



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 June 2016

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

The Board of Directors is pleased to announce the unaudited financial results of the Group for the financial period ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Cumulative 3 Months Ended	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Revenue		415,869	390,366	415,869	390,366
Operating expenses		(376,374)	(362,115)	(376,374)	(362,115)
Profit from operations		39,495	28,251	39,495	28,251
Other income		4,295	6,078	4,295	6,078
Finance cost		(1,295)	(861)	(1,295)	(861)
PROFIT BEFORE ZAKAT AND TAXATION		42,495	33,468	42,495	33,468
Zakat		(502)	(784)	(502)	(784)
PROFIT BEFORE TAXATION		41,993	32,684	41,993	32,684
Taxation	18	(10,149)	(9,948)	(10,149)	(9,948)
NET PROFIT FOR THE QUARTER / FINANCIAL PERIOD		31,844	22,736	31,844	22,736
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX)		31,844	22,736	31,844	22,736
Basic and diluted earnings per share (sen):	22	5.93	4.23	5.93	4.23

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 2016 and the explanatory notes attached to the interim financial report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30.06.2016 RM'000	Audited As at 31.03.2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		664,104	665,193
Investment properties		31,100	31,100
Goodwill		4,630	4,630
		699,834	700,923
CURRENT ASSETS			
Inventories		12,960	10,924
Trade and other receivables		444,740	422,365
Investment securities : financial assets at fair value through profit or loss		380	407
Investment securities: held-to-maturity		84,395	84,265
Current tax assets		8,847	11,150
Cash and cash equivalents		612,190	638,712
		1,163,512	1,167,823
TOTAL ASSETS		1,863,346	1,868,746
EQUITY AND LIABILITIES			
Share Capital*		268,513	268,513
Share premium		385	385
Reserves		878,542	846,698
TOTAL EQUITY		1,147,440	1,115,596
NON-CURRENT LIABILITIES			
Deferred tax liabilities		36,578	36,169
		36,578	36,169
CURRENT LIABILITIES			
Trade and other payables		578,641	617,713
Current tax liabilities		1,889	470
Revolving credit		98,798	98,798
		679,328	716,981
TOTAL LIABILITIES		715,906	753,150
TOTAL EQUITY AND LIABILITIES		1,863,346	1,868,746
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)		2.14	2.08

* 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 2016 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 1.4.2016	537,026	268,513	385	1,144	845,554	1,115,596
Total comprehensive income for the financial period	-	-	-	-	31,844	31,844
Balance as at 30.06.2016	537,026	268,513	385	1,144	877,398	1,147,440
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

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 2016 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 Months Ended 30.06.2016 RM'000	3 Months Ended 30.06.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	31,844	22,736
Adjustments:		
- Depreciation of property, plant and equipment	26,655	24,549
- Finance cost	1,295	861
- Taxation	10,149	9,948
- Others	(6,100)	(3,654)
Operating profit before working capital changes	63,843	54,440
Changes in working capital:		
Net increase in current assets	(22,715)	(40,277)
Net (decrease) / increase in current liabilities	(31,294)	102,449
Net cash generated from operations	9,834	116,612
Tax paid, net of refund	(6,836)	(16,614)
Net cash generated from operating activities	2,998	99,998
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,146	751
Purchase of property, plant and equipment	(25,566)	(32,733)
Interest received	4,777	4,583
Net cash used in investing activities	(19,643)	(27,399)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	3 Months Ended 30.06.2016 RM'000	3 Months Ended 30.06.2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	(1,295)	(861)
Net cash used in financing activities	(1,295)	(861)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(17,940)	71,738
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	576,673	445,726
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	558,733	517,464
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	261,347	380,757
Deposits	350,843	209,616
	612,190	590,373
Less: collections held on behalf of agencies**	(53,457)	(72,909)
	558,733	517,464

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 2016 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 2016 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial ended 31 March 2016 except for the adoption of the following new /amended standards which are applicable to the Group with effect 1 April 2016:

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- *Annual Improvements to MFRSs 2012-2014 Cycle*

The adoption and application of the above standards are not expected to have any material impact to the financial statements of 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 2016.

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 2016.

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:

- Postal Services - Includes the provision of basic mail services for corporate and individual customers and customised solutions such as Mailroom Management and Direct Mail and over-the-counter services for payment of bills and certain financial products and services.
- Courier – Includes the courier, parcel and logistic solutions by sea, air and land to both national and international destinations.
- International – Includes the direct entry and transshipment.

