



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 31 December 2016

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

The Board of Directors is pleased to announce the unaudited financial results of Pos Malaysia Group (“the Group”) for the current quarter/financial period ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Cumulative 9 Months Ended	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue		635,720	494,634	1,446,712	1,283,801
Operating expenses		(594,251)	(470,402)	(1,353,365)	(1,225,314)
Profit from operations		41,469	24,232	93,347	58,487
Other income		15,186	6,553	25,967	14,410
Other expenses		-	-	(4,015)	-
Finance cost		(3,754)	(1,194)	(6,400)	(3,277)
PROFIT BEFORE ZAKAT AND TAXATION		52,901	29,591	108,899	69,620
Zakat		(160)	11	(1,479)	(1,247)
PROFIT BEFORE TAXATION		52,741	29,602	107,420	68,373
Taxation	18	(17,919)	(7,076)	(34,018)	(19,632)
NET PROFIT FOR THE QUARTER / FINANCIAL PERIOD		34,822	22,526	73,402	48,741
OTHER COMPREHENSIVE LOSS					
<u>Item that will be subsequently reclassified to profit or loss</u>					
Currency translation differences of a foreign subsidiary company		(62)	-	(62)	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX)		34,760	22,526	73,340	48,741

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

	Note	Current Quarter 3 Months Ended		Cumulative 9 Months Ended	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Net profit for the quarter/financial period attributable to:					
Owners of the Company		34,842	22,526	73,422	48,741
Non-controlling interest		(20)	-	(20)	-
		34,822	22,526	73,402	48,741
Total comprehensive income for the quarter/financial period attributable to:					
Owners of the Company		34,780	22,526	73,360	48,741
Non-controlling interest		(20)	-	(20)	-
		34,760	22,526	73,340	48,741
Basic and diluted earnings per share (sen):	23	4.45	4.19	11.56	9.08

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 31.12.2016 RM'000	Audited As at 31.03.2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,072,931	665,193
Prepaid lease properties		42,108	-
Investment properties		31,100	31,100
Intangible assets		394,502	4,630
Deferred tax assets		11,711	-
Investment securities : available-for-sale		155	-
Other receivables		13,583	-
Other assets		469	-
		1,566,559	700,923
CURRENT ASSETS			
Inventories		14,053	10,924
Trade and other receivables		802,505	422,365
Investment securities : financial assets at fair value through profit or loss		348	407
Investment securities: held-to-maturity		-	84,265
Tax recoverable		7,365	11,150
Cash and cash equivalents		689,788	638,712
		1,514,059	1,167,823
		3,080,618	1,868,746
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Share Capital		391,388	268,513
Share premium		680,004	385
Reserves		857,226	846,698
Equity attributable to Owners of the Company		1,928,618	1,115,596
Non-controlling interest		2,119	-
TOTAL EQUITY		1,930,737	1,115,596
NON-CURRENT LIABILITIES			
Long term borrowings	20	17,687	-
Post-employment benefit obligations		2,373	-
Deferred tax liabilities		65,808	36,169
Other payables		8,726	-
		94,594	36,169
CURRENT LIABILITIES			
Trade and other payables		843,579	617,713
Bank borrowings - others	20	209,950	98,798
Current tax liabilities		1,758	470
		1,055,287	716,981
TOTAL LIABILITIES		1,149,881	753,150
TOTAL EQUITY AND LIABILITIES		3,080,618	1,868,746
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM)			
		2.47	2.08

