	126	33	–	–	–
Hire purchase and lease payables	3.40	GBP	38	11	27	–	–	–	–
Hire purchase and lease payables	2.68 – 2.88	SGD	21	18	3	–	–	–	–
Short term loans	4.10 – 4.84	EUR	23,289	23,289	–	–	–	–	–
Short term loans	18.50 – 29.50	ARS	3,519	3,519	–	–	–	–	–
Short term loans	8.00	CZK	102	102	–	–	–	–	–
Term loans	5.46 – 5.51	RM	125,563	33,720	33,720	33,720	24,403	–	–
Term loans	1.85 – 2.32	CHF	5,470	–	–	5,470	–	–	–
Term loans	3.26 – 3.27	USD	4,532	3,956	576	–	–	–	–
Term loans	4.19	EUR	1,531	196	267	267	267	267	267
			257,112	156,656	35,126	39,861	24,881	321	267
Unsecured									
Bank overdrafts	15.00	ARS	2,042	2,042	–	–	–	–	–
Bank overdrafts	9.18 – 9.85	EUR	1,302	1,302	–	–	–	–	–
Bank overdrafts	4.25	GBP	521	521	–	–	–	–	–
Bankers' acceptance	2.35 – 3.56	RM	5,656	5,656	–	–	–	–	–
Revolving credits	3.46 – 3.94	USD	79,266	79,266	–	–	–	–	–
Revolving credits	4.42 – 5.32	RM	15,923	15,923	–	–	–	–	–
Revolving credits	4.90	MXN	5,576	5,576	–	–	–	–	–
Revolving credits	8.10 – 9.90	COP	5,071	5,071	–	–	–	–	–
Discounted bills	2.75 – 7.80	EUR	10,240	10,240	–	–	–	–	–
Discounted bills	2.29 – 4.50	USD	6,898	6,898	–	–	–	–	–
Short term loans	1.48	JPY	470	470	–	–	–	–	–
Term loans	4.25	GBP	1,693	248	262	271	282	298	332
			134,658	133,213	262	271	282	298	332
			391,770	289,869	35,388	40,132	25,163	619	599

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30. BORROWINGS (continued)

Contractual terms of borrowings (continued):

GROUP 2012	EFFECTIVE INTEREST RATE %	FUNCTIONAL CURRENCY	TOTAL CARRYING AMOUNT RM'000	MATURITY PROFILE					
				< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Bank overdrafts	8.00 – 9.40	EUR	3,599	3,599	–	–	–	–	–
Banker's acceptances/Trust receipts	3.06 – 3.25	RM	11,024	11,024	–	–	–	–	–
Revolving credits	4.06 – 4.80	USD	47,109	47,109	–	–	–	–	–
Revolving credits	5.08 – 5.29	RM	19,121	19,121	–	–	–	–	–
Discounted bill	3.00 – 3.79	USD	12,052	12,052	–	–	–	–	–
Discounted bill	3.92	EUR	1,135	1,135	–	–	–	–	–
Hire purchase and lease payables	3.75 – 5.90	EUR	522	308	148	53	13	–	–
Hire purchase and lease payables	12.50 – 13.50	CHF	365	106	112	116	31	–	–
Hire purchase and lease payables	2.33 – 3.55	RM	310	68	68	68	63	43	–
Hire purchase and lease payables	8.95	CZK	98	98	–	–	–	–	–
Hire purchase and lease payables	3.65	SGD	38	18	20	–	–	–	–
Hire purchase and lease payables	6.50	USD	16	16	–	–	–	–	–
Short term loans	4.10 – 6.37	EUR	32,697	32,697	–	–	–	–	–
Short term loans	20.00	ARS	2,219	2,219	–	–	–	–	–
Term loans	4.60 – 5.51	RM	140,954	34,013	33,720	33,720	33,720	5,781	–
Term loans	3.25 – 3.44	USD	7,838	3,497	3,485	856	–	–	–
Term loans	1.66 – 2.32	CHF	5,111	3,407	–	1,704	–	–	–
Term loans	4.19	EUR	1,571	177	243	243	243	243	422
			285,779	170,664	37,796	36,760	34,070	6,067	422
Unsecured									
Bank overdrafts	4.25	GBP	689	689	–	–	–	–	–
Bank overdrafts	10.75	EUR	543	543	–	–	–	–	–
Bank overdrafts	15.00	ARS	76	76	–	–	–	–	–
Bankers' acceptance	2.35 – 3.56	RM	2,219	2,219	–	–	–	–	–
Revolving credits	3.46 – 4.82	USD	74,889	74,889	–	–	–	–	–
Revolving credits	5.28 – 5.32	RM	16,174	16,174	–	–	–	–	–
Revolving credits	6.20	MXN	7,215	7,215	–	–	–	–	–
Revolving credits	8.10 – 9.90	COP	4,266	4,266	–	–	–	–	–
Revolving credits	9.50	EUR	781	781	–	–	–	–	–
Discounted bills	2.75 – 7.80	EUR	11,393	11,393	–	–	–	–	–
Discounted bills	2.29 – 4.50	USD	9,397	9,397	–	–	–	–	–
Discounted bills	2.77	GBP	130	130	–	–	–	–	–
Short term loans	1.48	JPY	1,086	1,086	–	–	–	–	–
Term loans	4.25	GBP	1,796	221	231	241	252	262	589
Term loans	6.15	MXN	1,543	1,028	515	–	–	–	–
			132,197	130,107	746	241	252	262	589
			417,976	300,771	38,542	37,001	34,322	6,329	1,011

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for the financial year ended 31 December 2013

30. BORROWINGS (continued)

Contractual terms of borrowings (continued):

