



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 31 December 2017

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Current Quarter 3 Months Ended | | Cumulative 9 Months Ended | |
|--|------|-----------------------------------|------------------------------------|------------------------------|------------------------------------|
| | | 31.12.2017 RM'000 | 31.12.2016 (Restated) RM'000 | 31.12.2017 RM'000 | 31.12.2016 (Restated) RM'000 |
| Revenue | | 620,716 | 635,720 | 1,819,501 | 1,446,712 |
| Cost of sales and operating expenses | | (600,473) | (595,683) | (1,742,265) | (1,354,797) |
| Other income | | 11,163 | 15,186 | 43,850 | 25,967 |
| Other expenses | | (5,336) | - | (19,912) | (4,015) |
| Profit from operations | | 26,070 | 55,223 | 101,174 | 113,867 |
| Finance costs | | (3,675) | (3,754) | (11,091) | (6,400) |
| PROFIT BEFORE ZAKAT AND TAXATION | | 22,395 | 51,469 | 90,083 | 107,467 |
| Zakat | | (512) | (160) | (1,509) | (1,479) |
| PROFIT BEFORE TAXATION | | 21,883 | 51,309 | 88,574 | 105,988 |
| Taxation | 19 | (12,531) | (17,919) | (24,577) | (34,018) |
| NET PROFIT FOR THE QUARTER / FINANCIAL PERIOD | | 9,352 | 33,390 | 63,997 | 71,970 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | | | |
| <u>Item that will be subsequently reclassified to profit or loss</u> | | | | | |
| Currency translation differences of foreign subsidiary companies | | 135 | (62) | 128 | (62) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX) | | 135 | (62) | 128 | (62) |
| TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX) | | 9,487 | 33,328 | 64,125 | 71,908 |

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

| | Note | Current Quarter 3 Months Ended | | Cumulative 9 Months Ended | |
|---|------|-----------------------------------|------------------------------------|------------------------------|------------------------------------|
| | | 31.12.2017 RM'000 | 31.12.2016 (Restated) RM'000 | 31.12.2017 RM'000 | 31.12.2016 (Restated) RM'000 |
| Net profit for the quarter/financial period attributable to: | | | | | |
| Owners of the Company | | 9,475 | 33,410 | 64,222 | 71,990 |
| Non-controlling interest | | (123) | (20) | (225) | (20) |
| | | 9,352 | 33,390 | 63,997 | 71,970 |
| Total comprehensive income for the quarter/financial period attributable to: | | | | | |
| Owners of the Company | | 9,610 | 33,348 | 64,350 | 71,928 |
| Non-controlling interest | | (123) | (20) | (225) | (20) |
| | | 9,487 | 33,328 | 64,125 | 71,908 |
| Basic and diluted earnings per share (sen): | 24 | 1.21 | 4.27 | 8.20 | 11.33 |

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 31.12.2017 RM'000 | Audited As at 31.03.2017 (Restated) RM'000 |
|---|------|--|--|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,313,921 | 1,088,459 |
| Prepaid lease properties | | 40,946 | 41,818 |
| Investment properties | | 34,890 | 34,890 |
| Intangible assets | | 428,071 | 435,938 |
| Deferred tax assets | | 9,151 | 10,210 |
| Other receivables | | 5,967 | 15,100 |
| Other assets | | 1,550 | 1,550 |
| | | 1,834,496 | 1,627,965 |
| CURRENT ASSETS | | | |
| Inventories | | 17,452 | 15,109 |
| Trade and other receivables | | 925,426 | 851,090 |
| Other investments | | 8,311 | 8,331 |
| Current tax assets | | 19,466 | 5,738 |
| Short term deposits | | 226,959 | 480,479 |
| Cash and bank balances | | 333,565 | 295,638 |
| | | 1,531,179 | 1,656,385 |
| TOTAL ASSETS | | 3,365,675 | 3,284,350 |
| EQUITY AND LIABILITIES | | | |
| Share Capital | | 1,071,392 | 1,071,392 |
| Reserves | | 843,668 | 863,075 |
| Equity attributable to Owners of the Company | | 1,915,060 | 1,934,467 |
| Non-controlling interest | | 1,822 | 2,047 |
| TOTAL EQUITY | | 1,916,882 | 1,936,514 |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowings | 21 | 141,879 | 16,208 |
| Post-employment benefit obligations | | 2,956 | 2,910 |
| Deferred tax liabilities | | 99,753 | 84,097 |
| Other payables | | 1,749 | 10,363 |
| | | 246,337 | 113,578 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 906,874 | 1,001,799 |
| Bank borrowings | 21 | 294,942 | 223,835 |
| Current tax liabilities | | 640 | 8,624 |
| | | 1,202,456 | 1,234,258 |
| TOTAL LIABILITIES | | 1,448,793 | 1,347,836 |
| TOTAL EQUITY AND LIABILITIES | | 3,365,675 | 3,284,350 |
| NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM) | | 2.45 | 2.47 |

