



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Year
Ended 31 March 2017

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

The Board of Directors is pleased to announce the unaudited financial results of Pos Malaysia Group (“the Group”) for the current quarter/financial year ended 31 March 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Cumulative 12 Months Ended	
		31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Revenue		635,551	433,638	2,082,263	1,717,439
Cost of sales and operating expenses		(620,522)	(416,360)	(1,975,645)	(1,631,645)
Other income		27,639	16,658	53,606	31,068
Other expenses		(15,023)	(7,491)	(17,280)	(17,520)
Profit from operations		27,645	26,445	142,944	99,342
Finance costs		(2,599)	(911)	(8,999)	(4,188)
PROFIT BEFORE ZAKAT AND TAXATION		25,046	25,534	133,945	95,154
Zakat		(1,087)	(1,406)	(2,566)	(2,653)
PROFIT BEFORE TAXATION		23,959	24,128	131,379	92,501
Taxation	18	(13,394)	(9,776)	(47,412)	(29,408)
NET PROFIT FOR THE QUARTER / FINANCIAL YEAR		10,565	14,352	83,967	63,093
OTHER COMPREHENSIVE LOSS					
<u>Item that will not be subsequently reclassified to profit or loss</u>					
Re-measurement of post-employment benefit obligation		(639)	-	(639)	-
<u>Item that will be subsequently reclassified to profit or loss</u>					
Currency translation differences of foreign subsidiary companies		(1,972)	-	(2,034)	-
OTHER COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL YEAR (NET OF TAX)		(2,611)	-	(2,673)	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/ FINANCIAL YEAR (NET OF TAX)		7,954	14,352	81,294	63,093

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

	Note	Current Quarter 3 Months Ended		Cumulative 12 Months Ended	
		31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Net profit for the quarter/financial year attributable to:					
Owners of the Company		10,637	14,352	84,059	63,093
Non-controlling interest		(72)	-	(92)	-
		10,565	14,352	83,967	63,093
Total comprehensive income for the quarter/financial year attributable to:					
Owners of the Company		8,026	14,352	81,386	63,093
Non-controlling interest		(72)	-	(92)	-
		7,954	14,352	81,294	63,093
Basic and diluted earnings per share (sen):	23	1.36	2.67	12.51	11.75

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 31.03.2017 RM'000	Audited As at 31.03.2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,088,728	665,193
Prepaid lease properties		41,818	-
Investment properties		34,890	31,100
Intangible assets		418,183	4,630
Deferred tax assets		10,210	-
Other receivables		15,100	-
Other assets		624	-
		1,609,553	700,923
CURRENT ASSETS			
Inventories		15,109	10,924
Trade and other receivables		849,797	422,365
Investment securities : financial assets at fair value through profit or loss		175	407
Investment securities: held-to-maturity		8,000	84,265
Current tax assets		5,738	11,150
Short term deposits		480,480	433,815
Cash and bank balances		279,290	204,897
		1,638,589	1,167,823
		3,248,142	1,868,746
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Share Capital		1,071,392	268,898
Reserves		865,252	846,698
Equity attributable to Owners of the Company		1,936,644	1,115,596
Non-controlling interest		2,047	-
TOTAL EQUITY		1,938,691	1,115,596
NON-CURRENT LIABILITIES			
Long term borrowings	20	16,208	-
Post-employment benefit obligations		2,910	-
Deferred tax liabilities		61,224	36,169
Other payables		10,363	-
		90,705	36,169
CURRENT LIABILITIES			
Trade and other payables		985,452	617,713
Bank borrowings	20	223,835	98,798
Current tax liabilities		9,459	470
		1,218,746	716,981
TOTAL LIABILITIES		1,309,451	753,150
TOTAL EQUITY AND LIABILITIES		3,248,142	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	Monetary value	Revaluation Reserves	Post-employment Benefit 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	268,898	1,144	-	-	845,554	1,115,596	-	1,115,596
Net profit for the financial year	-	-	-	-	-	84,059	84,059	(92)	83,967
Other comprehensive loss for the financial year	-	-	-	(639)	(2,034)	-	(2,673)	-	(2,673)
Total comprehensive income for the financial year	-	-	-	(639)	(2,034)	84,059	81,386	(92)	81,294
Issue of ordinary shares for acquisition of a subsidiary company (net of issuance cost)	245,751	802,494	-	-	-	-	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 31.03.2017	782,777	1,071,392	1,144	(639)	(2,034)	866,781	1,936,644	2,047	1,938,691