COMPANY 2013	EFFECTIVE INTEREST RATE %	FUNCTIONAL CURRENCY	TOTAL CARRYING AMOUNT RM'000	MATURITY PROFILE					
				< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Banker's acceptances/Trust receipts	5.05 – 8.01	RM	127	127	–	–	–	–	–
Revolving credits	3.75 – 3.94	USD	49,370	49,370	–	–	–	–	–
Revolving credits	5.20 – 5.28	RM	15,091	15,091	–	–	–	–	–
Discounted bill	2.40 – 2.73	USD	16,681	16,681	–	–	–	–	–
Discounted bill	2.54	EUR	236	236	–	–	–	–	–
Hire purchase and lease payables	3.50	RM	365	126	126	70	43	–	–
Term loans	5.46 – 5.51	RM	125,563	33,720	33,720	33,720	24,403	–	–
Term loans	3.26 – 3.27	USD	4,532	3,956	576	–	–	–	–
			211,965	119,307	34,422	33,790	24,446	–	–
Unsecured									
Revolving credits	3.46 – 3.94	USD	79,266	79,266	–	–	–	–	–
Discounted bills	2.29 – 4.50	USD	6,898	6,898	–	–	–	–	–
Discounted bills	2.75 – 3.35	EUR	5,763	5,763	–	–	–	–	–
			91,927	91,927	–	–	–	–	–
			303,892	211,234	34,422	33,790	24,446	–	–
COMPANY 2012	EFFECTIVE INTEREST RATE %	FUNCTIONAL CURRENCY	TOTAL CARRYING AMOUNT RM'000	MATURITY PROFILE					
				< 1 YEAR RM'000	2ND YEAR RM'000	3RD YEAR RM'000	4TH YEAR RM'000	5TH YEAR RM'000	> 5 YEARS RM'000
Secured									
Banker's acceptances/Trust receipts	3.06 - 3.20	RM	1,083	1,083	–	–	–	–	–
Revolving credits	4.06 - 4.80	USD	47,109	47,109	–	–	–	–	–
Revolving credits	5.11 - 5.29	RM	15,091	15,091	–	–	–	–	–
Discounted bill	3.00 - 3.79	USD	12,052	12,052	–	–	–	–	–
Discounted bill	3.92	EUR	187	187	–	–	–	–	–
Hire purchase and lease payables	2.33	RM	251	52	52	52	52	43	–
Term loans	4.60 - 5.51	RM	140,954	34,013	33,720	33,720	33,720	5,781	–
Term loans	3.25 - 3.44	USD	7,838	3,497	3,485	856	–	–	–
			224,565	113,084	37,257	34,628	33,772	5,824	–
Unsecured									
Revolving credits	3.46 - 4.82	USD	74,889	74,889	–	–	–	–	–
Discounted bills	2.29 - 4.50	USD	9,397	9,397	–	–	–	–	–
Discounted bills	2.75 - 3.35	EUR	5,692	5,692	–	–	–	–	–
Discounted bills	2.77	GBP	130	130	–	–	–	–	–
			90,108	90,108	–	–	–	–	–
			314,673	203,192	37,257	34,628	33,772	5,824	–

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30. BORROWINGS (continued)

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Minimum hire purchase and lease payment:				
– Not later than 1 year	764	621	139	58
– Later than 1 year and not later than 5 years	1,358	763	267	223
	2,122	1,384	406	281
Future finance charges	(236)	(35)	(41)	(30)
	1,886	1,349	365	251
Present value of hire purchase and lease payables:				
– Not later than 1 year	654	614	126	52
– Later than 1 year and not later than 5 years	1,232	735	239	199
	1,886	1,349	365	251

Discounted bills are secured over the subsidiaries' receivables.

Short term loans and bank overdrafts are secured over the subsidiaries' property, plant and equipment as disclosed in Note 15 to the financial statements and trade receivables as disclosed in Note 23 to the financial statements.

The term loans, revolving credits and bankers' acceptances/trust receipts are secured by legal charges over the property, plant and equipment as disclosed in Note 15 to the financial statements, investment in subsidiaries as disclosed in Note 17 to the financial statements and deposits with licensed banks as disclosed in Note 24 to the financial statements.

Hire purchase and lease payables are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Term loans and hire purchase and lease payables which are subject to fixed interest rates amounted to RM7,001,000 (2012: RM6,682,000) and RM1,886,000 (2012: RM1,349,000) respectively, out of which RM8,037,000 (2012: RM3,833,000) are repayable later than one (1) year.

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31. PAYABLES

	GROUP			COMPANY		
	31.12.2013 RM'000	31.12.2012 RM'000 RESTATED	1.1.2012 RM'000 RESTATED	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Trade payables	119,034	142,990	159,169	5,322	7,134	6,717
Amounts due to subsidiaries	–	–	–	16,469	26,012	14,401
Accruals:						
– Staff costs	35,530	43,792	43,821	143	151	559
– Bonus to customers	39,146	49,533	65,231	–	–	–
– Others	26,392	30,374	34,671	867	395	322
Employee related benefits	1,802	2,873	2,024	–	–	–
Other payables	14,156	28,309	34,131	333	1,884	3,693
	236,060	297,871	339,047	23,134	35,576	25,692

The fair values of payable approximate to their carrying amounts.

Credit terms of trade payables granted to the Group and to the Company range from 1 day to 120 days (2012: 1 day to 120 days).

Amounts payable to subsidiaries which arose mainly from trade transactions, advances and payments made on behalf are unsecured, interest free and repayable on demand except for trade transactions which are subject to normal trade credit terms.

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31. PAYABLES (continued)

The currencies exposure profiles of payables are as follows:

	GROUP			COMPANY		
	31.12.2013 RM'000	31.12.2012 RM'000 RESTATED	1.1.2012 RM'000 RESTATED	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
– EUR	178,941	220,012	249,521	9,195	27,770	18,549
– MXN	11,779	12,859	10,436	–	–	–
– CHF	11,065	15,877	17,966	–	–	–
– USD	8,278	12,019	16,003	11,253	5,386	5,831
– COP	7,155	10,816	8,375	–	–	–
– ARS	5,422	6,950	6,763	–	–	–
– GBP	3,483	4,149	4,833	–	–	–
– JPY	2,776	3,340	3,672	1,285	63	74
– CZK	2,637	3,945	6,298	–	–	–
– RM	1,980	3,349	9,510	1,401	2,357	1,187
– CNY	947	870	1,530	–	–	–
– HKD	527	239	347	–	–	–
– SEK	440	581	802	–	–	–
– IDR	339	333	311	–	–	–
– SGD	171	1,132	1,201	–	–	30
– TWD	120	57	60	–	–	–
– AED	–	986	903	–	–	–
– PLN	–	223	246	–	–	–
– TRY	–	90	177	–	–	–
– NOK	–	44	93	–	–	–
– THB	–	–	–	–	–	21
	236,060	297,871	339,047	23,134	35,576	25,692

32. COMMITMENTS

	GROUP	
	2013 RM'000	2012 RM'000
Authorised and contracted for:		
– Property, plant and equipment	1,926	1,328
Authorised but not contracted for:		
– Property, plant and equipment	589	319

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33. OPERATING LEASE COMMITMENTS

