



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 September 2015

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Cumulative 6 Months Ended	
		30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Revenue		398,801	371,666	789,167	740,463
Operating expenses		(392,797)	(325,652)	(754,912)	(660,982)
Profit from operations		6,004	46,014	34,255	79,481
Other income (Net)		1,779	4,828	7,857	10,631
Finance cost		(1,222)	(530)	(2,083)	(1,037)
PROFIT BEFORE ZAKAT AND TAXATION		6,561	50,312	40,029	89,075
Zakat		(474)	(709)	(1,258)	(1,120)
PROFIT BEFORE TAXATION		6,087	49,603	38,771	87,955
Taxation	18	(2,608)	(15,610)	(12,556)	(26,854)
NET PROFIT FOR THE QUARTER /FINANCIAL PERIOD		3,479	33,993	26,215	61,101
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX)		3,479	33,993	26,215	61,101
Basic earnings per share (sen):	22	0.65	6.33	4.88	11.38

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 30.09.2015 RM'000		Audited As at 31.03.2015 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment			666,821		656,126
Investment properties			31,100		31,100
Goodwill			4,630		4,630
Investment securities: held-to-maturity			84,372		84,398
			786,923		776,254
CURRENT ASSETS					
Inventories			13,815		10,837
Trade and other receivables			417,463		365,122
Investment securities			414		5,530
Current tax assets			25,661		4,415
Cash and cash equivalents			658,900		518,422
			1,116,253		904,326
TOTAL ASSETS			1,903,176		1,680,580
EQUITY AND LIABILITIES					
EQUITY					
Share Capital*			268,513		268,513
Share premium			385		385
Reserves			880,170		853,955
TOTAL EQUITY			1,149,068		1,122,853
NON-CURRENT LIABILITIES					
Deferred tax liabilities			51,229		45,774
			51,229		45,774
CURRENT LIABILITIES					
Trade and other payables			604,081		462,141
Current tax liabilities			-		1,014
Revolving credit			98,798		48,798
			702,879		511,953
TOTAL LIABILITIES			754,108		557,727
TOTAL EQUITY AND LIABILITIES			1,903,176		1,680,580
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)			2.14		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	-	-	-	-	26,215	26,215
Balance as at 30.09.2015	537,026	268,513	385	1,144	879,026	1,149,068
Balance at beginning of the financial year 1.4.2014	537,026	268,513	385	1,144	763,890	1,033,932
Total comprehensive income for the financial period	-	-	-	-	61,101	61,101
Balance as at 30.09.2014	537,026	268,513	385	1,144	824,991	1,095,033

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

	6 Months Ended 30.09.2015 RM'000	6 Months Ended 30.09.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	26,215	61,101
Adjustments:		
- Depreciation of property, plant and equipment	49,425	43,460
- Finance cost	2,083	1,037
- Taxation	12,556	26,854
- Others	3,116	(8,438)
Operating profit before working capital changes	93,395	124,014
Changes in working capital:		
Net increase in current assets	(52,961)	(65,262)
Net increase/ (decrease) in current liabilities	35,896	(25,147)
Net cash generated from operations	76,330	33,605
Tax paid, net of refund	(29,361)	(35,212)
Net cash generated from / (used in) operating activities	46,969	(1,607)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments and redemption of held-to-maturity securities	5,026	20,764
Purchase of property, plant and equipment	(60,120)	(35,200)
Interest received	8,718	8,438
Net cash used in investing activities	(46,376)	(5,998)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	6 Months Ended 30.09.2015 RM'000	6 Months Ended 30.09.2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown on revolving credit	50,000	-
Interest expense	(2,083)	(1,037)
Net cash generated from/(used in) financing activities	47,917	(1,037)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	48,510	(8,642)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	445,726	439,263
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	494,236	430,621
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	319,515	183,912
Deposits	339,385	341,139
Less: collections held on behalf of agencies**	658,900	525,051
	(164,664)	(94,430)
	494,236	430,621

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 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 financial year 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 for the financial year ended 31 March 2015.

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 2015.

5. CHANGES IN ESTIMATES

There was no material change in the estimate of amount reported in prior financial periods that has a material effect to this interim financial report.

