



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 31 December 2014

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

The Board of Directors is pleased to announce the unaudited financial results of the Group for the financial period ended 31 December 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current quarter 3 Months Ended		Cumulative 9 Months Ended	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Revenue		358,048	329,744	1,098,511	1,002,538
Operating expenses		(294,901)	(300,594)	(955,883)	(865,801)
Profit from operations		63,147	29,150	142,628	136,737
Other income		3,998	5,050	14,629	18,157
Finance cost		(537)	(437)	(1,574)	(926)
PROFIT BEFORE ZAKAT AND TAXATION		66,608	33,763	155,683	153,968
Zakat		(1,061)	(54)	(2,181)	(1,162)
PROFIT BEFORE TAXATION		65,547	33,709	153,502	152,806
Taxation	17	(19,499)	(10,875)	(46,353)	(47,277)
NET PROFIT FOR THE FINANCIAL PERIOD		46,048	22,834	107,149	105,529
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		46,048	22,834	107,149	105,529
Net profit for the financial period attributable to:					
Owners of the Company		46,048	22,834	107,149	106,778
Non-controlling interest		-	-	-	(1,249)
		46,048	22,834	107,149	105,529
Total comprehensive income for the financial period attributable to:					
Owners of the Company		46,048	22,834	107,149	106,778
Non-controlling interest		-	-	-	(1,249)
		46,048	22,834	107,149	105,529
Basic earnings per share (sen):	21	8.57	4.25	19.95	19.88

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

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.12.2014 RM'000	As at 31.03.2014 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		631,149	642,900
Investment properties		30,340	30,340
Goodwill		4,630	4,630
Investment securities: held-to-maturity		84,871	94,642
		750,990	772,512
CURRENT ASSETS			
Inventories		12,511	13,540
Trade and other receivables		404,090	307,677
Investment securities		10,580	21,352
Current tax assets		4,064	3,131
Cash and cash equivalents		498,623	535,947
		929,868	881,647
TOTAL ASSETS		1,680,858	1,654,159

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31.12.2014 RM'000	As at 31.03.2014 RM'000
EQUITY AND LIABILITIES			
Share Capital*		268,513	268,513
Share premium		385	385
Reserves		834,054	765,035
Equity attributable to owners of the Company		1,102,952	1,033,933
NON-CURRENT LIABILITIES			
Deferred tax liabilities		51,758	42,637
		51,758	42,637
CURRENT LIABILITIES			
Trade and other payables		472,416	511,422
Current tax liabilities		4,934	17,369
Revolving credit		48,798	48,798
		526,148	577,589
TOTAL LIABILITIES		577,906	620,226
TOTAL EQUITY AND LIABILITIES		1,680,858	1,654,159
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)		2.05	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	Equity attributable to owners of the Company	Non-controlling Interest	Total
	Number of shares RM'000	Nominal value RM'000	Share Premium RM'000	Revaluation Reserves RM'000	RM'000	RM'000	RM'000	RM'000
Balance at beginning of the financial year 1.4.2014	537,026	268,513	385	1,144	763,891	1,033,933	-	1,033,933
Total comprehensive income for the financial period	-	-	-	-	107,149	107,149	-	107,149
Final dividend paid in respect of financial year ended 31 March 2014	-	-	-	-	(38,130)	(38,130)	-	(38,130)
Balance as at 31.12.2014	537,026	268,513	385	1,144	832,910	1,102,952	-	1,102,952

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	-	-	-	-	106,778	106,778	(1,249)	105,529
Final dividend paid in respect of financial year ended 31 March 2013	-	-	-	-	(38,263)	(38,263)	-	(38,263)
Interim dividend paid in respect of financial year ending 31 March 2014	-	-	-	-	(32,222)	(32,222)	-	(32,222)
Additional Subscription of shares in a subsidiary company	-	-	-	-	(1,670)	(1,670)	670	(1,000)
Balance as at 31.12.2013	537,026	268,513	385	1,144	711,694	981,736	-	981,736

