



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 June 2017

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

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 30 June 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Cumulative 3 Months Ended	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Revenue		611,627	415,869	611,627	415,869
Cost of sales and operating expenses		(566,412)	(379,095)	(566,412)	(379,095)
Other income		10,732	7,800	10,732	7,800
Other expenses		(6,610)	(784)	(6,610)	(784)
Profit from operations		49,337	43,790	49,337	43,790
Finance costs		(3,108)	(1,295)	(3,108)	(1,295)
PROFIT BEFORE ZAKAT AND TAXATION		46,229	42,495	46,229	42,495
Zakat		(266)	(502)	(266)	(502)
PROFIT BEFORE TAXATION		45,963	41,993	45,963	41,993
Taxation	18	(8,087)	(10,149)	(8,087)	(10,149)
NET PROFIT FOR THE QUARTER / FINANCIAL PERIOD		37,876	31,844	37,876	31,844
OTHER COMPREHENSIVE LOSS					
<u>Item that will be subsequently reclassified to profit or loss</u>					
Currency translation differences of foreign subsidiary companies		(15)	-	(15)	-
OTHER COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)		(15)	-	(15)	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX)		37,861	31,844	37,861	31,844

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

	Note	Current Quarter 3 Months Ended		Cumulative 3 Months Ended	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Net profit for the quarter/financial period attributable to:					
Owners of the Company		37,913	31,844	37,913	31,844
Non-controlling interest		(37)	-	(37)	-
		37,876	31,844	37,876	31,844
Total comprehensive income for the quarter/financial period attributable to:					
Owners of the Company		37,898	31,844	37,898	31,844
Non-controlling interest		(37)	-	(37)	-
		37,861	31,844	37,861	31,844
Basic and diluted earnings per share (sen):	23	4.84	5.93	4.84	5.93

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 2017 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30.06.2017 RM'000	Audited As at 31.03.2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,096,504	1,088,728
Prepaid lease properties		41,527	41,818
Investment properties		34,890	34,890
Intangible assets		418,183	418,183
Deferred tax assets		9,549	10,210
Other receivables		14,906	15,100
Other assets		468	468
		1,616,027	1,609,397
CURRENT ASSETS			
Inventories		17,814	15,109
Trade and other receivables		871,125	849,797
Other investments		8,350	8,331
Current tax assets		5,265	5,738
Short term deposits		466,976	480,479
Cash and bank balances		278,190	295,638
		1,647,720	1,655,092
TOTAL ASSETS		3,263,747	3,264,489
EQUITY AND LIABILITIES			
Share Capital		1,071,392	1,071,392
Reserves		903,150	865,252
Equity attributable to Owners of the Company		1,974,542	1,936,644
Non-controlling interest		2,010	2,047
TOTAL EQUITY		1,976,552	1,938,691
NON-CURRENT LIABILITIES			
Long term borrowings	20	26,969	16,208
Post-employment benefit obligations		2,944	2,910
Deferred tax liabilities		59,167	61,224
Other payables		10,363	10,363
		99,443	90,705
CURRENT LIABILITIES			
Trade and other payables		949,963	1,001,799
Bank borrowings	20	231,673	223,835
Current tax liabilities		6,116	9,459
		1,187,752	1,235,093
TOTAL LIABILITIES		1,287,195	1,325,798
TOTAL EQUITY AND LIABILITIES		3,263,747	3,264,489
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM)		2.52	3.61

* Based on 782,776,836 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 2017 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 1.4.2017	782,777	1,071,392	1,144	(639)	(2,034)	866,781	1,936,644	2,047	1,938,691
Net profit for the financial period	-	-	-	-	-	37,913	37,913	(37)	37,876
Other comprehensive loss for the financial period	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the financial period	-	-	-	-	(15)	37,913	37,898	(37)	37,861
Balance as at 30.06.2017	782,777	1,071,392	1,144	(639)	(2,049)	904,694	1,974,542	2,010	1,976,552

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 1.4.2016	537,026	268,513	385	1,144	845,554	1,115,596
Net profit for the financial period represented 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