* Based on 782,776,836 (31.03.2016: 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	Non - controlling Interest RM'000	Total Equity RM'000
	Number of shares	Nominal value	Share Premium	Revaluation Reserves	Currency Translation Differences				
	'000	RM'000	RM'000	RM'000	RM'000				
Balance at beginning of the financial year 1.4.2016.	537,026	268,513	385	1,144	-	845,554	1,115,596	-	1,115,596
Net profit for the financial period	-	-	-	-	-	73,422	73,422	(20)	73,402
Other comprehensive loss for the financial period	-	-	-	-	(62)	-	(62)	-	(62)
Total comprehensive income for the financial period	-	-	-	-	(62)	73,422	73,360	(20)	73,340
Issue of ordinary shares for acquisition of a subsidiary company (net of issuance cost)	245,751	122,875	679,619	-	-	-	802,494	-	802,494
Final dividend in respect of financial year ended 31 March 2016	-	-	-	-	-	(62,832)	(62,832)	-	(62,832)
<u>Transaction with Owners</u>									
Acquisition of a subsidiary company	-	-	-	-	-	-	-	2,139	2,139
Balance as at 31.12.2016	782,777	391,388	680,004	1,144	(62)	856,144	1,928,618	2,119	1,930,737

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Issued and fully paid ordinary shares		Non-distributable		Retained Earnings RM'000	Total Equity RM'000
	Number of shares	Nominal value	Share Premium	Revaluation Reserves		
	'000	RM'000	RM'000	RM'000		
Balance at beginning of the financial year 1.4.2015	537,026	268,513	385	1,144	852,811	1,122,853
Net profit for the financial period represented total comprehensive income for the financial period	-	-	-	-	48,741	48,741
Final dividend paid in respect of financial year ended 31 March 2015	-	-	-	-	(70,350)	(70,350)
Balance as at 31.12.2015	537,026	268,513	385	1,144	831,202	1,101,244

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

	9 Months Ended 31.12.2016 RM'000	9 Months Ended 31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	73,402	48,741
Adjustments:		
- Depreciation of property, plant and equipment	88,823	74,579
- Finance cost	6,400	3,277
- Taxation	34,018	19,632
- Interest income	(11,479)	(11,762)
- Others	(7,532)	7,154
Operating profit before working capital changes	183,632	141,621
Changes in working capital:		
Net increase in current assets	(129,313)	(75,352)
Net increase in current liabilities	31,834	136,667
Net cash generated from operations	86,153	202,936
Tax paid, net of refund	(22,178)	(43,854)
Zakat paid	(62)	-
Retirement benefit paid	(17)	-
Net cash generated from operating activities	63,896	159,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	11,479	11,762
Net cash inflow from acquisition of a subsidiary company	19,110	-
Proceeds from disposal of investments and redemption of held-to maturity securities	84,000	5,000
Proceeds from disposal of property, plant and equipment	10,185	-
Purchase of property, plant and equipment	(68,725)	(79,955)
Decrease in other investment	-	(64,354)
Net cash generated from / (used in) investing activities	56,049	(127,547)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	9 Months Ended 31.12.2016 RM'000	9 Months Ended 31.12.2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown on revolving credit	20,000	50,000
Fixed deposits held as securities	(1,287)	-
Interest expense	(6,400)	(3,277)
Repayment of hire purchase	(2,242)	-
Dividend paid to shareholders	(62,832)	(70,350)
Net cash used in financing activities	(52,761)	(23,627)
NET INCREASE IN CASH AND CASH EQUIVALENTS	67,184	7,908
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	576,673	274,595
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	643,857	282,503
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	484,582	279,505
Deposits	205,206	79,606
Less: collections held on behalf of agencies**	(44,644)	(76,608)
Fixed deposit held as security	(1,287)	-
	643,857	282,503

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 financial year 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 year 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

Save as disclosed below, there was no material 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 2016.

4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE (CONTINUED)

- (a) On 13 September 2016, the Company completed the acquisition of 100% equity interest in KL Airport Services Sdn. Bhd. (now known as Pos Aviation Sdn. Bhd.) (“Pos Aviation”) from HICOM Holdings Berhad, a wholly-owned subsidiary company of DRB-HICOM Berhad for a total consideration of RM749.35 million via its issuance of 225,030,030 new ordinary shares of RM0.50 each (“POSM Shares”) at an issue price of RM3.33 per POSM Shares.

