



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 June 2015

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

The Board of Directors is pleased to announce the unaudited financial results of the Group for the financial period ended 30 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Cumulative 3 Months Ended	
		30.06.2015 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.06.2014 RM'000
Revenue		390,366	368,797	390,366	368,797
Operating expenses		(362,115)	(335,330)	(362,115)	(335,330)
Profit from operations		28,251	33,467	28,251	33,467
Other income		6,078	5,803	6,078	5,803
Finance cost		(861)	(507)	(861)	(507)
PROFIT BEFORE ZAKAT AND TAXATION		33,468	38,763	33,468	38,763
Zakat		(784)	(411)	(784)	(411)
PROFIT BEFORE TAXATION		32,684	38,352	32,684	38,352
Taxation	17	(9,948)	(11,244)	(9,948)	(11,244)
NET PROFIT FOR THE QUARTER FINANCIAL PERIOD		22,736	27,108	22,736	27,108
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER FINANCIAL PERIOD (NET OF TAX)		22,736	27,108	22,736	27,108
Basic earnings per share (sen):	21	4.23	5.05	4.23	5.05

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 2015 and the explanatory notes attached to the interim financial report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30.06.2015 RM'000	Audited As at 31.03.2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		658,342	656,126
Investment properties		31,100	31,100
Goodwill		4,630	4,630
Investment securities: held-to-maturity		84,433	84,398
		778,505	776,254
CURRENT ASSETS			
Inventories		12,155	10,837
Trade and other receivables		404,077	365,122
Investment securities		5,469	5,530
Current tax assets		9,852	4,415
Cash and cash equivalents		590,373	518,422
		1,021,926	904,326
TOTAL ASSETS		1,800,431	1,680,580
EQUITY AND LIABILITIES			
Share Capital*		268,513	268,513
Share premium		385	385
Reserves		876,691	853,955
TOTAL EQUITY		1,145,589	1,122,853
NON-CURRENT LIABILITIES			
Deferred tax liabilities		40,019	45,774
		40,019	45,774
CURRENT LIABILITIES			
Trade and other payables		516,025	462,141
Current tax liabilities		-	1,014
Revolving credit		98,798	48,798
		614,823	511,953
TOTAL LIABILITIES		654,842	557,727
TOTAL EQUITY AND LIABILITIES		1,800,431	1,680,580
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)		2.13	2.09

* 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 2015 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	Total RM'000
	Number of shares RM'000	Nominal value RM'000	Share Premium RM'000	Revaluation Reserves RM'000		
Balance at beginning of the financial year 1.4.2015	537,026	268,513	385	1,144	852,811	1,122,853
Total comprehensive income for the financial period	-	-	-	-	22,736	22,736
Balance as at 30.06.2015	537,026	268,513	385	1,144	875,547	1,145,589
Balance at beginning of the financial year 1.4.2014	537,026	268,513	385	1,144	763,888	1,033,930
Total comprehensive income for the financial period	-	-	-	-	27,108	27,108
Balance as at 30.06.2014	537,026	268,513	385	1,144	790,996	1,061,038

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 2015 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 Months Ended 30.06.2015 RM'000	3 Months Ended 30.06.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	22,736	27,108
Adjustments:		
- Depreciation of property, plant and equipment	24,549	21,624
- Finance cost	861	507
- Taxation	9,948	11,244
- Others	(3,654)	-
Operating profit before working capital changes	54,440	60,483
Changes in working capital:		
Net increase in current assets	(40,277)	(58,440)
Net increase in current liabilities	102,449	64,623
Net cash generated from operations	116,612	66,666
Tax paid, net of refund	(16,614)	(26,313)
Net cash generated from operating activities	99,998	40,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	751	-
Proceeds from disposal of investments and redemption of held-to-maturity securities	-	16,629
Purchase of property, plant and equipment	(32,733)	(19,482)
Interest received	4,583	4,000
Net cash (used in) / generated from investing activities	(27,399)	1,147

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	3 Months Ended 30.06.2015 RM'000	3 Months Ended 30.06.2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	(861)	(507)
Net cash used in financing activities	(861)	(507)
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,738	40,993
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	445,726	439,263
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	517,464	480,256
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	380,757	227,206
Deposits	209,616	341,139
	590,373	568,345
Less: collections held on behalf of agencies**	(72,909)	(88,089)
	517,464	480,256

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 2015 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 period ended 31 March 2015 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 2015 except of the adoption of amendments to standards, amendments and interpretation effective for the annual periods beginning on or after 1st January 2016. 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 2015.