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 '000	Nominal value RM'000	Revaluation Reserves RM'000		
Balance at beginning of the financial year 1.4.2015	537,026	268,898	1,144	852,811	1,122,853
Net profit for the financial year represented total comprehensive income for the financial year	-	-	-	63,093	63,093
Final dividend paid in respect of financial year ended 31 March 2015	-	-	-	(70,350)	(70,350)
Balance as at 31.03.2016	537,026	268,898	1,144	845,554	1,115,596

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

	12 Months Ended 31.03.2017 RM'000	12 Months Ended 31.03.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	83,967	63,093
Adjustments:		
- Depreciation of property, plant and equipment	125,310	102,762
- Amortisation of prepaid lease properties	581	-
- Finance cost	8,999	4,188
- Taxation	47,412	29,408
- Interest income	(15,266)	(17,365)
- Others	(1,175)	7,977
Operating profit before working capital changes	249,828	190,063
Changes in working capital:		
Net increase in current assets	(191,526)	(70,881)
Net increase in current liabilities	166,424	171,664
Net cash generated from operations	224,726	290,846
Tax paid, net of refund	(28,855)	(46,292)
Zakat paid	(3,323)	-
Retirement benefit paid	(46)	-
Net cash generated from operating activities	192,502	244,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	15,266	17,365
Net cash inflow from acquisition of a subsidiary company	18,791	-
Maturity of investment securities	84,206	5,026
Proceeds from disposal of property, plant and equipment	10,473	557
Purchase of property, plant and equipment	(121,042)	(112,017)
Acquisition of other investment	(8,000)	-
Fixed deposit held as securities	(1,109)	-
Net cash used in investing activities	(1,415)	(89,069)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	12 Months Ended 31.03.2017 RM'000	12 Months Ended 31.03.2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown on revolving credit	34,000	50,000
Interest expense	(8,999)	(4,188)
Repayment of hire purchase	(3,836)	-
Dividend paid to shareholders	(62,832)	(70,350)
Net cash used in financing activities	(41,667)	(24,538)
NET INCREASE IN CASH AND CASH EQUIVALENTS	149,420	130,947
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 YEAR	726,093	576,673
Cash and cash equivalents as at end of the financial year comprise the followings:		
Bank balances and cash	279,290	204,897
Deposits	480,480	433,815
	759,770	638,712
Less: Collections held on behalf of agencies**	(32,568)	(62,039)
Less: Fixed deposit held as security	(1,109)	-
	726,093	576,673

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:

- 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 year ended 31 March 2017.

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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 goodwill on consolidation of approximately RM413.55 million reported as at 31 March 2017 has been revised as compared to the initial goodwill amount reported in Quarter 2 and Quarter 3 of RM389.88 million in line with the preliminary assessment of fair values on the acquisition date.

The Group shall recognise any adjustments to these provisional values upon completion of the PPA exercise within twelve months from the acquisition date.

- (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 year 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 year ended 31 March 2017.

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 11.7 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.

Other segment includes the hybrid mail which provides data and document processing services, business of internet security products, solutions and services, Ar Rahnū 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 year.