* 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) | 864,604 | 1,934,467 | 2,047 | 1,936,514 |
| Net profit for the financial period | - | - | - | - | - | 64,222 | 64,222 | (225) | 63,997 |
| Other comprehensive loss for the financial period | - | - | - | - | 128 | - | 128 | - | 128 |
| Total comprehensive income for the financial period | - | - | - | - | 128 | 64,222 | 64,350 | (225) | 64,125 |
| <u>Transaction with Owners</u> | | | | | | | | | |
| Final dividend in respect of financial year ended 31 March 2017 | - | - | - | - | - | (83,757) | (83,757) | - | (83,757) |
| Balance as at 31.12.2017 | 782,777 | 1,071,392 | 1,144 | (639) | (1,906) | 845,069 | 1,915,060 | 1,822 | 1,916,882 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | 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 '000 | Nominal value RM'000 | Share Premium RM'000 | Revaluation Reserves RM'000 | Currency Translation Differences 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 | - | - | - | - | - | 71,990 | 71,990 | (20) | 71,970 |
| Other comprehensive loss for the financial period | - | - | - | - | (62) | - | (62) | - | (62) |
| Total comprehensive income for the financial period | - | - | - | - | (62) | 71,990 | 71,928 | (20) | 71,908 |
| <u>Transaction with Owners</u> | | | | | | | | | |
| 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) |
| Acquisition of a subsidiary company | - | - | - | - | - | - | - | 2,139 | 2,139 |
| Balance as at 31.12.2016 | 782,777 | 391,388 | 680,004 | 1,144 | (62) | 854,712 | 1,927,186 | 2,119 | 1,929,305 |

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

| | 9 Months Ended 31.12.2017 RM'000 | 9 Months Ended 31.12.2016 RM'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit for the financial period | 63,997 | 71,970 |
| Adjustments: | | |
| - Depreciation of property, plant and equipment | 114,640 | 88,823 |
| - Amortisation of prepaid lease properties | 871 | 290 |
| - Amortisation of intangible assets | 7,868 | 1,432 |
| - Finance costs | 11,091 | 6,400 |
| - Taxation | 24,577 | 34,018 |
| - Interest income | (8,961) | (11,479) |
| - Unrealised foreign exchange differences | (15,613) | (1,062) |
| - Allowance for doubtful debts (net of write backs) | (4,096) | (717) |
| - Gain on disposal of property, plant and equipment | (1,932) | (7,582) |
| - Others | 1,448 | 1,539 |
| Operating profit before working capital changes | 193,890 | 183,632 |
| Changes in working capital: | | |
| Change in current assets | (64,452) | (129,313) |
| Change in current liabilities | (126,018) | 31,834 |
| Net cash generated from operations | 3,420 | 86,153 |
| Tax paid, net of refund | (29,575) | (22,178) |
| Zakat paid | (44) | (62) |
| Post-employment benefit obligations paid | - | (17) |
| Net cash (used in) / generated from operating activities | (26,199) | 63,896 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| 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 |
| Proceeds from disposal of property, plant and equipment | 2,064 | 10,185 |
| Purchase of property, plant and equipment | (340,384) | (68,725) |
| Interest income received | 8,961 | 11,479 |
| Net cash (used in) / generated from investing activities | (329,359) | 56,049 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| | 9 Months Ended 31.12.2017 RM'000 | 9 Months Ended 31.12.2016 RM'000 |
|--|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown on revolving credit | 219,624 | 20,000 |
| Finance costs paid | (11,091) | (6,400) |
| Repayment of borrowings/hire purchase | (24,664) | (2,242) |
| Bank overdraft | 1,818 | - |
| Movement in deposit pledged | - | (1,287) |
| Dividend paid to shareholders | (83,757) | (62,832) |
| Net cash generated from / (used in) financing activities | 101,930 | (52,761) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (253,628) | 67,184 |
| 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 | 488,812 | 643,857 |
| Cash and cash equivalents as at end of the financial period comprise the followings: | | |
| Bank balances and cash | 333,565 | 484,582 |
| Deposits | 226,959 | 205,206 |
| Bank overdraft | (1,818) | - |
| | 558,706 | 689,788 |
| Less: Collections held on behalf of agencies** | (68,757) | (44,644) |
| Less: Deposit pledged | (1,137) | (1,287) |
| | 488,812 | 643,857 |