	GROUP	
	2013 RM'000	2012 RM'000
Minimum lease payments under operating lease commitments:		
Not later than 1 year	45,571	42,613
Later than 1 year and not later 5 years	27,316	33,135
Later than 5 years	1,248	1,643
	74,135	77,391

34. CONTINGENT LIABILITIES

- (a) In the ordinary course of business, the business of Pelikan Hardcopy Holding AG and German Hardcopy AG groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the “Hardcopy business”) is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers (“OEM”) for perceived breach of patents with an assessed potential maximum exposure of EUR7.0 million (RM31.7 million) (2012: EUR17.2 million or RM70.6 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group have been successful in defending most cases and management remains confident that the Group’s exposure to these claims can be reduced or can be successfully 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 assumption as at 31 December 2013, Pelikan Hardcopy Scotland Limited’s (“PHSL”) retirement fund has GBP24.2 million (RM131.8 million) assets to meet pension liabilities of GBP33.6 million (RM182.5 million). The Company provided a corporate guarantee for the shortfall. An amount of GBP9.4 million (RM50.7 million) has been recognised as a pension liability for the financial year ended 31 December 2013 in accordance with MFRS 119.

The Group believes that its operational cash flow and the assets in the retirement fund of PHSL are sufficient to meet the payouts of the retirement scheme in the foreseeable future.

- (c) The Company has provided corporate guarantees to financial institutions and suppliers for financing arrangements of certain subsidiaries amounting to RM181,012,000 (2012: RM154,232,000).

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35. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, significant related party transactions entered into by the Group during the financial year are set out below. These transactions were carried out in the normal course of business and have been established under negotiated and mutually agreed terms.

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sale of goods to subsidiaries	–	–	55,118	63,296
Sale of goods to former associate:				
– Pelikan (Thailand) Co Ltd	–	845	–	–

36. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings, net of cash and bank balances over shareholders' equity. At the end of the reporting period, the Group's net gearing ratio is 0.51 times (2012: 0.48 times). The Group's policy is to keep its gearing within manageable levels.

(b) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

Obligations under finance lease, fixed rate bank loans

The fair value of these financial instruments are estimated by discounting expected future cash flows at current market interest rates available for similar financial instruments and of the same remaining maturities. The carrying values of these financial instruments approximate their fair values.

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36. FINANCIAL INSTRUMENTS (continued)

(b) Methods and assumptions used to estimate fair value (continued)

Quoted shares

The fair value of quoted investments is determined by reference to the exchange quoted market bid prices at the close of the business on the end of the reporting period.

Unquoted shares

The carrying values of investment in unquoted shares approximate fair values.

Derivatives

The fair value of the interest rate swap contracts is the amount that would be payable or receivable upon termination of the position at the end of the reporting period, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the spot rate as at the end of the reporting period.

(c) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	TOTAL RM'000	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000
2013				
Available-for-sale financial assets				
– Quoted shares	3,167	3,167	–	–
– Unquoted shares	60	–	–	60
2012				
Available-for-sale financial assets				
– Quoted shares	2,970	2,970	–	–
– Unquoted shares	70	–	–	70

Notes to the Financial Statements

for the financial year ended 31 December 2013

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value hierarchy (continued)

Liabilities measured at fair value

	TOTAL RM'000	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000
2013				
Financial liabilities at fair value through profit or loss				
– Interest rate swaps	3,829	–	3,829	–
2012				
Financial liabilities at fair value through profit or loss				
– Interest rate swaps	4,773	–	4,773	–

There were no transfers between Level 1 and Level 2 fair value measurement during the financial years.

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as financial assets at fair value through profit or loss classified as Level 3 within the fair value hierarchy.

	AVAILABLE-FOR-SALE FINANCIAL ASSETS RM'000
Balance as at 1 January 2013	70
Purchases	14
Gains or losses recognised in profit or loss	(29)
Foreign currencies translation	5
Balance as at 31 December 2013	60

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their risks. Financial risk management is carried out through risks reviews, internal controls systems and adherence to the Group's financial risk management policies that are approved by the Board. The use of financial instruments exposes the Group to financial risks, which are categorised as credit risk, liquidity and cash flow risk, interest rate risk, foreign currency risk and market price risk. It is the Group's policy not to engage in speculative transactions.

Notes to the Financial Statements

for the financial year ended 31 December 2013

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The policies for controlling these risks when applicable are set out below:

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company's exposure to credit risk arises principally from its receivables.

Receivables

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

The Group does not have any significant exposure to any individual customer. A significant portion of its trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 23 to the financial statements.

The Company provides unsecured loans and advances to subsidiaries. Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment.

The Group and Company's maximum exposure to credit risk arising from the receivables is represented by the carrying amounts in the statements of financial position.

Financial guarantees

The Company has provided corporate guarantees to financial institutions and suppliers for financing arrangements of certain subsidiaries. The financial guarantees have not been recognised since the fair value on initial recognition was negligible.

(b) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity and cash flow risk arises primarily from its various payables, loans and borrowings. The Group's objective is to maintain a balance of funding and flexibility through the use of credit facilities, short and long term borrowings.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Notes to the Financial Statements

for the financial year ended 31 December 2013

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

AS AT 31 DECEMBER 2013	ON DEMAND OR WITHIN ONE YEAR RM'000	ONE TO FIVE YEARS RM'000	OVER FIVE YEARS RM'000	TOTAL RM'000
Group				
Financial liabilities:				
Payables	236,060	–	–	236,060
Borrowings	296,224	108,662	632	405,518
Derivatives	3,829	–	–	3,829
Total undiscounted financial liabilities	536,113	108,662	632	645,407
Company				
Financial liabilities:				
Payables	23,134	–	–	23,134
Borrowings	215,476	99,323	–	314,799
Total undiscounted financial liabilities	238,610	99,323	–	337,933
AS AT 31 DECEMBER 2012 (RESTATED)				
Group				
Financial liabilities:				
Payables	297,871	–	–	297,871
Borrowings	305,755	126,396	982	433,133
Derivatives	4,773	–	–	4,773
Total undiscounted financial liabilities	608,399	126,396	982	735,777
Company				
Financial liabilities:				
Payables	35,576	–	–	35,576
Borrowings	209,915	120,461	–	330,376
Total undiscounted financial liabilities	245,491	120,461	–	365,952

Notes to the Financial Statements

for the financial year ended 31 December 2013

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates to interest bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

The Group has entered into interest rate swap contracts to manage exposures of its borrowings to interest rate risk. The contractual repricing allows the Group to receive interest at fixed rates and to pay interest at floating rates on notional principal amounts.

