



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 September 2014

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current quarter 3 Months Ended		Cumulative 6 Months Ended	
		30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Revenue		371,666	316,977	740,463	672,794
Operating expenses		(325,652)	(267,106)	(660,982)	(565,209)
Profit from operations		46,014	49,871	79,481	107,585
Other income		4,828	5,823	10,631	13,109
Finance cost		(530)	(302)	(1,037)	(489)
PROFIT BEFORE ZAKAT AND TAXATION		50,312	55,392	89,075	120,205
Zakat		(709)	(635)	(1,120)	(1,108)
PROFIT BEFORE TAXATION		49,603	54,757	87,955	119,097
Taxation	17	(15,610)	(15,208)	(26,854)	(36,402)
NET PROFIT FOR THE FINANCIAL PERIOD		33,993	39,549	61,101	82,695
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		33,993	39,549	61,101	82,695
Net profit for the financial period attributable to:					
Owners of the Company		33,993	40,257	61,101	83,944
Non-controlling interest		-	(708)	-	(1,249)
		33,993	39,549	61,101	82,695
Total comprehensive income for the financial period attributable to:					
Owners of the Company		33,993	40,257	61,101	83,944
Non-controlling interest		-	(708)	-	(1,249)
		33,993	39,549	61,101	82,695
Basic earnings per share (sen):	21	6.33	7.50	11.38	15.63

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 30.09.2014 RM'000	As at 31.03.2014 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		634,204	642,900
Investment properties		30,340	30,340
Goodwill		4,630	4,630
Investment securities: held-to-maturity		84,925	94,642
		754,099	772,512
CURRENT ASSETS			
Inventories		10,884	13,540
Trade and other receivables		377,270	307,677
Investment securities		10,739	21,352
Current tax assets		3,830	3,131
Cash and cash equivalents		525,051	535,947
		927,774	881,647
TOTAL ASSETS		1,681,873	1,654,159

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30.09.2014 RM'000	As at 31.03.2014 RM'000
EQUITY AND LIABILITIES			
Share Capital*		268,513	268,513
Share premium		385	385
Reserves		826,135	765,035
Equity attributable to owners of the Company		1,095,033	1,033,933
NON-CURRENT LIABILITIES			
Deferred tax liabilities		47,572	42,637
		47,572	42,637
CURRENT LIABILITIES			
Trade and other payables		485,695	511,422
Current tax liabilities		4,775	17,369
Revolving credit		48,798	48,798
		539,268	577,589
TOTAL LIABILITIES		586,840	620,226
TOTAL EQUITY AND LIABILITIES		1,681,873	1,654,159
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)		2.04	1.93

* 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	763,890	1,033,932	-	1,033,932
Total comprehensive income for the financial period	-	-	-	-	61,101	61,101	-	61,101
Balance as at 30.09.2014	537,026	268,513	385	1,144	824,991	1,095,033	-	1,095,033
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	-	-	-	-	83,944	83,944	(1,249)	82,695
Additional Subscription of shares in a subsidiary company	-	-	-	-	(1,670)	(1,670)	670	(1,000)
Balance as at 30.09.2013	537,026	268,513	385	1,144	759,345	1,029,387	-	1,029,387

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

	6 Months Ended 30.09.2014 RM'000	6 Months Ended 30.09.2013 RM'000
Net profit for the financial period	61,101	82,695
Adjustments:		
- Depreciation of property, plant and equipment	43,460	40,862
- Finance cost	1,037	489
- Taxation	26,854	36,402
- Others	(8,438)	(7,389)
Operating profit before working capital changes	124,014	153,059
Changes in working capital:		
Net decrease in current assets	(65,262)	(27,132)
Net increase in current liabilities	(25,147)	(78,214)
Net cash generated operations	33,605	47,713
Tax paid, net of refund	(35,212)	(5,230)
Net cash (used in) / from operating activities	(1,607)	42,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	231
Proceeds from disposal of investments and redemption of held-to-maturity securities	20,764	-
Purchase of property, plant and equipment	(35,200)	(55,750)
Interest received	8,438	8,589
Increase investment in subsidiary company	-	(1000)
Net cash (used in) /from investing activities	(5,998)	(47,930)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	6 Months Ended 30.09.2014 RM'000	6 Months Ended 30.09.2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	(1,037)	(489)
Proceeds from bank borrowing	-	19,400
	-	(6)
Net cash (used in)/ from financing activities	(1,037)	18,905
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,642)	13,458
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	439,263	479,163
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	430,621	492,621
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	183,912	172,431
Deposits	341,139	436,483
	525,051	608,914
Less: collections held on behalf of agencies**	(94,430)	(116,293)
	430,621	492,621