The initial accounting for Pos Aviation business combination in the consolidated financial statements of Pos Malaysia involves identifying and determining the fair values to be assigned to Pos Aviation’s identifiable assets, liabilities and contingent liabilities and the cost of the combination. As at 30 September 2016, the fair value of Pos Aviation’s identifiable assets, liabilities and contingent liabilities can only be determined provisionally pending the completion of purchase price allocation (“PPA”) on Pos Aviation’s identifiable assets, liabilities and contingent liabilities. The Pos Aviation’s business combination has been accounted for using these provisional values. The Group shall recognise any adjustments to these provisional values upon completion of the PPA exercise within twelve months from the acquisition date.

The initial accounting has resulted in goodwill on consolidation amounting to approximately RM389.88 million which has been recognised as intangible asset in the consolidated statement of financial position of the Group.

- (b) On 13 September 2016, the Company completed the acquisition of part of a parcel of freehold industrial land measuring 9.912 acres located in Section 28, Shah Alam from HICOM Indungan Sdn. Bhd., an indirect wholly-owned subsidiary company of DRB-HICOM Berhad, for a total consideration of RM69 million via its issuance of 20,720,721 new ordinary shares of RM0.50 each at an issue price of RM3.33 per POSM Shares.

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

Save as disclosed below, there was no issuance and repayment of debt and equity securities, shares held as treasury shares and resale of treasury shares for the financial period ended 31 December 2016.

On 13 September 2016, the Company issued a total of 245,750,751 new ordinary shares of RM0.50 each at an issue price of RM3.33 per POSM Shares, pursuant to the acquisitions of Pos Aviation and part of a parcel of freehold industrial land measuring 9.912 acres located in Section 28, Shah Alam as mentioned in Note 4.

7. DIVIDENDS PAID

The shareholders have approved a first and final single tier dividend of 11.1 sen per ordinary share at the last Annual General Meeting held on 18 August 2016 in respect of the financial year ended 31 March 2016. The net dividend of RM62,832,056 was paid on 7 October 2016.

8. SEGMENTAL INFORMATION

The Group has four 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.
- Logistics – Includes cargo and ground handling, in-flight catering, freight and forwarding and air cargo transport.

Others segment includes the hybrid mail which provides data and document processing services, business of internet security products, solutions and services, Ar Rahnun business including storage and safekeeping fees, buying and selling of investment precious metals, namely gold bars and dinars 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 Postal Services reportable segment and the Courier reportable segment. This integration includes shared distribution services. The accounting policies of the reportable segments are the same as described in Note 2.

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.

8. SEGMENTAL INFORMATION (CONTINUED)

The information of each of the Group's business segments for the financial period ended 31 December 2016 is as follows:

	Postal Services	Courier	International	Logistics	Others	Elimination	Total
External Revenue	570,750	510,701	130,400	169,260	65,601	-	1,446,712
Internal Revenue	79,642	47,579	-	21,176	57,926	(206,323)	-
Total Revenue	650,392	558,280	130,400	190,436	123,527	(206,323)	1,446,712
Segment (loss) / profit	(99,579)	136,774	14,836	12,877	28,439		93,347
Other income							25,967
Other expenses							(4,015)
Finance cost							(6,400)
Profit before zakat and taxation							108,899
Zakat							(1,479)
Profit before taxation							107,420
Taxation							(34,018)
Net profit for the financial period							73,402
Attributable to:							
Owners of the company							73,422
Non-controlling interest							(20)
							73,402

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 has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature that would likely affect substantially the results of the operations of the Group.

11. CHANGES IN THE COMPOSITION OF THE GROUP

On 13 September 2016, the Company completed the acquisition of 100% equity interest in Pos Aviation for a total consideration of RM749.35 million via the issuance of 225,030,030 new ordinary shares of RM0.50 each at an issue price of RM3.33 per POSM Shares. As a result, Pos Aviation became a wholly-owned subsidiary company of the Group.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at the end of the reporting period other than what was reported in the last audited financial statements.

13. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging / (crediting) the following:

	3 Months Ended		9 Months Ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Amortisation of prepaid lease properties	290	-	290	-
Depreciation of property, plant and equipment	35,620	25,154	88,823	74,579
Doubtful debts (net of write backs)	792	3,224	(717)	6,897
Fair value loss / (gain) of investment securities : financial assets at fair value through profit or loss	59	(841)	58	(751)
Finance cost	3,754	1,194	6,400	3,277
Write off of property, plant and equipment	-	-	12	-
Gain on disposal of property, plant and equipment	(5,226)	-	(7,582)	-
Interest income on:				
- short term deposits	(2,583)	(2,894)	(9,347)	(9,757)
- investment securities: held-to-maturity	(473)	(871)	(2,132)	(2,726)
Net foreign exchange differences	(6,217)	(2,638)	(269)	(541)

14. REVIEW OF GROUP PERFORMANCE

14.1 Group performance for the financial period ended 31 December 2016

The Group generated higher revenue of RM1,446.7 million for the financial period ended 31 December 2016 as compared to RM1,283.8 million in the previous corresponding period ended 31 December 2015. This represents an increase of RM162.9 million or equivalent to 12.7% growth. Included in the current period revenue is RM169.3 million generated from Logistics business pursuant to the acquisition of Pos Aviation completed on 13 September 2016.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group performance for the financial period ended 31 December 2016 (continued)

(a) Group revenue by segment are as follows:

	9 months ended		Variance RM'000
	31.12.2016 RM'000	31.12.2015 RM'000	
Group revenue			
Postal Services	570,750	598,134	(27,384)
Courier	510,701	407,993	102,708
International	130,400	224,769	(94,369)
Logistics	169,260	-	169,260
Others	65,601	52,905	12,696
Total	1,446,712	1,283,801	162,911

(i) Postal Services Segment

Postal Services segment registered lower revenue of RM570.7 million as compared to RM598.1 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 RM102.7 million compared to RM408.0 million registered in the previous corresponding period ended 31 December 2015. The upward performance was driven by surge in demand from e-commerce.

(iii) International Segment

International segment revenue was lower by RM94.4 million due to decrease in revenue generated from transshipment resulted from the drop in volume compared to previous corresponding period ended 31 December 2015.

(iv) Logistics Segment

Pursuant to the acquisition of Pos Aviation, Logistics segment has contributed RM169.3 million mainly coming from automotive, distribution and project logistics inclusive of haulage business and complemented by cargo & ground handling and in-flight catering business.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group performance for the financial period ended 31 December 2016 (continued)

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

(v) Others Segment

Others segment which consist of printing and insertion, digital certificates and Ar-Rahnu, registered higher revenue by RM12.7 million mainly due to higher revenue generated from Ar-Rahnu business as well as printing and insertion and sales of digital certificates.

(b) Group Profit Before Tax

For the financial period ended 31 December 2016, profit before tax increased to RM107.4 million as compared to RM68.4 million in the previous corresponding period ended 31 December 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:

	3 months ended		Variance RM'000
	31.12.2016 RM'000	31.12.2015 RM'000	
Group revenue			
Postal Services	187,105	189,549	(2,444)
Courier	188,559	143,305	45,254
International	70,649	143,059	(72,410)
Logistics	169,260	-	169,260
Others	20,147	18,721	1,426
Total	635,720	494,634	141,086

(i) Postal Services Segment

Postal Services segment registered lower revenue of RM187.1 million as compared to RM189.5 million. This is due to lower revenue for direct mail for mail segment and decrease of transactions from bill payment for retail segment.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

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

(ii) Courier Segment

Courier segment registered higher revenue of RM188.5 million compared to RM143.3 million. The upward performance was driven by increase in demand from e-commerce.

(iii) International Segment

International segment registered lower revenue of RM70.6 million as compared to RM143.0 million due to lower transactions from transshipment business segment.