The following table illustrates the effect of changes in interest rates at 31 December 2013. If the interest rates at the end of the reporting period increased by twenty five (25) basis points with all other variables held constant, the Group's and the Company's profit before tax will improve/(decline) by:

	2013 RM'000	2012 RM'000
Group		
Increase by 25 basis points	(1,012)	(1,096)
Company		
Increase by 25 basis points	(773)	(781)

A similar decrease of basis points in the interest rates would have an equal but opposite effect.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currency.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Notes to the Financial Statements

for the financial year ended 31 December 2013

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk (continued)

The following table illustrates the effect of changes in exchange rate on the translation of foreign currency monetary items against the functional currency at 31 December 2013. If the major currencies weakened by 3% at the end of the reporting period, the Group's and the Company's profit before tax will improve/(decline) by:

MAJOR CURRENCY	2013 RM'000	2012 RM'000
Group		
United States Dollar	4,040	4,240
Company		
European Euro	(4,390)	(2,950)
United States Dollar	4,490	4,250

A similar percentage increase in the exchange rate would have an equal but opposite effect.

The Group operates internationally and is therefore exposed to different currencies of the countries where the Group operates. Exposure to currency risk as a whole is mitigated by the operating environment which provides for a natural hedge. Most payments for foreign payables is matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

(e) Market price risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group does not actively trade in quoted equity investments apart from certain investments by subsidiaries in bonds/equity in relation to pension scheme investments. The value of such investments subjected to market price risk are small and as such the effects of the market price fluctuations to the Group is not material.

38. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 27 December 2013, a 96.45% subsidiary, Pelikan Holding AG entered into an agreement to purchase the German and Austria stationery business from Herlitz PBS Aktiengesellschaft Papier-, Büro- und Schreibwaren, a 70.92% subsidiary, with effect from 1 March 2014. The aforesaid transaction was completed on 28 February 2014 with a final purchase price of EUR15.6 million for the net assets taken over, including the brand names and customer base.

Notes to the Financial Statements

for the financial year ended 31 December 2013

39. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained profits as at the end of the reporting period may be analysed as follows:

	GROUP			COMPANY		
	31.12.2013 RM'000	31.12.2012 RM'000 RESTATED	1.1.2012 RM'000 RESTATED	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Total retained profits of the Company and its subsidiaries:						
– Realised profit	56,398	65,605	169,111	25,798	30,262	35,162
– Unrealised loss	(3,047)	(11,452)	(9,304)	(495)	(6,481)	(10,085)
	53,351	54,153	159,807	25,303	23,781	25,077
Total share of accumulated losses from associates:						
– Realised loss	–	(349)	(349)	–	–	–
– Unrealised profit	–	49	49	–	–	–
	–	(300)	(300)	–	–	–
Less: Consolidation adjustments	2,485	1,980	(589)	–	–	–
Total retained profits as per statements of financial position	55,836	55,833	158,918	25,303	23,781	25,077

The determination of realised and unrealised profits/losses above is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants on 20 December 2010.

Additional Compliance Information

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”):

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

2. SHARE BUY-BACKS

The Company had at the previous Annual General Meeting of the Company held on 25 June 2013, obtained its shareholders’ approval to continue the share buy-back exercise, to purchase up to ten percent (10%) of the total issued and paid-up ordinary share capital of the Company at any point of time through Bursa Securities. During the financial year under review, a total of 2,462,200 shares were repurchased as treasury shares with a total cost of RM1,337,831.

In addition, during the financial year, the Company reissued 90,000 treasury shares by resale in the open market. The average resale price of the treasury shares was RM0.45 per share. The proceeds from the resale were utilised for working capital.

Other than mentioned above, none of the shares repurchased was resold or cancelled during the financial year.

The details of shares bought back/resold during the financial year ended 31 December 2013 are shown as follows:

MONTHLY BREAKDOWN OF SHARES PURCHASED	NO. OF SHARES PURCHASED/ REISSUED	MINIMUM PRICE PER SHARE (RM)	MAXIMUM PRICE PER SHARE (RM)	*AVERAGE PRICE PER SHARE (RM)	*TOTAL AMOUNT PAID/RECEIVED (RM)
January 2013	104,300	0.705	0.725	0.721	75,248
February 2013	672,400	0.614	0.670	0.639	429,567
March 2013	212,400	0.580	0.595	0.592	125,743
April 2013	109,900	0.520	0.570	0.537	58,972
May 2013	717,000	0.500	0.515	0.511	366,299
June 2013	310,800	0.450	0.465	0.460	143,055
August 2013	235,400	0.385	0.435	0.392	92,191
September 2013	100,000	0.465	0.465	0.468	46,756
	(90,000)	0.450	0.455	0.450	(40,476)
Total	2,372,200				1,297,355

* Including brokerage, commission, clearing house fee and stamp duty.

Additional Compliance Information

3. OPTIONS OR CONVERTIBLE SECURITIES

The shareholders of the Company had on 17 December 2009 during the Extraordinary General Meeting of the Company approved an Executive' Share Option Scheme ("ESOS") for the eligible executives and Directors of the Company. The ESOS was effective 1 March 2010 and is to be in force for a period of five (5) years from the effective date of implementation. It may be extended or renewed for a further period of five (5) years, at the sole and absolute discretion of the Board of Directors upon the recommendation of the Option Committee and pursuant to the by-law, and shall not in aggregate exceed a duration of ten (10) years from the effective date of implementation. There were no options granted after the effective date of the ESOS.

During the financial year ended 31 December 2013, the Company has not issued any options or convertible securities.

4. DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any depository receipt programme.

5. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

6. NON-AUDIT FEES

The non-audit fees paid or payable to the external auditors of the Company and its subsidiaries for the financial year ended 31 December 2013 amounted to RM 471,000.00.

7. VARIATION IN RESULTS

There was no deviation of 10% or more between the unaudited financial results announced and the audited financial results of the Company and the Group for the financial year ended 31 December 2013.

The Company did not release any profit estimate, forecast or projections during the financial year.

8. PROFIT GUARANTEE

During the financial year, there was no profit guarantee given by the Company.