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 of the adoption of amendments to standards, amendments and interpretation effective for the annual periods beginning on or after 1st 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 September 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 September 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 solutions such as Mailroom Management and Direct Mail.
- Courier – Includes the 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 shown below. Performance is measured based on segment results. Segment results is used to measure performance as Management believes that such information is 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 September 2014 is as follows:

Period ended 30 September 2014						
	Mail	Courier	Retail	Others	Elimination	Total
Revenue						
External	364,864	222,841	120,719	32,039	-	740,463
Internal	11,639	14,400	26,036	27,582	(79,657)	-
Total revenue	376,503	237,241	146,755	59,621	(79,657)	740,463
Segment profits	31,758	38,747	(3,659)	12,635	-	79,481
Other Income						2,193
Interest Income						8,438
Finance Cost						(1,037)
Profit before zakat and taxation						89,075
Zakat						(1,120)
Profit before taxation						87,955
Taxation						(26,854)
Net profit for the financial period						61,101
Attributable to:						
Owners of the company						61,101

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 materials 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:

	3 Months Ended		6 Months Ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Depreciation of property, plant and equipment	18,674	20,123	43,460	40,862
Finance cost	530	302	1,037	489
Fair value gain of securities designated as fair value through profit or loss	209	39	209	(6)
Property, plant and equipment written off				
Doubtful debts (net of write backs)	(6,908)	(688)	(5,344)	654
Gain on disposal of:				
- property, plant and equipment	-	(129)	-	(231)
Interest income on:				
-short term deposits	(944)	(2,139)	(6,035)	(6,023)
-investment securities: held-to-maturity investment	(98)	(1,070)	(2,403)	(2,325)
Net foreign exchange differences	(68)	(388)	(271)	(1,029)

14. REVIEW OF GROUP PERFORMANCE

14.1 Group Performance

The Group generated higher revenue of RM740.5 million for the period ended 30.09.2014 as compared to RM672.8 million in preceding corresponding period. This represents an increase of RM67.7 million or equivalent to 10.1% growth. It should be noted that the corresponding period last year included a one-off contribution in revenue arising from the General Election 2013 volume amounting to approximately RM11 million. Excluding the said one-off contribution, revenue growth stood at 11.9% on an annualized basis, which outperformed the 8.1% growth registered in the same period in FYE 2013.

Nevertheless, in line with the transformation programme of Pos Malaysia as well as to gear up for future growth, series of initiatives had been implemented leading to higher expenditure during the period under review.

Primary contributors to the expenditure include higher staff costs and transportation charges. The former refers to strengthening of growth segments such as PosLaju and over-the-counter Financial Services at post offices. Meanwhile the latter reflected higher expenses relating to cross border postal charges arising from the growth in transshipment business that Pos Malaysia had only embarked upon in the latter half of the preceding year. Higher transportation costs were also attributed to the increase in air freight charges relating to Universal Service Obligation under The Postal Services Act 2012.

As such, Group operating profit moderated to RM79.5 million as compared to RM107.6 million in the previous corresponding period. Meanwhile, profit before tax amounted to RM87.9 million as compared to RM119.1 million previously.