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

	9 Months Ended 31.12.2014 RM'000	9 Months Ended 31.12.2013 RM'000
Net profit for the financial period	107,149	105,529
Adjustments:		
- Depreciation of property, plant and equipment	65,620	60,939
- Finance cost	1,574	926
- Taxation	46,353	47,277
- Others	(10,289)	(11,072)
Operating profit before working capital changes	210,407	203,599
Changes in working capital:		
Net decrease in current assets	(93,709)	(72,628)
Net increase in current liabilities	(48,003)	(57,009)
Net cash generated operations	68,695	73,962
Tax paid, net of refund	(50,600)	(14,970)
Net cash from operating activities	18,095	58,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	283	231
Proceeds from disposal of investments and redemption of held-to-maturity securities	20,764	-
Purchase of property, plant and equipment	(54,056)	(80,042)
Interest received	12,152	13,588
Acquisition of securities investment	-	(30,710)
Increase investment in subsidiary company	-	(1,000)
Net cash used in investing activities	(20,857)	(97,933)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	9 Months Ended 31.12.2014 RM'000	9 Months Ended 31.12.2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	(1,574)	(926)
Proceeds from bank borrowing	-	28,400
Repayment of bank borrowing / hire purchase	-	(6)
Dividend paid to shareholders	(38,130)	(70,485)
Net cash used in financing activities	(39,704)	(43,017)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(42,466)	(81,958)
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	396,797	397,205
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	228,951	75,646
Deposits	269,672	432,452
	498,623	508,098
Less: collections held on behalf of agencies**	(101,826)	(110,893)
	396,797	397,205

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 31 December 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

- The Group paid the final dividend of 9.5 sen per ordinary share less tax at 25% (7.1 sen net per ordinary share) in respect of the financial year ended 31 March 2014 on 7 October 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 31 December 2014 is as follows:

Period ended 31 December 2014						
	Mail	Courier	Retail	Others	Elimination	Total
Revenue						
External	542,025	343,393	167,147	45,946	-	1,098,511
Internal	15,660	22,339	39,219	49,297	(126,515)	-
Total revenue	557,685	365,732	206,366	95,243	(126,515)	1,098,511
Segment profits	59,990	78,388	(15,020)	19,270	-	142,628
Other Income						2,477
Interest Income						12,152
Finance Cost						(1,574)
Profit before zakat and taxation						155,683
Zakat						(2,181)
Profit before taxation						153,502
Taxation						(46,353)
Net profit for the financial period						107,149
Attributable to:						
Owners of the company						107,149

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		9 Months Ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Depreciation of property, plant and equipment	22,160	20,189	65,620	60,926
Finance cost	537	437	1,574	926
Fair value (loss)/ gain of securities designated as fair value through profit or loss	(152)	-	57	(6)
Doubtful debts (net of write backs)	-	1,826	(5,344)	2,896
Gain on disposal of:				
-property, plant and equipment	(181)	(129)	(283)	(231)
- investment securities: fair value through profit and loss	48	(480)	48	(480)
Interest income on:				
-short term deposits	(2,775)	(3,730)	(8,810)	(9,753)
-investment securities: held-to-maturity investment	(939)	(1,067)	(3,342)	(3,392)
Net foreign exchange differences	(151)	59	(422)	(418)

14. REVIEW OF GROUP PERFORMANCE

14.1 Group Performance

The Group generated higher revenue of RM1,098.5 million for the period ended 31.12.2014 as compared to RM1,002.5 million in preceding corresponding period. This represents an increase of RM96.0 million or equivalent to 9.6% 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.

Courier segment remains as the focus growth area recording 35.7 % compared to the corresponding period last year.

Segmental profits of the major businesses are as follows:

	YEAR TO DATE	
	31.12.2014	31.12.2013
	RM'000	RM'000
Mail	59,990	91,814
Courier	78,388	57,779
Retail	(15,020)	(35,797)
Others	19,270	22,941
Profit from operations	142,628	136,737
Other income	14,629	18,157
Finance cost	(1,574)	(926)
Profit before zakat and taxation	155,683	153,968
Zakat	(2,181)	(1,162)
Profit before taxation	153,502	152,806

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group Performance (continued)

Mail Segment

Mail segment registered lower operating profits of RM59.9 million as compared to RM91.8 million. The underlying trend reflected lower mail volume from prepaid and ordinary mail segments, which accounted for approximately 86% 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 higher operating profits of RM78.4 million as compared to RM57.8 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 RM15.0 million as compared to RM35.8 million. The moderation in operating loss was attributed to increased contribution from financial services, insurance commissions, and the recognition of outstanding postal order exceeding 3 years amounting to RM26.5 million as income. 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 lower operating profits of RM19.3 million as compared to RM22.9 million. Other segment comprises sales of digital certificates, printing and insertion business and rental income. Other segment operating profit decreased by RM3.6 million or 15.7% 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 rose to RM142.6 million as compared to RM136.7 million in the previous corresponding period due to higher revenue generated as mentioned herein before.

Group Profit Before Zakat and Tax

For the financial period ended 31 December 2014, profit before zakat and tax increased to RM155.6 million as compared to RM153.9 million previously.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	3 MONTHS ENDED	
	31.12.2014	31.12.2013
	RM'000	RM'000
Mail	28,232	14,251
Courier	39,640	23,054
Retail	(11,361)	(14,966)
Others	6,636	6,811
Profit from operations	63,147	29,150
Other income	3,998	5,050
Finance cost	(537)	(437)
Profit before zakat and taxation	66,608	33,763
Zakat	(1,061)	(54)
Profit before taxation	65,547	33,709

Mail Segment

Mail segment registered higher operating profits of RM28.2 million as compared to RM14.3 million. The underlying trend reflected higher volume from prepaid, transshipment business and registered mail.