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. COMPLETION OF PURCHASE PRICE ALLOCATION

During the current financial period, the Group has completed the purchase price allocation (“PPA”) exercise to determine the fair values of the net assets of Pos Aviation Sdn. Bhd. (“Pos Aviation”) (formerly known as KL Airport Services Sdn. Bhd.) a wholly-owned subsidiary company, within the stipulated time period, i.e twelve (12) months from the acquisition date of 13 September 2016, in accordance with MFRS 3, *Business Combinations*. Based on the fair values of the net assets of Pos Aviation, the goodwill amount has reduced from RM413.5 million to RM314.0 million. The adjusted fair value of Pos Aviation has been reflected in the Group’s Consolidated Statement of Financial Position as at previous financial year ended 31 March 2017. Below are the effects of the final PPA adjustments in accordance with MFRS 3:

| | As previously stated RM'000 | Adjustments RM'000 | As restated RM'000 |
|---|--------------------------------------|-----------------------|-----------------------|
| As at 31 March 2017 | | | |
| Consolidated Statement of Financial Position | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 1,088,728 | (269) | 1,088,459 |
| Intangible assets | 418,183 | 17,755 | 435,938 |
| Other assets | 468 | 1,082 | 1,550 |

3. COMPLETION OF PURCHASE PRICE ALLOCATION (CONTINUED)

| | As previously stated RM'000 | Adjustments RM'000 | As restated RM'000 |
|---|--|-------------------------------|-------------------------------|
| As at 31 March 2017 (continued) | | | |
| Consolidated Statement of Financial Position (continued) | | | |
| <u>Current assets</u> | | | |
| Trade and other receivables | 849,797 | 1,293 | 851,090 |
| <u>Non-current liabilities</u> | | | |
| Deferred tax liabilities | 61,224 | 22,873 | 84,097 |
| <u>Current liabilities</u> | | | |
| Current tax liabilities | 9,459 | (835) | 8,624 |
| Consolidated Statement of Changes in Equity | | | |
| Retained earnings | 866,781 | (2,177) | 864,604 |
| Financial period ended 31 December 2016 | | | |
| Consolidated Statement of Comprehensive Income | | | |
| Cost of sales and operating expenses | (1,353,365) | (1,432) | (1,354,797) |
| Consolidated Statement of Changes in Equity | | | |
| Retained earnings | 73,422 | (1,432) | 71,990 |

4. 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.

5. 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 31 December 2017.

6. 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.

7. 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 31 December 2017.

8. DIVIDENDS PAID

The shareholders have approved a first and final single tier dividend of 10.7 sen per ordinary share at the last Annual General Meeting held on 22 August 2017 in respect of the financial year ended 31 March 2017. The net dividend of RM83,757,125 was paid on 7 October 2017.