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 year ended 31 March 2017 is as follows:

Year ended 31 March 2017	Postal Services RM'000	Courier RM'000	International RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue	779,528	684,578	192,761	327,588	97,808	-	2,082,263
Internal Revenue	86,258	73,629	-	41,124	59,924	(260,935)	-
Total Revenue	865,786	758,207	192,761	368,712	157,732	(260,935)	2,082,263
Segment Profit	(146,484)	181,005	21,024	6,533	27,260		89,338
Other Income							38,340
Interest Income							15,266
Finance Cost							(8,999)
Profit before zakat and taxation							133,945
Zakat							(2,566)
Profit before taxation							131,379
Taxation							(47,412)
Net profit for the financial year							83,967
Attributable to:							
Owners of the company							84,059
Non-controlling interests (NCI)							(92)
							83,967

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 year 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 year 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		12 Months Ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Amortisation of prepaid lease properties	291	-	581	-
Depreciation of property, plant and equipment	36,487	28,183	125,310	102,762
Doubtful debts (net of write backs)	499	(1,637)	(218)	5,260
Fair value loss / (gain) of investment securities : financial assets at fair value through profit or loss	(19)	848	39	97
Fair value adjustment on investment properties	(3,790)	-	(3,790)	-
Finance cost	2,599	911	8,999	4,188
Write off of property, plant and equipment	1,490	188	1,502	188
Gain on disposal of property, plant and equipment	(188)	(557)	(7,770)	(557)
Impairment loss of property, plant and equipment	148	-	148	-
Gain on disposal of investment securities	(13)	-	(13)	-
Inventories written down (net of write backs)	111	-	111	-
Interest income on:				
- short term deposits	(3,787)	(4,174)	(13,134)	(13,931)
- investment securities: held-to-maturity	-	(708)	(2,132)	(3,434)
Net foreign exchange differences	(8,957)	(6,872)	(9,226)	(7,413)

14. REVIEW OF GROUP PERFORMANCE

14.1 Group performance for the financial year ended 31 March 2017

The Group generated higher revenue of RM2,082.3 million for the financial year ended 31 March 2017 as compared to RM1,717.4 million in the previous corresponding year ended 31 March 2016. This represents an increase of RM364.9 million or equivalent to 21% growth. Included in the current year revenue is RM326.6 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 year ended 31 March 2017 (continued)

(a) Group revenue by segment are as follows:

	12 months ended		Variance RM'000
	31.03.2017 RM'000	31.03.2016 RM'000	
Group revenue			
Postal Services	779,528	821,471	(41,943)
Courier	684,578	556,099	128,479
International	192,761	260,927	(68,166)
Logistics	327,588	-	327,588
Other	97,808	78,942	18,866
Total	2,082,263	1,717,439	364,824

(i) Postal Services

Postal Services registered lower revenue of RM779.5 million as compared to RM821.5 million. This is due to lower revenue in mail business resulting from a net drop in traditional mail volume and lower transaction from retail segment from lower unit trust contribution.

(ii) Courier

Courier registered higher revenue by RM128.5 million compared to RM556.1 million registered in the previous corresponding year ended 31 March 2016. The upward performance was driven by surge in demand from online businesses demand and encouraging sales from the Prepaid promotion campaign.

(iii) International

International revenue was lower by RM68.2 million due to decrease in revenue generated from transshipment resulted from the drop in volume as well as heightened competition compared to previous corresponding year ended 31 March 2016.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group performance for the financial year ended 31 March 2017 (continued)

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

(iv) **Logistics**

Pursuant to the acquisition of Pos Aviation, Logistics has contributed RM327.6 million mainly coming from automotive, distribution and project logistics inclusive of haulage business and complemented by cargo and ground handling and in-flight catering business.

(v) **Other**

Other segments which consist of printing and insertion, digital certificates and Ar-Rahnu, registered higher revenue by RM18.9 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 year ended 31 March 2017, profit before tax increased to RM131.4 million as compared to RM92.5 million in the previous corresponding year ended 31 March 2016 due to higher profits generated from courier segment driven by demand in e-commerce and online businesses.

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
	31.03.2017 RM'000	31.03.2016 RM'000	
Group revenue			
Postal Services	208,778	223,337	(14,559)
Courier	173,877	148,106	25,771
International	62,361	36,158	26,203
Logistics	158,328	-	158,328
Other	32,207	26,037	6,170
Total	635,551	433,638	201,913

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):

(i) Postal Services

Postal Services registered lower revenue of RM208.8 million as compared to RM223.3 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

Courier registered higher revenue of RM173.9 million compared to RM148.1 million. The upward performance was driven by increase in demand from e-commerce and online businesses.