9. MATERIAL CONTRACTS

There was no material contract, not being contract entered into in the ordinary course of business of the Company and its subsidiaries, involving the interest of the Directors and major shareholders of the Company, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Analysis of Shareholdings

as at 21 April 2014

Authorised Share Capital : RM1,000,000,000
 Issued and Paid-Up Share Capital : RM512,796,061
 Class of Shares : Ordinary Shares of RM1.00 each
 Voting Rights : One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%*	NO. OF SHARES	%*
1 – 99	493	8.66	17,211	0.00
100 – 1,000	327	5.75	129,709	0.03
1,001 – 10,000	2,916	51.22	12,567,714	2.48
10,001 – 100,000	1,702	29.89	47,635,998	9.38
100,001 to less than 5% of the issued shares	252	4.43	226,924,051	44.68
5% and above of issued shares	3	0.05	220,593,367	43.43
Total	5,693	100.00	507,868,050	100.00

* After netting off the 4,928,011 treasury shares of Pelikan International Corporation Berhad (“PICB”) held as at 21 April 2014.

DIRECTORS’ SHAREHOLDINGS (Based on the Register of Directors’ Shareholdings)

NAME OF DIRECTORS	DIRECT INTEREST	NO. OF SHARES HELD		%*
		%*	INDIRECT INTEREST	
1. Loo Hooi Keat	49,532,723	9.75	17,545,985 ⁽¹⁾	3.45
2. Tan Sri Abi Musa Asa’ari bin Mohamed Nor	–	–	–	–
3. Dato’ Affuddin bin Abdul Kadir	–	–	–	–
4. Dato’ Lua Choon Hann	–	–	–	–
5. Dato’ Mohamad Norza bin Zakaria	–	–	–	–
6. Yap Kim Swee	–	–	–	–
7. Datuk Rozaida binti Omar	–	–	–	–
8. Normimy Binti Mohamed Noor	–	–	–	–

Save as disclosed above, none of the Directors of the Company has any interest, direct or indirect, in a related corporation of PICB.

Notes:

⁽¹⁾ Deemed interested by virtue of his substantial shareholdings in PBS Office Supplies Holding Sdn Bhd and Mahir Agresif (M) Sdn Bhd and deemed interested by virtue of shares held by his daughter.

* After netting off the 4,928,011 treasury shares of PICB held as at 21 April 2014.

Analysis of Shareholdings

as at 21 April 2014

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS (Based on the Register of Substantial Shareholders)

NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES HELD			
	DIRECT INTEREST	%*	INDIRECT INTEREST	%*
1. Loo Hooi Keat	49,532,723	9.75	17,407,061 ⁽¹⁾	3.43
2. Lembaga Tabung Haji	157,185,498	30.95	—	—
3. Chia Chor Meng and Nominees	39,535,000	7.78	793,900 ⁽²⁾	0.16
4. ECM Libra Investments Limited	30,746,867	6.05	—	—
5. ECM Libra Investment Bank Limited	—	—	30,746,867 ⁽³⁾	6.05
6. ECM Libra Holdings Limited	—	—	30,746,867 ⁽³⁾	6.05
7. ECM Libra Financial Group Berhad	—	—	30,746,867 ⁽³⁾	6.05
8. Equity Vision Sdn Bhd	—	—	30,746,867 ⁽³⁾	6.05
9. Lim Kian Onn	—	—	30,746,867 ⁽⁴⁾	6.05

Notes:

⁽¹⁾ Deemed interested by virtue of his substantial shareholdings in PBS Office Supplies Holding Sdn Bhd and Mahir Agresif (M) Sdn Bhd.

⁽²⁾ Deemed interested by virtue of shares held by his wife.

⁽³⁾ Deemed interested by virtue of their interest in ECM Libra Investments Limited.

⁽⁴⁾ Deemed interested by virtue of his interest in ECM Libra Investments Limited.

* After netting off the 4,928,011 treasury shares of PICB held as at 21 April 2014.

LIST OF TOP THIRTY (30) SHAREHOLDERS (Based on the Record of Depositors)

NAME OF SHAREHOLDERS	NO. OF SHARES	%*
1. Lembaga Tabung Haji	157,185,498	30.950
2. AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loo Hooi Keat	32,661,002	6.431
3. Kenanga Nominees (Asing) Sdn Bhd For ECM Libra Investments Limited	30,746,867	6.054
4. Public Invest Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Clients)	25,140,486	4.950
5. Pembinaan Redzai Sdn Berhad	24,000,000	4.725
6. CIMSEC Nominees (Asing) Sdn Bhd Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	22,242,668	4.379
7. Kenanga Nominees (Asing) Sdn Bhd Pledged Account-ECM Libra Investments Limited For PBS Office Supplies Holding Sdn Bhd	17,345,919	3.415

Analysis of Shareholdings

as at 21 April 2014

LIST OF TOP THIRTY (30) SHAREHOLDERS (Based on the Record of Depositors) (continued)

NAME OF SHAREHOLDERS	NO. OF SHARES	%*
8. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loo Hooi Keat	12,000,000	2.362
9. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	9,960,200	1.961
10. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Gan Kong Hiok (M52019)	6,620,840	1.303
11. Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koh Kim Teck (471848)	6,260,000	1.232
12. HSBC Nominees (Asing) Sdn Bhd Exempt An For The Hongkong And Shanghai Banking Corporation Limited (Hbap-Sgdiv-Accl)	5,615,100	1.105
13. Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd For Chumpon Chantharakulpongsa	5,200,000	1.023
14. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gan Kong Hiok	4,080,000	0.803
15. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gan Kong Hiok (KLC/Ken)	3,436,360	0.676
16. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Chia Kwoon Meng (MM0678)	3,385,100	0.666
17. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gan Kong Hiok (001)	3,348,000	0.659
18. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	2,680,000	0.527
19. M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Loo Hooi Keat (M&A)	2,444,400	0.481
20. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gan Kong Hiok	2,130,000	0.419
21. AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Boh Bee Yen	2,005,300	0.394
22. AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loo Hooi Keat (MX3665)	2,000,000	0.393

Analysis of Shareholdings

as at 21 April 2014

LIST OF TOP THIRTY (30) SHAREHOLDERS (Based on the Record of Depositors) (continued)

NAME OF SHAREHOLDERS	NO. OF SHARES	%*
23. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Huat Eng	1,842,600	0.362
24. Chong Fu Seong	1,800,000	0.354
25. HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Thong Chai Hong (CCTS)	1,528,100	0.300
26. HSBC Nominees (Asing) Sdn Bhd BNY Brussels For Allchurches Investment Management Services Ltd	1,514,292	0.298
27. Kenanga Nominees (Tempatan) Sdn Bhd Heah Sieu Lay (PCS)	1,462,409	0.287
28. Lim Siao Gia (Lin Xiaojia)	1,376,000	0.270
29. HSBC Nominees (Asing) Sdn Bhd BNY Brussels For E.I.O. Trustees Limited	1,147,500	0.225
30. Chow Chee Hin	1,127,100	0.221

* After netting off the 4,928,011 treasury shares of PICB held as at 21 April 2014.