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 2017 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 Months Ended 30.06.2017 RM'000	3 Months Ended 30.06.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	37,876	31,844
Adjustments:		
- Depreciation of property, plant and equipment	36,725	26,655
- Amortisation of prepaid lease properties	290	-
- Finance costs	3,108	1,295
- Taxation	8,087	10,149
- Interest income	(3,009)	(4,777)
- Others	2,153	(1,323)
Operating profit before working capital changes	85,230	63,843
Changes in working capital:		
Change in current assets	(32,921)	(22,715)
Change in current liabilities	(58,979)	(31,294)
Net cash (used in) /generated from operations	(6,670)	9,834
Tax paid, net of refund	(5,968)	(6,836)
Zakat paid	(42)	-
Net cash (used in) /generated from operating activities	(12,680)	2,998
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	714	1,146
Purchase of property, plant and equipment	(44,522)	(25,566)
Interest income received	3,009	4,777
Net cash used in investing activities	(40,799)	(19,643)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	3 Months Ended 30.06.2017 RM'000	3 Months Ended 30.06.2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown on revolving credit	20,000	-
Finance costs paid	(3,108)	(1,295)
Repayment of hire purchase	(1,402)	-
Net cash generated from /(used in) financing activities	15,490	(1,295)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37,989)	(17,940)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	742,440	576,673
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	704,451	558,733
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	278,190	261,347
Deposits	466,976	350,843
	745,166	612,190
Less: Collections held on behalf of agencies**	(39,606)	(53,457)
Less: Deposit pledged	(1,109)	-
	704,451	558,733

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 2017 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 period ended 31 March 2017 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 2017 except for the adoption of the following new /amended standards which are applicable to the Group with effect 1 April 2017:

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiatives*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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 material 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 2017.

5. CHANGES IN ESTIMATES

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

6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

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 30 June 2017.

7. DIVIDENDS PAID

There was no dividend paid for the current financial period ended 30 June 2017.

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 and Aviation	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 Rahn 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 30 June 2017 is as follows:

	Postal Services	Courier	International	Logistics and Aviation	Others	Elimination	POS Group
Period ended 30 June 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External Revenue	192,743	180,883	44,535	164,360	29,106		611,627
Internal Revenue	18,624	16,149	0	24,928	5	(59,706)	-
Total Revenue	211,367	197,032	44,535	189,288	29,111	(59,706)	611,627
Segment (Loss)/Profit	(19,343)	40,757	3,413	2,639	11,139	-	38,605
Other Income							7,723
Interest Income							3,009
Finance Costs							(3,108)
Profit before zakat and taxation							46,229
Zakat							(266)
Profit before taxation							45,963
Taxation							(8,087)
Net profit for the financial period							37,876
Attributable to:							
Owners of the company							37,913
Non-controlling interest							(37)
							37,876

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

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 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	
	30.06.2017 RM'000	30.06.2016 RM'000
Amortisation of prepaid lease properties	290	-
Depreciation of property, plant and equipment	36,725	26,655
Doubtful debts (net of write backs)	2,869	(1,696)
Fair value loss / (gain) of investment securities: financial assets at fair value through profit or loss	19	19
Finance costs	3,108	1,295
Write off of property, plant and equipment	21	-
Gain on disposal of property, plant and equipment	(714)	(1,146)
Inventories written back	(172)	-
Interest income on:		
- short term deposits	(3,009)	(3,764)
- investment securities: held-to-maturity	-	(1,013)
Net foreign exchange differences	(1,207)	2,721

14. REVIEW OF GROUP PERFORMANCE

Group performance for the financial period ended 30 June 2017

The Group generated higher revenue of RM611.6 million for the financial period ended 30 June 2017 as compared to RM415.9 million in the previous corresponding period ended 30 June 2016. This represents an increase of RM195.7 million or equivalent to 47.1% growth.

(a) Group revenue by segment are as follows:

	3 months ended		Variance RM'000
	30.06.2017 RM'000	30.06.2016 RM'000	
Group revenue			
Postal Services	192,743	206,611	(13,868)
Courier	180,883	162,769	18,114
International	44,535	19,782	24,753
Logistics and aviation	164,360	-	164,360
Others	29,106	26,707	2,399
Total	611,627	415,869	195,758

(i) **Postal Services**

Postal Services registered lower revenue of RM192.7 million as compared to RM206.6 million. This is due to lower revenue in mail business resulting from a net drop in traditional mail volume coupled with lower transactions in retail segment from bill payments, insurance commission as well as reduction in commission rate of unit trust.

(ii) **Courier**

Courier recorded higher revenue of RM180.9 million compared to RM162.8 million registered in the previous corresponding period ended 30 June 2016. This continues the upward performance seen in previous year, and mainly driven by increased demand in e-Commerce as well as online business customers.