(iii) International

International registered higher revenue of RM62.4 million as compared to RM36.1 million due to higher transactions from transshipment business segment during the quarter.

(iv) Logistics

Pursuant to the acquisition of Pos Aviation, Logistics has contributed RM158.3 million mainly coming from automotive, distribution and project logistics inclusive of haulage business and complemented by cargo and ground handling and in-flight catering business.

(v) Other

Other segments which consist of printing and insertion, digital certificates and Ar-Rahnu, registered higher revenue by RM6.2 million mainly contributed from increased transaction for storage fees from Ar-Rahnu business.

(b) Group Profit Before Tax

For the financial quarter ended 31 March 2017, profit before tax has remained at RM24.0 million compared to the corresponding quarter previous year.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The group recorded a lower profit before tax of RM24.0 million in the current quarter ended 31 March 2017 compared with RM52.7 million in the preceding quarter ended 31 December 2016 mainly due to higher cost incurred.

16. FUTURE PROSPECTS

With the gradual improvement in global growth, recovery in global commodity prices and the continued growth of domestic demand are expected to collectively support Malaysia's growth performance. The Malaysian economy is projected to register a sustained growth of 4.3% - 4.8% in 2017 (*source: Bank Negara Malaysia press release dated 23 March 2017*).

The continued growth in e-Commerce, domestic and regional, remains as one of the key growth driver for Pos Malaysia Group. Favourable demographics, competitive pricing and increased reliability of the fulfilment functions by the marketplace platforms are expected to spur the increase in online purchases, especially consumer goods, in Malaysia and the region. As such, fulfilment and last mile delivery services providers such as Pos Malaysia will benefit from the growth of e-Commerce. In addition, government initiatives such as the establishment of the Digital Free Trade Zone are catalysts for e-Commerce growth in Malaysia.

The continuation of the Malaysian Government's emphasis on new investments in transportation infrastructure is 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 and cargo traffic. Based on the foregoing, we believe that the prospects of the Group remains positive in the near to medium term.

17. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee for the current financial year in a public document.

18. TAXATION

Taxation comprises the following:

	3 Months Ended		12 Months Ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Current taxation	18,615	13,709	52,455	39,013
Deferred taxation	(5,221)	(3,933)	(5,043)	(9,605)
Total	13,394	9,776	47,412	29,408

The Group's effective tax rate for the current quarter ended 31 March 2017 is higher compared to the statutory tax rate due to certain expenses which were not deductible for tax purposes and under provision of taxation in respect of prior financial year.

19. STATUS OF CORPORATE PROPOSALS

There is no corporate proposal made by the Group for the financial year ended 31 March 2017.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited as at 31.03.2017 RM'000
Long Term Borrowings	
<u>Secured:</u>	
Hire purchase and finance lease liabilities	21,945
- portion repayable within 12 months	(5,737)
Total Long Term Borrowings	16,208
Short Term Borrowings	
<u>Secured:</u>	
Revolving credit	112,798
Hire purchase and finance lease liabilities – portion repayable within 12 months	5,737
	118,535
<u>Unsecured:</u>	
Revolving credit	75,300
Short term loan under Islamic financing	30,000
	105,300
Total Short Term Borrowings	223,835
Total Group borrowings	240,043

21. MATERIAL LITIGATIONS

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

22. DIVIDEND

The Board of Directors will consider the payment of dividend when the full year account is adopted in June 2017.

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 year.

	3 Months Ended		12 Months Ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Net profit attributable to Owners of the Company (RM'000)	10,637	14,352	84,059	63,093
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	671,684	537,026
Basic and diluted earnings per share (sen)	1.36	2.67	12.51	11.75

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

The retained profits of the Group as at 31 March 2017 are analysed as follows:

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	743,493	782,623
- Unrealised	69,708	91,135
	813,201	873,758
Total share of retained profits from associates (Realised)	(7,650)	(7,650)
Add: Consolidation adjustments	61,230	(20,554)
Total Group retained profits	866,781	845,554

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 May 2017