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 2016 is as follows:

Period ended 30 June 2016						
	Postal Services	Courier	International	Others	Elimination	Total
Revenue						
External	206,700	162,769	19,767	26,633	-	415,869
Internal	19,725	11,546	-	14,101	(45,372)	-
Total revenue	226,425	174,315	19,767	40,734	(45,372)	415,869
Segment (loss) / profits	(2,430)	23,662	1,138	17,125	-	39,495
Other Income						4,295
Finance Cost						(1,295)
Profit before zakat and taxation						42,495
Zakat						(502)
Profit before taxation						41,993
Taxation						(10,149)
Net profit for the financial period						31,844
Attributable to:						
Owners of the company						31,844

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 was no material event 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 current quarter 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	
	30.06.2016 RM'000	30.06.2015 RM'000
Depreciation of property, plant and equipment	26,655	24,549
Finance cost	1,295	861
Fair value loss of securities designated as fair value through profit or loss	19	39
Doubtful debts (net of write backs)	(1,696)	5,008
Gain on disposal of:		
-property, plant and equipment	(1,146)	(117)
Interest income on:		
-short term deposits	(3,764)	(3,610)
-investment securities: held-to-maturity investment	(1,013)	(973)
Net foreign exchange differences	2,721	(853)

14. REVIEW OF GROUP PERFORMANCE

14.1 Group performance for the financial period ended 30 June 2016

The Group generated higher revenue of RM415.9 million for the financial period ended 30 June 2016 as compared to RM390.4 million in the previous corresponding period ended 30 June 2015. This represents an increase of RM25.5 million or equivalent to 6.5% growth.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group performance for the financial period ended 30 June 2016 (continued)

(a) Group revenue by segment are as follows:

	Group revenue	3 months ended		Variance RM'000
		30.06.2016 RM'000	30.06.2015 RM'000	
(i)	Postal Services	206,700	211,486	(4,786)
(ii)	Courier	162,769	131,915	30,854
(iii)	International	19,767	26,582	(6,815)
(iv)	Others	26,633	20,383	6,250
	Total	415,869	390,366	25,503

(i) Postal Services Segment

Postal Services segment registered lower revenue of RM206.7 million as compared to RM211.5 million. This is due to lower revenue in mail business resulted from a net drop in traditional mail volume and lower transaction from retail segment from commercial private section for unit trust.

(ii) Courier Segment

Courier segment registered higher revenue by RM30.9 million compared to RM131.9 million in the previous corresponding period ended 30 June 2015. The upward performance was driven by increased in demand from e-commerce.

(iii) International Segment

International segment revenue was lower by RM6.8 million due to decrease in revenue generated from transshipment resulted from the drop in volume compared to previous corresponding period ended 30 June 2015.

(iv) Others Segment

Others segment which consist of digital certificates, printing and insertion registered higher revenue by RM6.2 million due to higher revenue generated from sales of digital certificates as well as printing and insertion.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group performance for the financial period ended 30 June 2016 (continued)

(b) Group Profit Before Tax

For the financial period ended 30 June 2016, profit before tax increased to RM42.0 million as compared to RM32.7 million in the previous corresponding period ended 30 June 2015 due to higher profits generated from courier segment driven by demand in e-commerce and online business.

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
		30.06.2016 RM'000	31.03.2016 RM'000	
(i)	Postal Services	206,700	230,580	(23,880)
(ii)	Courier	162,769	148,106	14,663
(iii)	International	19,767	36,129	(16,362)
(iv)	Others	26,633	18,823	7,810
	Total	415,869	433,638	(17,769)

(i) Postal Services Segment

Postal Services segment registered lower revenue of RM206.7 million as compared to RM230.6 million. This is due to lower revenue for direct mail for mail segment and decrease of transactions from bill payment for retail segment.

(ii) Courier Segment

Courier segment registered higher revenue of RM162.8 million compared to RM148.1 million. The upward performance was driven by increased in demand from e-commerce.

(iii) International Segment

International segment registered lower revenue by RM16.4 million as compared to RM36.1 million due to lower transactions from transshipment business segment.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

(iv) **Others Segment**

Others segment which consist of digital certificates, printing and insertion registered higher revenue by RM7.8 million due to higher business volume attributed to sales of digital certificates as well as printing and insertion.

(b) **Group Profit Before Tax**

For the financial quarter ended 30 June 2016, profit before tax increased to RM42.0 million as compared to RM24.1 million in the corresponding quarter previous year due to higher revenue generated from courier segment business.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The group recorded a higher profit before tax of RM42.0 million in the current quarter ended 30 June 2016 compared with RM24.1 million in the preceding quarter ended 31 March 2016 due to increase in volume from courier business segment during the current quarter and decreased in transportation costs.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2017

The Malaysian economy grew by 4.0% in the second quarter of 2016 and is in line to grow between 4.0% to 4.5% for 2016 mainly driven by sustained domestic demand as a result of growth in wages and employment. (Source: BNM Press Release on Economic and Financial Developments on Malaysia in the Second Quarter of 2016, 12 August 2016).

