



## **POS MALAYSIA BERHAD**

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period  
Ended 30 June 2014

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

The Board of Directors is pleased to announce the unaudited financial results of the Group for the financial period ended 30 June 2014.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Current quarter 3 Months Ended		Cumulative 3 Months Ended	
		30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Revenue		368,797	355,817	368,797	355,817
Operating expenses		(335,330)	(298,103)	(335,330)	(298,103)
Profit from operations		33,467	57,714	33,467	57,714
Other income		5,803	7,286	5,803	7,286
Finance cost		(507)	(187)	(507)	(187)
<b>PROFIT BEFORE ZAKAT AND TAXATION</b>		<b>38,763</b>	64,813	<b>38,763</b>	64,813
Zakat		(411)	(473)	(411)	(473)
<b>PROFIT BEFORE TAXATION</b>		<b>38,352</b>	64,340	<b>38,352</b>	64,340
Taxation	17	(11,244)	(21,194)	(11,244)	(21,194)
<b>NET PROFIT FOR THE FINANCIAL PERIOD</b>		<b>27,108</b>	43,146	<b>27,108</b>	43,146
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<b>27,108</b>	43,146	<b>27,108</b>	43,146
Net profit for the financial period attributable to:					
Owners of the Company		27,108	43,687	27,108	43,687
Non-controlling interest		-	(541)	-	(541)
		<b>27,108</b>	43,146	<b>27,108</b>	43,146
Total comprehensive income for the financial period attributable to:					
Owners of the Company		27,108	43,687	27,108	43,687
Non-controlling interest		-	(541)	-	(541)
		<b>27,108</b>	43,146	<b>27,108</b>	43,146
Basic earnings per share (sen):	21	<b>5.05</b>	8.13	<b>5.05</b>	8.13

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2014 and the explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	As at 30.06.2014 RM'000	As at 31.03.2014 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		640,445	642,900
Investment properties		30,340	30,340
Goodwill		4,630	4,630
Investment securities: held-to-maturity		95,120	94,642
		<b>770,535</b>	<b>772,512</b>
<b>CURRENT ASSETS</b>			
Inventories		10,992	13,540
Trade and other receivables		368,665	309,352
Investment securities		556	21,352
Current tax assets		3,480	3,131
Cash and cash equivalents		568,345	535,947
		<b>952,038</b>	<b>883,322</b>
<b>TOTAL ASSETS</b>		<b>1,722,573</b>	<b>1,655,834</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

	Note	As at 30.06.2014 RM'000	As at 31.03.2014 RM'000
<b>EQUITY AND LIABILITIES</b>			
Share Capital*		268,513	268,513
Reserves		792,525	765,421
<b>Equity attributable to owners of the Company</b>		<b>1,061,038</b>	<b>1,033,934</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		37,270	42,637
		<b>37,270</b>	<b>42,637</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		567,450	513,096
Current tax liabilities		8,017	17,369
Revolving credit		48,798	48,798
		<b>624,265</b>	<b>579,263</b>
<b>TOTAL LIABILITIES</b>		<b>661,535</b>	<b>621,900</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,722,573</b>	<b>1,655,834</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)</b>		<b>1.98</b>	<b>1.93</b>

\* Based on 537,026,085 ordinary shares in issue.