List of Group Properties

REGISTERED OWNER	LOCATION	LAND AREA	EXISTING USE	BUILT-UP AREA	AGE OF BUILDING/ DATE OF ACQUISITION	TENURE	RM'000
1. Pelikan GmbH	Factory Vöhrum Pelikanstrasse 11 D-31228 Peine Germany	68,873 sqm	Production	46,373 sqm	17 – 43 years 17/12/1973	Freehold	59,300
2. Pelikan México S.A. de C.V.	Carretera a Tehuacán 1033 Col. Maravillas C.P. 72220, Puebla Pue Mexico	80,109 sqm	Production	18,485 sqm	34 years 30/4/1981	Freehold	21,199
3. Pelikan Hardcopy Production AG	Mönchaltorf Plant Mettlenbachstrasse 3 CH-8617 Mönchaltorf Switzerland	4,190 sqm	Production	2,420 sqm	22 years 12/4/1989	Freehold	6,587
4. Linea GmbH	Alte Heeresstrasse 27 D-59929 Brilon Germany	3,703 sqm	Office building & warehouse	1,698 sqm	18 years 29/12/1999	Freehold	3,045
5. Pelikan Colombia S.A.S.	Carrera 65B No 18 ^a -17 Bogotá Colombia	4,478 sqm	Production	5,845 sqm	34 years 8/1/2007	Freehold	8,804
6. Pelikan Hardcopy Scotland Limited	Markethill Road GB-Turriff Aberdeenshire AB 53 4AW United Kingdom	30,200 sqm	Production	15,400 sqm	48 years 15/1/2010	Freehold	2,578
7. Herlitz Spolka z.o.o.	ul. Szamotulska2 Baranowo k/Poznania 62081 Przemierowo Poland	37,563 sqm	Office building, production & warehouse	12,000 sqm	14 years 1/1/1999	Freehold	10,108
8. Herlitz Spol. s.r.o.	Komerční zóna Průhonice Obchodní 101 25170 Čestlice okr. Praha-východ Czech Republic	6,894 sqm	Office building	2,823 sqm	16 years 10/1/1997	Freehold	4,952
9. Herlitz Romania S.R.L.	Depozitelor Str. 22 540240 Tirgu Mures Romania	861 sqm	Land	–	– 15/3/1995	Freehold	54
10. Molkari Vermietungsgesellschaft Mbh & Co. Objekt Falkensee Kg	Strasse der Einheit 142-148 D-14612 Falkensee Germany	319,783 sqm	Logistic Centre	35,008 sqm	19 years 31/12//2001	Freehold	195,670
11. Pelikan Argentina	Paraná 747, Ciudad Autónoma de Buenos Aires Argentina	302 sqm	Office building	277 sqm	<1 year 10/12/2013	Freehold	3,009
							315,306

Pelikan Group of Companies Directory

PRODUCTION

Colombia

Pelikan Colombia S.A.S.
Carrera 65B No. 18^a – 17
Bogotá
Tel: +571 261 1711
Fax: +571 290 5550
Email: servicioclientes@pelikan.com.co
Website: www.pelikan.com

Czech Republic

Pelikan Hardcopy CZ s.r.o.
Svatoborska 395
CZ-69701 Kyjov
Tel: +42 0 518 699 888
Fax: +42 0 518 699 866
Email: phcz@phpag.com

Germany

Pelikan PBS-Produktionsgesellschaft mbH & Co. KG
Factory Vöhrum
Pelikanstrasse 11
D - 31228 Peine
Tel: +49 5171 299 0
Fax: +49 5171 299 205
Email: produktion@pelikan.com

Germany

Susy Card GmbH
Straße der Einheit 142-148
14612 Falkensee
Tel: +49(30) 4393 0
Fax: +49(30) 4393 3408
Email: www.herlitz.de/servicelinks/kontakt.html
Website: www.herlitz.de

Great Britain

Pelikan Hardcopy Scotland Limited
Markethill Road, GB-Turriff
Aberdeenshire AB 53 4AW
Tel: +44 1 888 564 200
Fax: +44 1 888 562 042
Email: info.uk@pelikan.com

Malaysia

Pelikan Production (Malaysia) Sdn. Bhd.
No. 5, Jalan Jurubina U1/18
Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Tel: +603 5567 0400
Fax: +603 5567 0403
Email: enquiry@pelikan.com.my

Mexico

Pelikan México S.A. de C.V.
Carretera a Tehuacán 1033
Col. Maravillas
C.P. 72220 Puebla, Pue
Tel: + 52 222 309 8000
Fax: + 52 222 309 8049
Email: direccion.general@pelikan.com.mx

People's Republic of China

Dongguan Pelikan Hardcopy Ltd.
Lingtou Administrative District
Qiaotou Zhen, Dongguan
Guangdong, 523530
Tel: +86 769 8334 6707
Fax: +86 769 8334 2450
Email: info@pelikan-china.com

Poland

Herlitz Spolka z.o.o.
ul. Szamotulska 2
Baranowo k/Poznania
62081 Przemierowo
Tel: +48 61 6501 100
Fax: +48 61 6501 199
E-Mail: info@herlitz.pl
Website: www.herlitz.pl

Switzerland

Pelikan Hardcopy Production AG
Haldenstrasse 28
CH-8620 Wetzikon
Tel: +41 44 986 1222
Email: info.php@phpag.com

INVESTMENT HOLDINGS

Malaysia

Pelikan International Corporation Berhad
No. 9, Jalan Pemaju U1/15
Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Tel: +603 5569 5511
Fax: +603 5569 5500
Email: picb@pelikan.com.my

Switzerland

Pelikan Holding AG
Chaltenbodenstrasse 8
CH-8834 Schindellegi
Tel: +41 44 786 70 20
Fax: +41 44 786 70 21
Email: frauke.wandrey@pelikan.com

Germany

Herlitz AG
Am Borsigturm 100
13507 Berlin
Tel: +49(30) 4393 0
Fax: +49(30) 4393 3408
Email: www.herlitz.de/servicelinks/kontakt.html
Website: www.herlitz.de