(iv) Logistics Segment

Pursuant to the acquisition of Pos Aviation, Logistics segment has contributed RM169.3 million mainly coming from automotive, distribution and project logistics inclusive of haulage business and complemented by cargo & ground handling and in-flight catering business.

(v) Others Segment

Others segment which consist of printing and insertion, digital certificates and Ar-Rahnu, registered higher revenue by RM1.4 million mainly contributed from increased transaction for storage fees from Ar-Rahnu business.

(b) Group Profit Before Tax

For the financial quarter ended 31 December 2016, profit before tax increased to RM52.7 million as compared to RM29.6 million in the corresponding quarter previous year mainly 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 RM52.7 million in the current quarter ended 31 December 2016 compared with RM12.7 million in the preceding quarter ended 30 September 2016 mainly due to increase in volume from courier business segment.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2017

The Malaysian economy expanded by 4.5% for the fourth quarter of calendar year 2016 driven mainly by private sector expenditure, supported by continued wage and employment growth. In addition, private sector investment, primarily in capital spending in the services and manufacturing sectors also contributed to economic growth in the fourth quarter.

While the external environment may continue to remain challenging, the Malaysian economy will experience sustained growth with the primary driver being domestic demand. Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to support disposable income of households. Investment activities will continue to be anchored by the ongoing implementation of infrastructure projects and capital spending in the manufacturing and services sectors (source: Bank Negara Malaysia, “*Economic and Financial Development in Malaysia in the Fourth Quarter of 2016*”).

Pos Malaysia Group’s prospects going forward are buoyed by the continued growth in e-Commerce, domestically and regionally in line with the increasing penetration of internet access, especially mobile internet. New investments by global e-Commerce players such as Amazon and Alibaba in this region’s e-Commerce ecosystem augur well for growth of e-Commerce in the ASEAN region.

The continued investments in transportation infrastructure by the Malaysian Government as well as those through private-public partnership channels are broadly supportive of the Group’s haulage/logistics business. In addition, the Group’s concession based businesses will continue to provide stable revenue streams going forward, primarily driven by sustained but moderate growth in air passenger traffic. As such, we believe that the prospects of the Group remain positive in the current operating environment.

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		9 Months Ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Current taxation	17,454	18,203	33,840	25,304
Deferred taxation	465	(11,127)	178	(5,672)
Total	17,919	7,076	34,018	19,632

The Group’s effective tax rate for the current quarter ended 31 December 2016 is higher compared to the statutory tax rate 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 31 December 2016.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited as at 31.12.2016 RM'000
Long Term Borrowings	
<u>Secured:</u>	
Hire purchase and finance lease liabilities	23,539
- portion repayable within 12 months	(5,852)
Total Long Term Borrowings	17,687
Short Term Borrowings	
<u>Secured:</u>	
Revolving credit	102,098
Hire purchase and finance lease liabilities – portion repayable within 12 months	5,852
	107,950
<u>Unsecured:</u>	
Revolving credit	72,000
Short term loan under Islamic financing	30,000
	102,000
Total Short Term Borrowings	209,950
Total Group borrowings	227,637

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 31 December 2016.

23. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated based on the Group's net profit attributable to Owners of the Company and weighted average number of ordinary shares outstanding during the financial period.

	3 Months Ended		9 Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net profit attributable to Owners of the Company (RM'000)	34,842	22,526	73,422	48,741
Number of ordinary shares in issue ('000)	782,777	537,026	782,777	537,026
Weighted average number of ordinary shares outstanding ('000)	782,777	537,026	635,326	537,026
Basic and diluted earnings per share (sen)	4.45	4.19	11.56	9.08

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

The retained profits of the Group as at 31 December 2016 are analysed as follows:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	823,627	784,906
- Unrealised	59,968	71,361
	883,595	856,267
Total share of retained profits from associates (Realised)	(7,650)	(7,650)
Add: Consolidation adjustments	(19,801)	(17,415)
Total Group retained profits	856,144	831,202

POS MALAYSIA BERHAD
(229990-M)
(Incorporated in Malaysia)

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
23 February 2017