Segmental profits of the major businesses are as follows:

	YEAR TO DATE	
	30.09.2014	30.09.2013
	RM'000	RM'000
Mail	31,758	77,563
Courier	38,747	34,725
Retail	(3,659)	(20,831)
Others	12,635	16,128
Profit from operations	79,481	107,585
Other income	10,631	13,109
Finance cost	(1,037)	(489)
Profit before zakat and taxation	89,075	120,205
Zakat	(1,120)	(1,108)
Profit before taxation	87,955	119,097

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group Performance (continued)

Mail Segment

Mail segment registered operating profits of RM31.8 million as compared to RM77.6 million. The underlying trend reflected lower contribution from prepaid and franking segments, which accounted for approximately two-thirds of the total mail volume. This has also taken into consideration the one-off surge in mail volume last year arising from General Election 2013.

Courier Segment

Courier segment registered operating profits of RM38.7 million as compared to RM34.7 million. The improved performance was underpinned by higher revenue generated from walk-in customers and innovative prepaid products, consistent with the growth in e-commerce transactions.

Retail Segment

Retail segment's operating loss narrowed to RM3.7 million as compared to RM20.8 million. The moderation in operating loss was attributed to increased contribution from financial services, especially revenue from the 21% growth in insurance commissions and the recognition of expired postal order amounting to RM25.5 million. The recognition of the said income is consistent with practices of other postal organisations as well as the prevailing regulations governing Pos Malaysia's operations.

Other Segment

Other segment registered operating profits of RM12.6 million as compared to RM16.1 million. Other segment comprises sales of digital certificates, printing and insertion business and rental income. Other segment operating profit decreased by RM3.5 million or 21.7% due to lower business volume attributed to the one-off surge in such volume last year arising from General Election 2013.

Group Operating Profit

Group operating profit moderated to RM79.5 million as compared to RM107.6 million in the previous corresponding period due to higher increase in expenses as mentioned herein before.

Group Profit Before Tax

For the financial period ended 30 September 2014, profit before tax amounted to RM87.9 million as compared to RM119.1 million previously.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.2 Comparison between the current quarter and the preceding year corresponding quarter.

	3 MONTHS ENDED	
	30.09.2014	30.09.2013
	RM'000	RM'000
Mail	13,608	33,473
Courier	18,469	17,963
Retail	9,854	(6,568)
Others	4,083	5,003
Profit from operations	46,014	49,871
Other income	4,828	5,823
Finance cost	(530)	(302)
Profit before zakat and taxation	50,312	55,392
Zakat	(709)	(635)
Profit before taxation	49,603	54,757

Mail Segment

Mail segment registered operating profits of RM13.6 million as compared to RM33.5 million. The underlying trend reflected lower contribution from prepaid and franking segments, which accounted for approximately two-thirds of the total mail volume.

Courier Segment

Courier segment registered operating profits of RM18.5 million as compared to RM17.9 million. The improved performance was underpinned by higher revenue generated from walk-in customers and innovative prepaid products, consistent with the growth in e-commerce transactions.

Retail Segment

Retail segment's operating profit stood at RM9.9 million, reversing the loss of RM6.6 million previously. This was attributed by the increased contribution from financial services, especially revenue from the 23.6% growth in insurance commissions and the recognition of expired postal order amounting to RM25.5 million.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

- 14.2 Comparison between the current quarter and the preceding year corresponding quarter (continued)

Other Segments

Other segment registered operating profits of RM4.1 million as compared to RM5.0 million. Other segment comprises sales of digital certificates, printing and insertion business and rental income. Other segment's operating profit decreased by RM0.9 million due to lower business volume.

Group Operating Profit

Group operating profit moderated to RM46.0 million as compared to RM49.9 million in the previous corresponding period due to higher increase in expenses as mentioned herein before.

Group Profit Before Tax

For the financial period ended 30 September 2014, profit before tax amounted to RM49.6 million as compared to RM54.8 million previously.

- 14.3 Comparison between the current quarter and the immediate preceding quarter.

	3 MONTHS ENDED	
	30.09.2014	30.06.2014
	RM'000	RM'000
Mail	13,608	18,149
Courier	18,469	20,278
Retail	9,854	(13,513)
Others	4,083	8,553
Profit from operations	46,014	33,467
Other income	4,828	5,803
Finance cost	(530)	(507)
Profit before zakat and taxation	50,312	38,763
Zakat	(709)	(411)
Profit before taxation	49,603	38,352

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

- 14.3 Comparison between the current quarter and the immediate preceding quarter (continued)

Mail Segment

Mail segment registered operating profits of RM13.6 million as compared to RM18.1 million. The underlying trend reflected lower contribution from prepaid and franking segments, which accounted for approximately two-thirds of the total mail volume.