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2014 and the explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Issued and fully paid ordinary shares		Non-distributable		Retained Earnings RM'000	Equity attributable to owners of the Company RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Share Premium RM'000	Revaluation Reserves RM'000				
Balance at beginning of the financial year 1.4.2014	537,026	268,513	385	1,144	763,888	1,033,930	-	1,033,930
Total comprehensive income for the financial period	-	-	-	-	27,108	27,108	-	27,108
<b>Balance as at 30.06.2014</b>	<b>537,026</b>	<b>268,513</b>	<b>385</b>	<b>1,144</b>	<b>790,996</b>	<b>1,061,038</b>	<b>-</b>	<b>1,061,038</b>
Balance at beginning of the financial year 1.4.2013	537,026	268,513	385	1,144	677,071	947,113	579	947,692
Total comprehensive income for the financial period	-	-	-	-	43,687	43,687	(541)	43,146
<b>Balance as at 30.06.2013</b>	<b>537,026</b>	<b>268,513</b>	<b>385</b>	<b>1,144</b>	<b>720,758</b>	<b>990,800</b>	<b>38</b>	<b>990,838</b>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2014 and the explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>3 Months Ended 30.06.2014 RM'000</b>	<b>3 Months Ended 30.06.2013 RM'000</b>
Net profit for the financial period	27,108	43,146
Adjustments:		
- Depreciation of property, plant and equipment	21,624	20,566
- Finance cost	507	187
- Taxation	11,244	21,194
- Others	-	(4,725)
Operating profit before working capital changes	60,483	80,368
Changes in working capital:		
Net decrease in current assets	(58,440)	(47,271)
Net increase in current liabilities	64,623	3,833
Net cash generated operations	66,666	36,930
Tax paid, net of refund	(26,313)	(2,060)
Net cash from operating activities	<b>40,353</b>	<b>34,870</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		-
Proceeds from disposal of investments and redemption of held-to-maturity securities	20,629	(28,351)
Purchase of property, plant and equipment	(19,482)	5,248
Net cash from/ (used in) investing activities	<b>1,147</b>	<b>(23,103)</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (Continued)**

	<b>3 Months Ended 30.06.2014 RM'000</b>	<b>3 Months Ended 30.06.2013 RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest expense	(507)	(187)
Proceeds from bank borrowing	-	5,350
Dividend paid to shareholders	-	(5)
Net cash (used in)/ from financing activities	<b>(507)</b>	<b>5,158</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>40,993</b>	<b>16,925</b>
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	439,263	479,163
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD</b>	<b>480,256</b>	<b>496,088</b>
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	227,206	182,011
Deposits	341,139	498,939
	568,345	680,950
Less: collections held on behalf of agencies**	(88,089)	(184,862)
	<b>480,256</b>	<b>496,088</b>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2014 and the explanatory notes attached to the interim financial report.

\*\* The amount of cash held on behalf of agencies is included under Trade and Other Payables in the Statement of Financial Position.

## **EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

### **1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2014 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 March 2014 except for the adoption of amendments to standards, amendments and interpretation effective for the annual periods beginning on or after 1<sup>st</sup> January 2014. The adoption of the above standards, amendments and interpretations did not have impact on the financial statements at the Group.

### **3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The Group's operations are not subject to any significant seasonal factors except that mail volume fluctuates during the festive season and at the beginning of calendar year.

### **4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE**

There was no item of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2014.

### **5. CHANGES IN ESTIMATES**

There were no changes in estimates of amount, which would materially affect the current reporting period.

### **6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no cancellation, repurchase and repayment of debt and equity securities during the current quarter.



**7. DIVIDENDS PAID**

There was no dividend paid for the current financial period ended 30 June 2014.

**8. SEGMENTAL INFORMATION**

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different business processes and customer needs. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) and the Board of Directors review internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Mail – Includes the provision of basic mail services for corporate and individual customers and customized mail solutions.
- Courier – Includes courier, parcel and logistic solutions by sea, air and land to both national and international destinations.
- Retail – Includes over-the-counter services for payment of bills and certain financial products and services.

Other operations include the hybrid mail which provides data and document processing services, business of internet security products, solutions and services and rental income from investment properties held by the Group. None of these segments meets any of the quantitative thresholds for determining reportable segments in the current reporting period.

There are varying levels of integration between the Mail reportable segment and the Courier reportable segments. This integration includes shared distribution services. The accounting policies of the reportable segments are the same as described in note 2.

**8. SEGMENTAL INFORMATION (CONTINUED)**

Information regarding the operations of each reportable segment is included below. Performance is measured based on segment results. Segment results is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on a negotiated basis.

The information of each of the Group's business segments for the financial period ended 30 June 2014 is as follows:

Period ended 30 June 2014

	<u>Mail</u>	<u>Courier</u>	<u>Retail</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
<b>Revenue</b>						
External	193,658	108,711	48,466	17,962	-	368,797
Internal	7,842	4,605	12,735	-	(25,182)	-
Total revenue	201,500	113,316	61,201	17,962	(25,182)	368,797
Segment profits	18,149	20,278	(13,513)	8,553	-	33,467
Other Income						1,803
Interest Income						4,000
Finance Cost						(507)
Profit before zakat and taxation						38,763
Zakat						(411)
Profit before taxation						38,352
Taxation						(11,244)
Net profit for the financial period						<u>27,108</u>
<b>Attributable to:</b>						
Owners of the company						<u>27,108</u>

**9. PROPERTY, PLANT AND EQUIPMENT**

There is no revaluation of property, plant and equipment from the previous audited annual financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

**10. SUBSEQUENT EVENT**

There were no material events subsequent to the end of the reporting period that have not been reflected in the financial statements.