(iii) **International**

International revenue was higher by RM24.8 million due to the increase in volume seen in transshipment despite intensified competition compared to previous corresponding period ended 30 June 2016.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Group performance for the financial period ended 30 June 2017 (continued)

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

(iv) Logistics and aviation

Logistics and aviation group contributed RM164.4 million for the period mainly coming from automotive, distribution and project logistics inclusive of haulage business and complemented by cargo and ground handling and in-flight catering business. This business was acquired in Quarter 3 of prior year, therefore no comparative available.

(v) Others

Other segments which consist of printing and insertion, digital certificates and ArRahnu, generated a marginal increase in revenue of RM2.4 million mainly due to higher revenue from ArRahnu.

(b) Group Profit Before Tax

For the financial period ended 30 June 2017, profit before tax has improved to RM46.0 million from RM42.0 million in the corresponding quarter ended 30 June 2016. The increase is due to higher revenue generated in the current quarter. In addition, better cost management has resulted in smaller increase in operational costs relative to the increase in revenue.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The group recorded a higher profit before tax of RM46.0 million in the current quarter ended 30 June 2017 compared to RM24.0 million in the preceding quarter ended 31 March 2017 mainly due to lower cost of sales and operating expenses incurred by RM54.1 million despite lower revenue registered by RM23.9 million.

16. FUTURE PROSPECTS

The Group's prospects are positive for the remainder of FY2018 as the recent upbeat economic sentiments, globally and domestically, are supportive of the growth of e-Commerce, the key driver of the Pos Malaysia's revenue growth. Furthermore, the Government's continued progress in rolling-out the Digital Free Trade Zone incentives is also positive for the continued growth of e-Commerce and its eco-system in Malaysia.

The favourable economic conditions, the rebound in exports and the continuous roll-out of the transport infrastructure projects are also positive for the Pos Malaysia Group's logistics businesses, namely its haulage and project logistics segments. The Group's aviation related businesses are expected to provide steady returns under the current operating conditions.

We expect our traditional mail business to remain challenging due to the structural decline in mail volume driven by the continued shift into digital and mobile communications platforms. However, we are optimistic that our pipeline of new digital services offerings will provide opportunities for the Pos Malaysia Group to remain relevant to a new generation of digitally savvy consumers.

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	
	30.06.2017 RM'000	30.06.2016 RM'000
Current taxation	3,933	9,740
Deferred taxation	4,154	409
Total	8,087	10,149

The Group's effective tax rate for the current quarter ended 30 June 2017 is 17.6% which is lower compared to the statutory tax rate due to acquisition of Pos Aviation Group and over provision in prior period.

19. STATUS OF CORPORATE PROPOSALS

There is no corporate proposal made by the Group for the financial period ended 30 June 2017.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited as at 30.06.2017 RM'000
Long Term Borrowings	
<u>Secured:</u>	
Long term loan under Islamic financing	12,250
Hire purchase and finance lease liabilities	20,544
- portion repayable within 12 months	(5,825)
Total Long Term Borrowings	26,969
Short Term Borrowings	
<u>Secured:</u>	
Revolving credit	150,798
Short term loan under Islamic financing	1,750
Hire purchase and finance lease liabilities	
- portion repayable within 12 months	5,825
	158,373
<u>Unsecured:</u>	
Revolving credit	43,300
Short term loan under Islamic financing	30,000
	73,300
Total Short Term Borrowings	231,673
Total Group Borrowings	258,642

Included in the loans and borrowings are revolving credits secured by way of fixed charges over certain property, plant and equipment and revolving credits secured by way of guarantee by Pos Malaysia Berhad.

21. MATERIAL LITIGATIONS

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 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 period.

	3 Months Ended	
	30.06.2017	30.06.2016
Net profit attributable to Owners of the Company (RM'000)	37,913	31,844
Number of ordinary shares in issue ('000)	782,777	537,026
Basic and diluted earnings per share (sen)	4.84	5.93

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

The retained profits of the Group as at 30 June 2017 are analysed as follows:

	As at 30.06.2017 RM'000	As at 30.06.2016 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	788,481	825,349
- Unrealised	57,391	80,375
	845,872	905,724
Total share of retained profits from associates (Realised)	(7,650)	(7,650)
Add: Consolidation adjustments	66,472	(20,676)
Total Group retained profits	904,694	877,398

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
17 August 2017