Pos Malaysia's longer term prospects remain closely tied to the growth in the fulfilment and delivery of merchandise arising from the growth of e-commerce. Investments by global e-commerce giants into the SEA region's e-commerce players (for example the acquisition of Lazada by Alibaba) support the growth and development of the e-commerce industry in the region. Pos Malaysia has been focusing on enhancing its e-commerce fulfilment and logistics infrastructure and capabilities to take advantage of the opportunities arising from such investments. Overall, Pos Malaysia's Management is cautiously optimistic that the Group's longer term prospects are broadly positive.

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	
	30.06.2016 RM'000	30.06.2015 RM'000
Current taxation	9,740	15,703
Deferred taxation	409	(5,755)
Total	10,149	9,948

The Group's effective tax rate for the current quarter ended 30 June 2016 is consistent with the statutory tax rate.

19. STATUS OF CORPORATE PROPOSALS

On 14 March 2016, Pos Malaysia, has entered into:

- (i) a conditional shares sale agreement with HICOM Holdings Bhd, 100% wholly-owned subsidiary of DRB-HICOM Berhad for the proposed acquisition of the entire issued and paid-up share capital of KLAS (KL Airport Services Sdn Bhd), comprising 88,328,527 ordinary shares of RM1.00 each in KLAS ("KLAS Shares"), 35,300,000 redeemable convertible preference shares of RM1.00 each in KLAS ("KLAS RCPS") and such number of New KLAS Shares (as defined in Section 2.1.2 of this Announcement) to be issued on a later date, for a total purchase consideration of RM749.35 million ("KLAS SSA"); and
- (ii) a conditional sale and purchase agreement with HICOM Indungan and HICOM Engineering Sdn Bhd ("HICOM Engineering"), an indirect wholly-owned subsidiary of DRB-HICOM, for the proposed acquisition of part of a parcel of freehold industrial land held under GRN 311546 Lot 62010, Pekan HICOM, District of Petaling, State of Selangor Darul Ehsan located along Jalan Jijan 28/35, Section 28, 40400 Shah Alam ("Section 28 Land") measuring 9.912 acres for a purchase consideration of RM69.00 million ("Land SPA").

HICOM Engineering is the registered owner of the Section 28 Land while HICOM Indungan is the beneficial owner of the Section 28 Land.

This proposed acquisition has been approved by the shareholders on 18 August 2016. The above exercise is expected to be completed by end of September 2016.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited As at 30.06.2016 RM'000	Audited As at 31.03.2016 RM'000
<u>Due within 12 months</u> Revolving credit	98,798	98,798
Total	98,798	98,798

21. MATERIAL LITIGATION

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

22. DIVIDEND

No interim dividend has been declared for the financial period ended 30 June 2016.

23. EARNINGS PER SHARE

The basic and diluted 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	
	30.06.2016	30.06.2015
Net profit attributable to owners of the Company (RM'000)	31,844	22,736
Number of ordinary shares in issue ('000)	537,026	537,026
Basic and diluted earnings per share (sen)	5.93	4.23

24. 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.

2017

	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
Financial assets						
Investment securities: financial assets at fair value through profit or loss	380	-	-	380	380	380
Investment securities: held-to-maturity	-	84,345	-	84,345	84,345	84,395
Financial liabilities						
Revolving credit	-	98,798	-	98,798	98,798	98,798

2016

	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
Financial assets						
Investment Securities: Fair value through profit or loss	407	-	-	407	407	407
Investment securities: Held-to-maturity	-	84,247	-	84,247	84,247	84,265
Financial liabilities						
Revolving credit	-	98,798	-	98,798	98,798	98,798

25. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

The retained profits of the Group as at 30 June 2016 are analysed as follows:

	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	825,349	839,706
- Unrealised	80,375	64,412
	905,724	904,118
Total share of retained profits from associates (Realised)	(7,650)	(7,650)
Add: Consolidation adjustments	(20,676)	(20,921)
Total Group retained profits	877,398	875,547

26. 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 30.06.2016 RM'000	As at 30.06.2015 RM'000
Related companies of significant investors that has an influence over the Group		
Sales of services	5,380	5,358
Rental income	88	88
Purchase of services	(24,275)	(23,664)
Rental expense	(9,241)	(581)
Purchase of capital expenditures	(2,499)	(8,949)

27. 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
26 August 2016