Pelikan Group of Companies Directory

SALES

EUROPE

Austria

Pelikan Austria Gesellschaft m.b.H.
IZ NÖ Süd, Strasse 7, Objekt 58D, TOP 8
A-2355 Wiener Neudorf
Tel: +43 2236 44000
Fax: +43 2236 44200

Belgium

Pelikan N.V./S.A.
Stationsstraat 43
B - 1702 Groot-Bijgaarden
Tel: +32 2 481 87 00
Fax: +32 2 481 87 19
Email: info@pelikan.be

Bulgaria

Herlitz Bulgaria EOOD
Poruchik Nedelcho Bonchev Str. 10
Lager 25-26
Industriegebiet Gara Iskar
1528 Sofia
Tel: +359 2 9732020
Fax: +359 2 9732151
Email: office@herlitzbg.com
Website: www.herlitzbg.com

Czech Republic

Herlitz spol. s r.o.
Myslíkova 1998/30
Nové Město
120 00 Praha 2
Tel: +420 296 544 111
Fax: +420 296 544 445
Email: PALBERTY@herlitz.cz
Website: www.herlitz.cz

France

Pelikan France S.A.S.
Les Conquérants – Imm. Annapurna
1 Av. de l'Atlantique – Z.A. Courtaboeuf
91978 Les Ulis Cedex
Tel: +33 (0)1 69 29 88 68
Fax: +33 (0)1 69 29 88 60
Email: info@pelikan.fr

Germany

Pelikan Vertriebsgesellschaft mbH & Co. KG
Werftstrasse 9
D - 30163 Hanover
Tel: +49 511 6969 0
Fax: +49 511 6969 212
Email: vertrieb@pelikan.com
(domestic sales)
Email: international@pelikan.com
(international sales)

Germany

Herlitz AG/Convex Schreibwaren-Handels GmbH
Am Borsigturm 100
13507 Berlin
Tel: +49(30) 4393 0
Fax: +49(30) 4393 3408
Email: www.herlitz.de/service/links/kontakt.html
Website: www.herlitz.de

Greece

Pelikan Hellas Ltd
8th km of Vari-Koropi Avenue
P.O. Box 9602
194 00 Koropi
Tel: +30 210 66 25 129
Fax: +30 210 66 27 953
Email: pelikan@pelikan.gr

Hungary

Herlitz Hungária Kft.
Campona u.1
(Harbor Park)
1225 Budapest
Tel: +36 1 3052000
Fax: +36 1 3052035
Email: herlitz@herlitz.hu
Website: www.herlitz.hu

Italy

Pelikan Italia S.p.A.
Via Stephenson 43/A
I-20157 Milan
Tel: +39 02 390161
Fax: +39 02 39016367
Email: info@pelikan.it

Poland

Herlitz Spolka z.o.o.
ul. Szamotulska 2
Baranowo k/Poznania
62081 Przemierowo
Tel: +48 61 6501 100
Fax: +48 61 6501 199
Email: info@herlitz.pl
Website: www.herlitz.pl

Romania

Herlitz Romania S.R.L.
Depozitelor Str. 22
540240 Tirgu Mures
Tel: +402 65 253722
Fax: +402 65 253582
Email: herlitz@herlitzromania.ro
Website: www.herlitzromania.ro

Pelikan Group of Companies Directory

SALES

Slovakia

Herlitz Slovakia s.r.o.
Odborárska 52
83102 Bratislava
Tel: +421 244 461766
Fax: +421 244 464402
Email: PAlberty@herlitz.sk
Website: www.herlitz.sk

Spain

Pelikan S.A.
Lleida 8, nave 1
08185 Lliçà de Vall
Barcelona
Tel: +34 902 208 200
Fax: +34 902 208 201
Email: pelikan@pelikan.es

Sweden

Pelikan Nordic AB
Skeppsgatan 19
SE-211 19 Malmö
Tel: +46 40 627 08 40
Fax: +46 40 627 08 41
Email: Nordic@pelikan.com

Switzerland

Pelikan (Schweiz) AG
Chaltenbodenstrasse 8
CH-8834 Schindellegi
Tel: +41 44 786 70 20
Fax: +41 44 786 70 21
Email: info@pelikan.ch

The Netherlands

Pelikan Nederland B.V.
Kerkenbos 10-53J
NL-6546BB Nijmegen
Tel: +31 24 3556 474
Email: info@pelikan.nl

Turkey

Pelikan Ofis Ve Kirtasiye Malzemeleri
Ticaret Ltd. Sirketi
Yeşilköy Mah. Atatürk Cad. İDTM Blokları Çarşısı 1.
Kat No: 10 Ofis no: 96/6
34149 Yeşilköy İstanbul
Tel: +90 (0) 212 465 3960
Fax: +90 (0)212 465 3906

AMERICAS

Argentina

Pelikan Argentina S.A.
Juan Zufriategui 627 Piso 1º
B1638CAA Vicente López
Buenos Aires
Tel: +54 11 4118 3100
Fax: + 54 11 4118 3199
Email: info@pelikan.com.ar

Colombia

Pelikan Colombia S.A.S.
Carrera 65B No. 18ª - 17
Bogotá
Tel: +571 261 1711
Fax: +571 290 5550
Email: servicioclientes@pelikan.com.co
Website: www.pelikan.com

Mexico

Pelikan México S.A. de C.V.
Carretera a Tehuacán 1033
Col. Maravillas
C.P. 72220 Puebla, Pue.
Tel: + 52 222 309 8000
Fax: + 52 222 309 8049
Email: direccion.general@pelikan.com.mx

ASIA & MIDDLE EAST

India

Pelikan Trading India Private Limited
1, "Anup" Sunbeam CHS,
Juhu Dhara Complex,
New Juhu Versova Link Road,
Andheri (W),
Mumbai 400 053
Tel: +91 (11) 4155 3060
Fax: +91 (11) 4155 3068

Indonesia

PT Pelikan Indonesia
Jl. Cideng Barat No 115
Jakarta 10150
Tel: +62 21 3805 685 & 86
Fax: +62 21 3810 317
Email: mangun@pelikan.co.id

Japan

Pelikan Japan K.K.
Nobui Bldg. 5 Floor,
1-1-12 Ueno
Taito-ku
Tokyo 110-0005
Tel: +81 3 3836 6541
Fax: +81 3 3836 6545
Email: pel.cs@pelikan.co.jp

Malaysia

Pelikan Asia Sdn. Bhd.
No. 9, Jalan Pemaju U1/15
Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Tel: +603 5569 5511
Fax: +603 5567 0618
Email: enquiry@pelikan.com.my