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 2015.

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 customised 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 June 2015 is as follows:

Period ended 30 June 2015						
	Mail	Courier	Retail	Others	Elimination	Total
Revenue						
External	195,930	131,180	48,053	15,203	-	390,366
Internal	9,001	5,419	12,582	17,657	(44,659)	-
Total revenue	204,931	136,599	60,635	32,860	(44,659)	390,366
Segment profits	19,807	18,146	(15,792)	6,090	-	28,251
Other Income						1,495
Interest Income						4,583
Finance Cost						(861)
Profit before zakat and taxation						33,468
Zakat						(784)
Profit before taxation						32,684
Taxation						(9,948)
Net profit for the financial period						22,736
Attributable to:						
Owners of the company						22,736

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	
	30.06.2015	30.06.2014
	RM'000	RM'000
Depreciation of property, plant and equipment	24,549	21,624
Finance cost	861	507
Fair value gain of securities designated as fair value through profit or loss	-	(35)
Doubtful debts (net of write backs)	5,008	1,952
Gain on disposal of:		
-property, plant and equipment	(117)	-
Interest income on:		
-short term deposits	(3,610)	(2,541)
-investment securities: held-to-maturity investment	(973)	(1,459)
Net foreign exchange differences	(853)	-

14. REVIEW OF GROUP PERFORMANCE

14.1 Group Performance

The Group generated higher revenue of RM390.4 million for the period ended 30.06.15 (30.06.2014: RM368.8 million) an increase of RM21.6 million or 5.8% from the corresponding period of the previous Financial Year. The increase in revenue was primarily driven by the transshipment business from the Mail segment.

The Group registered higher expenses by RM26.8 million compared to the preceding period primarily due to staff and transportation costs. Staff cost increase corresponds with the overall increase in revenue. The other significant increase is from transportation cost primarily involving higher international volume in line with the Group's focus in capitalising 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 increase in revenue from the transshipment business. This has resulted in lower profits from operations of RM28.3 million.

Segmental profits of the major businesses are as follows:

	3 MONTHS ENDED / YEAR TO DATE	
	30.06.2015	30.06.2014
	RM'000	RM'000
Mail	19,807	18,149
Courier	18,146	20,278
Retail	(15,792)	(13,513)
Others	6,090	8,553
Profit from operations	<u>28,251</u>	<u>33,467</u>
Other income	6,078	5,803
Finance cost	(861)	(507)
Profit before zakat and taxation	<u>33,468</u>	<u>38,763</u>
Zakat	(784)	(411)
Profit before taxation	<u><u>32,684</u></u>	<u><u>38,352</u></u>

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group Performance (continued)

Mail Segment

Mail segment registered higher operating profits of RM19.8 million as compared to RM18.1 million for the corresponding period in the previous year. The underlying trend reflected higher volume from transshipment business.

Courier Segment

Courier segment registered lower operating profits of RM18.1 million as compared to RM20.3 million for the corresponding period in the previous year. The downtrend performance was underpinned by higher operating costs.

Retail Segment

Retail segment's operating loss increased to RM15.8 million as compared to RM13.5 million for the corresponding period in the previous year due to lower transaction volume from bill payments and unit trust at post office counter.

Other Segment

Other segment which consist of digital certificates and printing and insertion registered lower operating profits of RM6.1 million as compared to RM8.6 million for the corresponding period in the previous year. This segment's operating profit decrease by RM2.5 million or 28.7% due to lower business volume attributed to sales of digital certificates.

Group Operating Profit

Group operating profit drop to RM28.3 million as compared to RM33.5 million in the previous corresponding period due to higher operating expenses despite of higher revenue generated from walk in customers for courier segment and transshipment business.

Group Profit Before Zakat and Tax

For the financial period ended 30 June 2015, profit before zakat and tax decreased to RM33.5 million as compared to RM38.8 million in the corresponding period previous year.