6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no cancellation, repurchase and repayment of debt and equity securities during the financial period ended 30 September 2015.

7. DIVIDENDS PAID

The shareholders have approved a first and final single tier dividend of 13.1 sen per ordinary share at the last Annual General Meeting held on 30 September 2014 in respect of the financial year ended 31 March 2015. The net dividend of RM70,350,418 was paid on 7 October 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. 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 September 2015 is as follows:

Period ended 30 September 2015						
	Mail	Courier	Retail	Others	Elimination	Total
Revenue						
External	404,290	264,688	96,797	23,392	-	789,167
Internal	19,196	9,520	23,678	32,794	(85,188)	-
Total revenue	423,486	274,208	120,475	56,186	(85,188)	789,167
Segment profits	25,406	32,905	(32,021)	7,965	-	34,255
Other expenses						(861)
Interest income						8,718
Finance cost						(2,083)
Profit before zakat and taxation						40,029
Zakat						(1,258)
Profit before taxation						38,771
Taxation						(12,556)
Net profit for the financial period						26,215

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 financial period ended 30 September 2015.

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	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Depreciation of property, plant and equipment	24,876	18,674	49,425	43,460
Doubtful debts (net of write backs)	1,765	(688)	6,773	(5,344)
Net foreign exchange differences	2,950	(68)	2,097	271
Fair value loss of securities designated as fair value through profit or loss	90	209	90	209
Finance Cost	1,222	530	2,083	1,037
Interest income on:				
-short term deposits	(3,253)	(944)	(6,863)	(6,035)
-investment securities: held-to-maturity investment	(882)	(98)	(1,855)	(2,403)

14. REVIEW OF GROUP PERFORMANCE

14.1 Group performance for the financial period ended 30 September 2015

For the financial period ended 30 September 2015, the group recorded higher revenue of RM789.2 million compared with RM740.5 million in the previous corresponding period ended 30 September 2014, an increase of 6.6%.

(a) Group revenue by segment are as follows:-

	Group revenue	6 Months Ended		Variance RM'000
		30.09.2015 RM'000	30.09.2014 RM'000	
(i)	Mail	404,290	364,210	40,080
(ii)	Courier	264,688	229,530	35,158
(iii)	Retail	96,797	120,719	(23,922)
(iv)	Others	23,392	26,004	(2,612)
	Total	<u>789,167</u>	<u>740,463</u>	<u>48,704</u>

(i) Mail Segment

Mail segment registered higher revenue of RM404.3 million as compared to RM364.2 million. This is due to higher revenue in transshipment business.

(ii) Courier Segment

Courier segment registered higher revenue of RM264.7 million compared to RM229.5 million. The upward performance was driven by increased in demand from e-commerce.

(iii) Retail Segment

Retail segment revenue was lower by RM23.9 million. This is due to recognition of expired postal order amounting to RM25.5 million in the previous corresponding period and lower transaction volume from bill payments and unit trust at post office counters.

(iv) Other Segment

Other segment which consists of digital certificates and printing and insertion registered lower revenue of RM2.6 million due to lower business volume attributed to sales of digital certificates and printing and insertion.

14. REVIEW OF GROUP PERFORMANCE (Continued)

14.1 Group performance for the financial period ended 30 September 2015 (continued)

(b) Group Profit Before Tax

For the financial period ended 30 September 2015, profit before tax decreased to RM38.7 million as compared to RM87.9 million in the corresponding period previous year due to lower profits from mail and retail segment driven by higher transportation cost for transshipment business and recognition of expired postal order in the previous corresponding period.

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

(a) Group revenue by segment are as follows:-

	Group revenue	3 Months Ended		Variance RM'000
		30.09.2015 RM'000	30.09.2014 RM'000	
(i)	Mail	208,360	171,207	37,153
(ii)	Courier	133,508	114,130	19,378
(iii)	Retail	48,744	72,253	(23,509)
(iv)	Others	8,189	14,077	(5,888)
	Total	398,801	371,666	27,135

(i) Mail Segment

Mail segment registered higher revenue of RM208.4 million as compared to RM171.2 million. This is due to higher revenue in transshipment business.