Courier Segment

Courier segment registered operating profits of RM18.5 million as compared to RM20.3 million. The improved performance was underpinned by higher revenue generated from walk-in customers and innovative prepaid products, consistent with the growth in e-commerce transactions.

Retail Segment

Retail segment's operating profit stood at RM9.9 million, reversing the loss of RM13.5 million previously. This was attributed by the increased contribution from financial services, especially revenue from the 11.1% growth in insurance commissions, and the recognition of expired postal order amounting to RM25.5 million.

Other Segments

Other segment registered operating profits of RM4.1 million as compared to RM8.6 million. Other segment comprises sales of digital certificates, printing and insertion business and rental income. Other segment's operating profit decreased by RM4.5 million due to lower business volume.

Group Operating Profit

Group operating profit moderated to RM46.0 million as compared to RM33.5 million in the previous corresponding period due to higher increase in expenses as mentioned herein before.

Group Profit Before Tax

For the financial period ended 30 September 2014, profit before tax amounted to RM49.6 million as compared to RM38.4 million previously.

15. PROSPECTS FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2014

The Malaysian economy had recorded a 6.3% growth during the first half of 2014, backed by sustained growth in domestic demand and external trade. This is consistent with the official Gross Domestic Product (GDP) growth forecast of between 5.5% and 6.0% for 2014.

The half-year performance of Pos Malaysia is in line with its peers across the globe, where mostly revenue growths are in the single-digit range, which reflect the increasingly dynamic environment of the industry. Prospects for the industry will be driven by the on-going transformation exercise, aimed at strengthening infrastructure as well as emphasis on key growth areas, which is also evident across postal players globally.

Pos Malaysia expects continuing domestic demand and increase trend of e-commerce transactions by Malaysians to be the key drivers for growth. This growth augurs well for demand of Pos Malaysia's offerings such as in the areas of domestic and international courier and parcel as well as financial services. The outlook for Pos Malaysia's financial result ending 31 March 2015 remains satisfactory.

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:

	3 Months Ended		Period to Date	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Current taxation	12,612	11,400	19,609	28,274
Deferred taxation	2,998	3,808	7,245	8,128
Total	15,610	15,208	26,854	36,402

The Group's effective tax rate for the current quarter ended 30 September 2014 and preceding year corresponding quarter ended 30 September 2013 is 31.5% and 27.8% 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:

	As at 30.09.2014 RM'000	As at 31.03.2014 RM'000
<u>Due within 12 months</u> Revolving credit	48,798	48,798
Total	48,798	48,798

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 have been calculated based on the Group's net profit attributable to shareholders and on number of ordinary shares in issue during the financial period.

	3 Months Ended		Period to Date	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Net profit attributable to owners of the Company (RM'000)	33,993	40,257	61,101	83,944
Number of ordinary shares in issue ('000)	537,026	537,026	537,026	537,026
Basic earnings per share (sen)	6.33	7.50	11.38	15.63

22. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

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

	As at 30.09.2014 RM'000	As at 30.09.2013 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	778,249	710,647
- Unrealised	64,876	64,997
	843,125	775,644
Total share of retained profits from associates (Realised):	(7,650)	(7,650)
Add: Consolidation adjustments	(10,484)	(8,649)
Total Group retained profits	824,991	759,345

23. RELATED PARTY TRANSACTION

Related party transactions involving Pos Malaysia and its group of companies are in IT shared services as well as purchases of goods and services.

	As at 30.09.2014 RM'000	As at 30.09.2013 RM'000
Related companies of significant investors that has an influence over the Group		
Sales of services	576	2,096
Commission on services	417	210
Rental income	208	272
Purchase of services	(4,736)	(844)
Purchase of capital expenditures	(49)	(20)

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
20 November 2014