9. SEGMENTAL INFORMATION

The Group has five 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 | Provision of total logistics services and inventory services including freight and forwarding, provision of container haulage services, shipping agency and chartering services, warehousing and distribution services and insurance agency. |
| Aviation | Includes cargo and ground handling, in-flight catering, warehousing space and supply chain management including custom forwarding agent services. |

9. SEGMENTAL INFORMATION (CONTINUED)

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 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.

The information of each of the Group's business segments for the financial period ended 31 December 2017 is as follows:

| Period ended 31 Dec 2017 | Postal Services RM'000 | Courier RM'000 | International RM'000 | Logistics RM'000 | Aviation RM'000 | Others RM'000 | Elimination RM'000 | POS Group RM'000 |
|--|---------------------------|-------------------|-------------------------|---------------------|--------------------|------------------|-----------------------|---------------------|
| External Revenue | 539,320 | 561,118 | 124,081 | 316,380 | 203,515 | 75,087 | | 1,819,501 |
| Internal Revenue | 52,404 | 55,419 | - | 21,379 | 63,082 | 42 | (192,326) | - |
| Total Revenue | 591,724 | 616,537 | 124,081 | 337,759 | 266,597 | 75,129 | (192,326) | 1,819,501 |
| Segment (Loss)/Profit | (113,567) | 120,586 | 7,355 | 2,147 | 26,263 | 22,408 | 0 | 65,192 |
| PPA Adjustment: Ammortisation of intangible assets | | | | | | | | (7,868) |
| Other Income | | | | | | | | 34,889 |
| Interest Income | | | | | | | | 8,961 |
| Finance Cost | | | | | | | | (11,091) |
| Profit before zakat and taxation | | | | | | | | 90,083 |
| Zakat | | | | | | | | (1,509) |
| Profit before taxation | | | | | | | | 88,574 |
| Taxation | | | | | | | | (24,577) |
| Net profit for the financial period | | | | | | | | 63,997 |
| Attributable to: | | | | | | | | |
| Owners of the company | | | | | | | | 64,222 |
| Non-controlling interest | | | | | | | | (225) |
| | | | | | | | | 63,997 |

10. 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.

11. 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.

12. CHANGES IN THE COMPOSITION OF THE GROUP

On 5 October 2017, the Company announced the proposed winding-up of its direct and indirect subsidiary companies via members' voluntary winding up ("MVL") and creditors' voluntary winding up ("CVL") and the companies involved in the exercise are as follows:

Companies under MVL

1. Pos Takaful Agency Sdn. Bhd.
2. PSH Allied Berhad
3. Maya Perkasa (M) Sdn. Bhd.
4. Kaypi Logistics Depot Sdn. Bhd.
5. Asia Pacific Freight System Sdn. Bhd.
6. Diperdana Selatan Sdn. Bhd.

Companies under CVL

1. Diperdana Terminal Services Sdn. Bhd.

Upon the completion of the liquidation exercise, the above companies will cease to be subsidiary companies of the Group. There was a minimal financial impact arising from the deconsolidation of subsidiary companies as above to the Group's assets and liabilities.

13. 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.

14. PROFIT BEFORE TAXATION

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

| | 3 Months Ended | | 9 Months Ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2017 RM'000 | 31.12.2016 RM'000 | 31.12.2017 RM'000 | 31.12.2016 RM'000 |
| Amortisation of prepaid lease properties | 290 | 290 | 871 | 290 |
| Amortisation of intangible assets | 2,623 | 1,432 | 7,868 | 1,432 |
| Depreciation of property, plant and equipment | 40,096 | 35,620 | 114,640 | 88,823 |
| Doubtful debts (net of write backs) | (1,274) | 792 | (4,096) | (717) |

14. PROFIT BEFORE TAXATION (CONTINUED)

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

| | 3 Months Ended | | 9 Months Ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2017 RM'000 | 31.12.2016 RM'000 | 31.12.2017 RM'000 | 31.12.2016 RM'000 |
| Fair value gain of investment securities: financial assets at fair value through profit or loss | 19 | 59 | - | 58 |
| Finance costs | 3,675 | 3,754 | 11,091 | 6,400 |
| Write off of property, plant and equipment | - | - | 100 | 12 |
| Gain on disposal of property, plant and equipment | (704) | (5,226) | (1,932) | (7,582) |
| Reversal of impairment loss of property, plant and equipment | (98) | - | (98) | - |
| Inventories written back | - | - | (172) | - |
| Interest income on: | | | | |
| - short term deposits | (2,676) | (2,583) | (8,961) | (9,347) |
| - investment securities: held-to-maturity | - | (473) | - | (2,132) |
| Net foreign exchange differences | (3,229) | (6,217) | (9,588) | (269) |