(ii) Courier Segment

Courier segment registered higher revenue of RM133.5 million compared to RM114.1 million. The upward performance was driven by increased in demand from e-commerce.

(iii) Retail Segment

Retail segment registered lower revenue of RM48.7 million as compared to RM72.2 million due to recognition of expired postal order.

14. REVIEW OF GROUP PERFORMANCE (Continued)

14.2 Comparison between the current financial quarter and the preceding year corresponding quarter 2015 (continued)

(iv) Other Segment

Other segment which consists of digital certificates and printing and insertion registered lower revenue by RM5.9 million due to lower business volume attributed to sales of digital certificates and printing and insertion.

(b) Group Profit Before Tax

For the financial quarter ended 30 September 2015, profit before tax decreased to RM6.1 million as compared to RM49.6 million in the corresponding quarter previous year due to lower mail and retail segment profits contributed by higher transportation cost for transshipment business and recognition of expired postal order in the preceding year corresponding quarter.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The group recorded a lower profit before tax of RM6.1 million in the current quarter ended 30 September 2015 compared with RM32.7 million in the preceding quarter ended 30 June 2015 due to lower mail and courier as a result of higher operating costs.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2016

The outlook for the domestic economy is expected to remain steady in the short term as the Malaysian economy grew by 4.7% in the third quarter of 2015 supported mainly by private sector demand, especially capital spending in the manufacturing and services sectors (source: Bank Negara Malaysia).

Pos Malaysia's revenue growth is mainly driven by the growth in products and services related to e-commerce, namely courier, small packets and parcels products. Although the e-commerce growth trend is expected to have long term potential, the softening near term economic and market sentiments are expected to be challenging for the Group's prospects.

17. 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.

18. TAXATION

Taxation comprises the following:

	3 Months Ended		6 Months Ended	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Current taxation	(8,602)	12,612	7,101	19,609
Deferred taxation	11,210	2,998	5,455	7,245
Total	2,608	15,610	12,556	26,854

The Group's effective tax rate for the current financial period ended 30 September 2015 is higher than statutory tax rate mainly due to certain expenses which were not deductible for tax purposes.

19. STATUS OF CORPORATE PROPOSALS

There is no corporate proposal made by the Group for the financial period ended 30 September 2015.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

	As at 30.09.2015 RM'000	As at 31.03.2015 RM'000
Revolving credit	98,798	48,798
Total (current)	98,798	48,798

21. MATERIAL LITIGATION

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

22. 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		6 Months Ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Net profit attributable to owners of the Company (RM'000)	3,479	33,993	26,215	61,101
Number of ordinary shares in issue ('000)	537,026	537,026	537,026	537,026
Basic earnings per share (sen)	0.65	6.33	4.88	11.38

23. 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.

2016

Group

Financial assets

Investment Securities:
Fair value through profit
or loss – Quoted Shares

	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
	414	-	-	414	414	414

2016

Group

Financial assets

Investment securities:
Held-to-maturity

Financial liabilities

Revolving credit

	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
	-	84,372	-	84,372	84,372	84,372
	-	98,798	-	98,798	98,798	98,798

23. FINANCIAL INSTRUMENT DISCLOSURE (CONTINUED)

2015	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
Group						
Financial assets						
Investment Securities: Fair value through profit or loss – Quoted Shares	504	-	-	504	504	504

2015	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
Group						
Financial assets						
Investment securities: Held-to-maturity	-	89,494	-	89,494	89,494	89,424
Financial liabilities						
Revolving credit	-	48,798	-	48,798	48,798	48,798

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

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

	As at 30.09.2015 RM'000	As at 30.09.2014 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	845,202	778,249
- Unrealised	60,504	64,876
	905,706	843,125
Total share of retained profits from associates (Realised):	(7,650)	(7,650)
Add: Consolidation adjustments	(19,030)	(10,484)
Total Group retained profits	879,026	824,991

25. 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 30.09.2015 RM'000	As at 30.09.2014 RM'000
Related companies of significant investors that has an influence over the Group		
Sales of services	5,358	576
Rental income	88	208
Purchase of services	(23,664)	(4,736)
Rental expense	(581)	-
Purchase of capital expenditures	(8,949)	(49)

26. 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
23 November 2015