**11. CHANGES IN THE COMPOSITION OF THE GROUP**

There are no changes in the composition during the quarter period ended under review.

**12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets at the end of the reporting period.

**13. PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging / (crediting) the following:

	<b>3 Months Ended</b>	
	<b>30.06.2014</b> <b>RM'000</b>	<b>30.06.2013</b> <b>RM'000</b>
Depreciation of property, plant and equipment	21,624	20,566
Finance cost	507	187
Fair value gain of securities designated as fair value through profit or loss	(35)	(45)
Doubtful debts (net of write backs)	1,925	1,342
Gain on disposal of:		
- property, plant and equipment	-	(14)
Interest income on:		
-short term deposits	(2,541)	(3,884)
-investment securities: held-to-maturity investment	(1,459)	(1,255)
Net foreign exchange differences	-	(641)

## 14. REVIEW OF GROUP PERFORMANCE

### 14.1 Group Performance

The Group generated higher revenue of RM368.8 million for the period ended 30.06.14 (30.06.2013: RM355.8 million) an increase of RM13.0 million or 3.6% from the corresponding period of the previous Financial Year. Despite the corresponding period's higher revenue base from the Mail segment, contributed by the one-off General Election 2013, the Group's initiatives especially in the courier segment vide innovative customer-centric solutions are yielding positive outcome.

The Group registered higher expenses by RM37.2 million compared to the preceding period primarily due to staff and transportation costs. Staff cost increase corresponds with the increase in revenue generated especially in the courier segment. The other significant increase is from transportation cost primarily involving higher international volume in line with the Group's focus in capitalizing the global trend of cross border e-commerce merchandise transactions.

Overall reduction in the Group's operating profit is due to fixed Mail segment operating cost despite the reduction in revenue as compared to previous' year cyclical high from the volume contributed by the General Election 2013. This has resulted in lower profits from operations of RM33.5 million.

The results of the major business segments are as follows:-

	3 MONTHS ENDED/ YEAR TO DATE	
	30.06.2014	30.06.2013
	RM'000	RM'000
Mail	18,149	44,090
Courier	20,278	16,762
Retail	(13,513)	(14,263)
Others	8,553	11,125
Profit from operations	<b>33,467</b>	<b>57,714</b>
Other income	5,768	7,241
Fair value adjustment for financial asset designated as FVTPL	35	45
Finance cost	(507)	(187)
<b>Profit before zakat and taxation</b>	<b>38,763</b>	<b>64,813</b>
Zakat	(411)	(473)
<b>Profit before taxation</b>	<b>38,352</b>	<b>64,340</b>

### Mail Segment

Mail segment registered lower operating profits by RM25.9 million or 58.8% due to lower revenue against operating cost. Revenue for the period under review is lower in prepaid, registered mail and ordinary mail compared to previous preceding quarter due to 2013 General Election volume.

14. **REVIEW OF GROUP PERFORMANCE (CONTINUED)**

14.1 Group Performance (continued)

**Courier Segment**

Sustained growth in demand for prepaid box/envelope as well as on demand and contract customers lifted courier segment operating profits to RM20.3 million from RM16.8 million previously due to innovative customer-centric solutions. The improved performance remains consistent with the steady growth recorded in the e-commerce segment.

**Retail Segment**

Retail segment performance improved following increase in contribution from financial services with higher revenue recorded from insurance products and Pos Ar-Rahnu offerings. The enhanced performance lowered the operating loss position by RM0.7 million for the period under review.

**Other Segment**

Other segment consists of sales of digital certificates, printing and insertion business, and rental income. Other segment operating profit decreased by RM2.6 million 23.1% as a result of lower printing and insertion service revenue.

**Group Profit Before Tax**

In line with the Group's Operating Profit as highlighted above, decrease in other income of RM1.5 million, finance cost increase by RM0.3 million due to financing requirements for Pos Ar-Rahnu operations, the Group achieved a pre-tax profit of RM38.3 million, lower than last year by RM25.9 million or 40.4%.