14.2 Comparison between the current quarter and the immediate preceding quarter.

	3 MONTHS ENDED	
	30.06.2015	31.03.2015
	RM'000	RM'000
Mail	19,807	19,538
Courier	18,146	19,086
Retail	(15,792)	(17,560)
Others	6,090	(395)
Profit from operations	28,251	20,669
Other income	6,078	7,969
Finance cost	(861)	(528)
Profit before zakat and taxation	33,468	28,110
Zakat	(784)	(298)
Profit before taxation	32,684	27,812

Mail Segment

Mail segment registered higher operating profits of RM19.8 million as compared to RM19.5 million for the immediate preceding quarter. The underlying trend reflected higher volume from transshipment business.

Courier Segment

Courier segment registered lower operating profits of RM18.1 million as compared to RM19.1 million for the immediate preceding quarter. The downtrend performance was underpinned by higher operating costs.

Retail Segment

Retail segment's operating losses decreased to RM15.8 million as compared to RM17.6 million for the immediate preceding quarter due lower operating cost from Ar Rahnu operation.

Other Segments

Other segment which consist of digital certificates and printing and insertion registered higher operating profits of RM6.1 million as compared to loss of RM0.4 million for the immediate preceding quarter. This segment's operating profit increase attributed to higher sales of digital certificates.

Group Operating Profit

Group operating profit increase to RM28.3 million as compared to RM20.7 million in the immediate preceding quarter primarily due to higher revenue generated from sales of digital certificate.

Group Profit Before Zakat and Tax

For the financial period ended 30 June 2015, profit before zakat and tax increased to RM33.5 million as compared to RM28.1 million in the corresponding period previous year.

15. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2016

Malaysia's gross domestic product (GDP) grew 4.9% year-on-year (y-o-y) for the second quarter of 2015 (source: Bank Negara Malaysia,) as compared to a y-o-y growth of 5.6% for the first quarter of 2015; and is broadly in line with the projected full year growth of 4.5% to 5.5%. Domestic demand, especially public and private consumption, along with the ongoing large scale public and private investments in the country's infrastructure projects, are expected to sustain economic growth in the near term.

The Group's courier, express and parcel (CEP) business remains the key driver of the Group's revenue growth and the sustained growth in e-commerce activities is a positive development for the Group and as such the outlook for Pos Malaysia's financial performance for 31 March 2016 is expected to remain 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	
	30.06.2015 RM'000	30.06.2014 RM'000
Current taxation	15,703	16,611
Deferred taxation	(5,755)	(5,367)
Total	9,948	11,244

The Group's effective tax rate for the current quarter ended 30 June 2015 and preceding year corresponding quarter ended 30 June 2014 is higher than statutory tax rate mainly 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 quarter.

19. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited As at 30.06.2015 RM'000	Audited As at 31.03.2015 RM'000
<u>Due within 12 months</u> Revolving credit	98,798	48,798
Total	98,798	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	
	30.06.2015	30.06.2014
Net profit attributable to owners of the Company (RM'000)	22,736	27,108
Number of ordinary shares in issue ('000)	537,026	537,026
Basic earnings per share (sen)	4.23	5.05

22. FINANCIAL INSTRUMENT DISCLOSURE

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016						
Group						
Financial assets						
Quoted shares	465	-	-	465	465	465

	Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016						
Group						
Financial assets						
Held-to-maturity investments	-	84,433	-	84,433	84,433	89,437
Financial liabilities						
Revolving credit	-	98,798	-	98,798	98,798	98,798

	Fair value of financial instruments carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015						
Group						
Financial assets						
Quoted shares	504	-	-	504	504	504

	Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015						
Group						
Financial assets						
Held-to-maturity investments	-	89,494	-	89,494	89,494	89,424
Financial liabilities						
Revolving credit	-	48,798	-	48,798	48,798	48,798

23. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

The retained profits of the Group as at 30 June 2015 are analysed as follows:

	As at 30.06.2015 RM'000	As at 30.06.2014 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	839,706	733,980
- Unrealised	64,412	75,054
	904,118	809,034
Total share of retained profits from associates (Realised):	(7,650)	(7,650)
Add: Consolidation adjustments	(20,921)	(10,388)
Total Group retained profits	875,547	790,996

24. RELATED PARTY TRANSACTION

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

	As at 30.06.2015 RM'000	As at 30.06.2014 RM'000
Related companies of significant investors that has an influence over the Group		
Sales of services	5,358	1,574
Rental income	88	258
Purchase of services	(23,664)	(769)
Rental expense	(581)	-
Purchase of capital expenditures	(8,949)	(5)

25. 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' CAROL CHAN CHOY LIN
COMPANY SECRETARY

Kuala Lumpur
24 August 2015