Courier Segment

Courier segment registered higher operating profits of RM39.6 million as compared to RM23.1 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 stood at RM11.3 million, as compared to loss of RM14.9 million previously. This was credited by the increased contribution from financial services, especially 29.0% growth in insurance commissions, and the recognition of outstanding postal order exceeding 3 years amounting to RM0.9 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 lower operating profits of RM6.6 million as compared to RM6.8 million. Other segment comprises sales of digital certificates, printing and insertion business and rental income. Other segment's operating profit decreased by RM0.2 million due to lower business volume.

Group Operating Profit

Group operating profit rose to RM63.1 million as compared to RM29.2 million in the previous corresponding period due to higher revenue coupled with lower operating expenses as mentioned herein before.

Group Profit Before Zakat and Tax

For the financial period ended 31 December 2014, profit before zakat and tax increased to RM66.6 million as compared to RM33.8 million previously.

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

	3 MONTHS ENDED	
	31.12.2014	30.09.2014
	RM'000	RM'000
Mail	28,232	13,608
Courier	39,640	18,469
Retail	(11,361)	9,854
Others	6,636	4,083
Profit from operations	63,147	46,014
Other income	3,998	4,828
Finance cost	(537)	(530)
Profit before zakat and taxation	66,608	50,312
Zakat	(1,061)	(709)
Profit before taxation	65,547	49,603

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

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

Mail Segment

Mail segment registered higher operating profits of RM28.2 million as compared to RM13.6 million. The underlying trend reflected higher volume from International business mail and registered mail.

Courier Segment

Courier segment registered higher operating profits of RM39.6 million as compared to RM18.5 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 increased at RM11.4 million against preceding quarter operating profit of RM9.9 million. The reversal to operating loss was attributed to the recognition of unclaimed postal orders exceeding 3 years amounting to RM26.5 million in the preceding quarter.

Other Segments

Other segment registered higher operating profits of RM6.6 million as compared to RM4.1 million. Other segment comprises sales of digital certificates, printing and insertion business and rental income. Other segment's operating profit increased by RM2.6 million due to higher business volume.

Group Operating Profit

Group operating profit increased to RM63.1 million from RM46.0 million compared to the previous corresponding period due to higher increase in revenue combined lower operating expenses.

Group Profit Before Zakat and Tax

For the financial period ended 31 December 2014, profit before zakat and tax increased to RM66.6 million as compared to RM50.3 million previously.

15. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2015

The outlook for the domestic economy is expected to remain steady in the immediate term amidst the 5.8% GDP growth registered for the fourth quarter of 2014 (*source: Bank Negara Malaysia*). The underlying trend is consistent with the latest official forecast by the Ministry of Finance, indicating that GDP growth to range between 4.5% and 5.5% for 2015.

The continued growth in e-commerce business volume is expected to support the Group's performance for FY2015, especially for domestic and international courier and parcel services, as well as financial services. The above factors are supportive of Pos Malaysia's operations and, as such, the outlook for Pos Malaysia's financial performance for the financial year 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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Current taxation	15,313	10,626	34,922	38,900
Deferred taxation	4,186	249	11,431	8,377
Total	19,499	10,875	46,353	47,277

The Group's effective tax rate for the current quarter ended 31 December 2014 and preceding year corresponding quarter ended 31 December 2013 is 29.7% and 32.3% 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.

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19. GROUP BORROWINGS

Total Group borrowings are as follows:

	As at 31.12.2014 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net profit attributable to owners of the Company (RM'000)	46,048	22,834	107,149	106,778
Number of ordinary shares in issue ('000)	537,026	537,026	537,026	537,026
Basic earnings per share (sen)	8.57	4.25	19.95	19.88

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22. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

The retained profits of the Group as at 31 December 2014 are analysed as follows:

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	791,597	664,284
- Unrealised	59,551	63,924
	851,148	728,208
Total share of retained profits from associates (Realised):	(7,650)	(7,650)
Add: Consolidation adjustments	(10,588)	(8,862)
Total Group retained profits	832,910	711,696

23 RELATED PARTY TRANSACTION

Transaction related to Pos Malaysia Berhad and companies owned by Pos Malaysia Berhad subsidiaries are IT shared services, purchases goods and services.

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Related companies of significant investors that has an influence over the Group		
Sales of services	1,358	14,271
Commission on services	834	210
Rental income	209	272
Purchase of services	(5,304)	(9,195)
Purchase of capital expenditures	(120)	(105)

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
17 February 2015