15. **PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2015**

The Malaysian economy recorded a 6.4% growth in Gross Domestic Product (GDP) during the second quarter of 2014 as announced by Bank Negara Malaysia (BNM). The year-to-date GDP growth of 6.3% is ahead of expectations compared to BNM's projection of 5.3% for 2014.

**15. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2015 (CONTINUED)**

Pos Malaysia expects sustained domestic demand to be the key driver for growth. The modest revenue growth registered for the quarter under review reflects higher base in corresponding quarter attributed to the one-off General Election 2013 volume. Despite the projected overall decline in mail volume that is in-line with global trends, specific mail products such as Admail and Direct Mail that are more efficient and targeted advertising modality for businesses are gaining momentum, seeing double digit growth from the corresponding period in the previous year. The increasing trend of online merchandising transactions by Malaysians augurs well for PosLaju, which has also seen continuous double digit revenue growth. Cross border e-commerce business is gaining traction and emerging as one of the leading growth drivers for Pos Malaysia.

The above initiatives, which are consistent with our on-going transformation program, are expected to contribute positively to Pos Malaysia's financial performance. The outlook for Pos Malaysia's financial performance for the year ending 31 March 2015 remains positive.

**16. PROFIT FORECAST OR PROFIT GUARANTEE**

The Group has not issued any profit forecast or profit guarantee for the current financial period in a public document.

**17. TAXATION**

Taxation comprises the following:

	<b>3 Months Ended/Period to date</b>	
	<b>30.06.2014 RM'000</b>	<b>30.06.2013 RM'000</b>
Current taxation	16,611	16,874
Deferred taxation	(5,367)	4,320
<b>Total</b>	<b>11,244</b>	<b>21,194</b>

The Group's effective tax rate for the 3-months ended 30 June 2014 and financial period ended 30 June 2013 is 29.3% and 32.9% differed with statutory tax rate of 25% principally due to certain expenses which were not deductible for tax purposes.

**18. STATUS OF CORPORATE PROPOSALS**

There is no corporate proposal made by the Group in the current period.

**19. GROUP BORROWINGS**

Total Group borrowings are as follows:

	<b>As at 30.06.2014 RM'000</b>
<u>Due within 12 months</u>	
Hire Purchase	-
Revolving credit	48,798
<b>Total</b>	<b>48,798</b>

**20. MATERIAL LITIGATION**

There is no material litigation pending as at the date of this report.

**21. EARNINGS PER SHARE**

The basic earnings per share has been calculated based on the Group's net profit attributable to shareholders and on number of ordinary shares in issue during the financial period.

	<b>3 Months Ended</b>		<b>Period to Date</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Net profit attributable to owners of the Company (RM'000)	27,108	43,687	27,108	43,687
Number of ordinary shares in issue ('000)	537,026	537,026	537,026	537,026
Basic earnings per share (sen)	<b>5.05</b>	<b>8.13</b>	<b>5.05</b>	<b>8.13</b>

**22. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES**

The retained profits of the Group as at 30 June 2014 are analysed as follows:

	<b>As at 30.06.2014 RM'000</b>	<b>As at 30.06.2013 RM'000</b>
Total retained profits of the Company and subsidiaries:		
- Realised	733,980	672,652
- Unrealised	75,054	68,300
	809,034	740,952
Total share of retained profits from associates (Realised):	(7,650)	(7,650)
Add: Consolidation adjustments	(10,388)	(12,544)
Total Group retained profits	790,996	720,758

**23. RELATED PARTY TRANSACTION**

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group are as follows:-

	<b>3 Months Ended</b>	
	<b>30.06.2014 RM'000</b>	<b>30.06.2013 RM'000</b>
<b>Related companies of significant investors that has an influence over the Group</b>		
Sales of services	1,574	4,193
Rental income	258	272
Purchase of services	(769)	(1,814)
Purchase of capital expenditures	(5)	(1,509)



**POS MALAYSIA BERHAD**

(229990-M)

(Incorporated in Malaysia)

**24. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report of the Group's preceding audited annual financial statements was not subject to any qualification.

BY ORDER OF THE BOARD

DATO' SABRINA ALBAKRI BT. ABU BAKAR  
COMPANY SECRETARY

Kuala Lumpur  
21<sup>st</sup> August 2014