Pelikan Group of Companies Directory

SERVICE

Singapore

Pelikan Singapore Pte. Ltd.
18, Tannery Lane,
#01-02/03/04, Lian Tong Building
Singapore 347780
Tel: +65 6258 5231
Fax: +65 6258 4157
Email: enquiry@pelikan.com.sg

Taiwan

Pelikan Taiwan Co., Ltd.
1F, 32, Lane 21, Hwang Chi Street
Taipei, Taiwan 111
Tel: +886 2 8866 5818
Fax: +886 2 8866 3102
Email: info@pelikan.com.tw

Thailand

Pelikan (Thailand) Co. Ltd.
125/12-13 Moo6, Kanchana-pisek Road
Bangkae Nua, Bangkae
Bangkok 10160
Tel: +662 804 1415-9
Fax: +662 804 1420
Email: pelikan@pelikan.co.th

United Arab Emirates

Pelikan Middle East FZE
Sharjah Airport International Free Zone
Area O3 – Bldg “O”
P.O.Box 120318, Sharjah
Tel: +9716 5574571
Fax: +9716 5574572
Email: nalatrash@pelikan.ae

Germany

Mercoline GmbH
Am Borsigturm 100
13507 Berlin
Tel: +49(30) 4393 0
Fax: +49(30) 4393 3408
Email: www.herlitz.de/servicelinks/kontakt.html
Website: www.herlitz.de

Germany

eCom Logistik GmbH & Co. KG
Straße der Einheit 142-148
14612 Falkensee
Tel: +49(30) 4393 0
Fax: +49(30) 4393 3408
Email: www.herlitz.de/servicelinks/kontakt.html
Website: www.herlitz.de

Germany

POS Servicegesellschaft mbH
Straße der Einheit 142-148
14612 Falkensee
Tel: +49(30) 4393 0
Fax: +49(30) 4393 3408
Email: www.herlitz.de/servicelinks/kontakt.html
Website: www.herlitz.de

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Second Annual General Meeting of Pelikan International Corporation Berhad will be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Wednesday, 18 June 2014 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and Auditors thereon. **(Please refer to Note 7)**
2. To approve the payment of Directors' fees of RM460,000.00 for the financial year ended 31 December 2013. **(Ordinary Resolution 1)**
3. To re-elect Mr. Yap Kim Swee who retires pursuant to Article 127 of the Company's Articles of Association. **(Ordinary Resolution 2)**
4. To re-elect Datuk Rozaida Binti Omar who retires pursuant to Article 127 of the Company's Articles of Association. **(Ordinary Resolution 3)**
5. To re-elect Puan Normimy Binti Mohamed Noor who retires pursuant to Article 127 of the Company's Articles of Association. **(Ordinary Resolution 4)**
6. To re-appoint Messrs. BDO as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

7. To approve the proposed renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act 1965.

"THAT, pursuant to Section 132D of the Companies Act 1965, the Articles of Association of the Company and subject to the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised to issue shares of the Company from time to time upon such terms and conditions for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit and expedient in the best interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total issued and paid-up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

(Ordinary Resolution 6)

Notice of Annual General Meeting

8. To transact any other business for which due notice has been given in accordance with the Articles of Association of the Company.

BY ORDER OF THE BOARD

HO MING HON (MICPA 3814)
CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretaries

Selangor Darul Ehsan
26 May 2014

NOTES:

1. A Member who is entitled to attend and vote at the meeting is entitled to appoint at least one (1) proxy to attend and vote in his stead. Where a Member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor, and shall be in the form as set out in the Articles of Association of the Company (or in a form as near to it as circumstances allow or in any other form which is usual or which the Directors may approve) and shall be deemed to include the right to demand or join in demanding a poll.
5. Only depositors whose names appear in the Record of Depositors as at 10 June 2014 shall be entitled to attend, speak and vote at the Thirty-Second (32nd) Annual General Meeting of the Company or appoint a proxy to attend and vote on his behalf.
6. The proxy form, to be valid, must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.
7. This agenda item is meant for discussion only, as the provision of section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda is not put forward for voting.

Notice of Annual General Meeting

Explanatory Notes on Special Business:

Ordinary Resolution 6

To approve the proposed renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.

The proposed Ordinary Resolution 6 if passed, will give powers to the Directors to issue up to a maximum 10% of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal to a general mandate sought in the preceding year. As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirty-first Annual General Meeting held on 25 June 2013. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval, which would incur additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Form of Proxy



PELIKAN INTERNATIONAL CORPORATION BERHAD
(Company No. 63611-U)

Number of Shares Held	
CDS Account No.	

I/We _____ (Full name in capital letters)

NRIC No./Company No. _____ of _____ (Full address)

being a Member of PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U), hereby appoint

(Proxy A) _____ (Full name in capital letters)

NRIC No. _____ of _____ (Full address)

*and/or failing him/her

(Proxy B) _____ (Full name in capital letters)

NRIC No. _____ of _____ (Full address)

and/or failing him/her, *the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us and on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at Saujana Hotel Sdn Bhd, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Wednesday, 18 June 2014 at 3.00 p.m. or any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxy/proxies are as follows:

Proxy A	%
Proxy B	%
	100%

My/our proxy/proxies shall vote as follows:

(Please indicate with an "X" in the spaces provided below how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting at his/her discretion.)

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of the Directors' fees		
2.	To re-elect Yap Kim Swee as Director of the Company		
3.	To re-elect Datuk Rozaida Binti Omar as Director of the Company		
4.	To re-elect Normimy Binti Mohamed Noor as Director of the Company		
5.	To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration		
6.	To approve the proposed renewal of authority for Directors to issue shares		

Signed this _____ day of _____, 2014

* Strike out whichever not applicable

Signature(s) of Member/Common Seal

NOTES:

- A Member who is entitled to attend and vote at the meeting is entitled to appoint at least one (1) proxy to attend and vote in his stead. Where a Member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
- Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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- The proxy form, to be valid, must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia at least forty-eight (48) hours before the time set for holding of the meeting or any adjournment thereof.

Please fold here to seal

Please fold here

STAMP

TRICOR INVESTOR SERVICES SDN BHD
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Please fold here



Pelikan International Corporation Berhad

(Company No. 63611-U)

No. 9, Jalan Pemaju U1/15
Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

T (+603) 5569 5511
F (+603) 5569 5500

www.pelikan.com