15. REVIEW OF GROUP PERFORMANCE

15.1 Group performance for the financial period ended 31 December 2017

The Group generated higher revenue of RM1,819.5 million for the financial period ended 31 December 2017 as compared to RM1,446.7 million in the previous corresponding period ended 31 December 2016. This represents an increase of RM372.8 million or equivalent to 25.8% growth.

(a) Group revenue by segment are as follows:

| Group revenue | 9 months ended | | Variance RM'000 |
|-----------------|----------------------|----------------------|--------------------|
| | 31.12.2017 RM'000 | 31.12.2016 RM'000 | |
| Postal Services | 539,320 | 570,750 | (31,430) |
| Courier | 561,118 | 510,701 | 50,417 |
| International | 124,081 | 130,400 | (6,319) |
| Logistics | 316,380 | 93,356* | 223,024 |
| Aviation | 203,515 | 75,904* | 127,611 |
| Others | 75,087 | 65,601 | 9,486 |
| Total | 1,819,501 | 1,446,712 | 372,789 |

* The revenues are only for 3 months (October 2016 – December 2016)

15. REVIEW OF GROUP PERFORMANCE (CONTINUED)

15.1 Group performance for the financial period ended 31 December 2017 (continued)

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

(i) Postal Services

Postal Services registered lower revenue by 6% of RM539.3 million as compared to RM570.7 million. This is due to lower revenue in mail business resulting from a decline in traditional mail volumes 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 RM561.1 million compared to RM510.7 million registered in the previous corresponding period ended 31 December 2016. This is mainly driven by increased demand for e-Commerce last mile delivery services as well as increase in online business customers.

(iii) International

International revenue was lower by RM6.3 million due to the decrease in volume seen in transshipment because of intensified competition compared to previous corresponding period ended 31 December 2016.

(iv) Logistics

Logistics contributed RM316.4 million from RM93.4 million in previous corresponding period ended 31 December 2016 mainly coming from automotive, project logistics and haulage. This business was acquired at the end of Quarter 2 of prior year. Hence, the comparative number only includes 3 months of last year's result.

(v) Aviation

Aviation accounted for RM203.5 million of the total revenue for the period mainly coming from cargo and ground handling. This business was acquired at the end of Quarter 2 of prior year. Hence, the comparative number only includes 3 months of last year's result.

(vi) Others

Other segments which consist of printing and insertion, digital certificates and Ar Rahnū, generated an increase in revenue of RM9.5 million mainly contributed by higher revenue from Ar Rahnū.

15. REVIEW OF GROUP PERFORMANCE (CONTINUED)

15.1 Group performance for the financial period ended 31 December 2017 (continued)

(b) Group Profit Before Tax

For the financial period ended 31 December 2017, profit before tax has dropped to RM88.6 million from RM106.0 million in the corresponding period ended 31 December 2016. The decrease is due to higher growth in cost of sales mainly from increased staff cost, rental and communication cost to support the operations. There were also increased realised exchange loss and interest cost.

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

(a) Group revenue by segment are as follows:

| | 3 months ended | | Variance RM'000 |
|----------------------|----------------------|----------------------|--------------------|
| | 31.12.2017 RM'000 | 31.12.2016 RM'000 | |
| Group revenue | | | |
| Postal Services | 170,134 | 187,105 | (16,971) |
| Courier | 198,282 | 188,559 | 9,723 |
| International | 44,749 | 70,649 | (25,900) |
| Logistics | 112,865 | 93,356 | 19,509 |
| Aviation | 71,585 | 75,904 | (4,319) |
| Others | 23,101 | 20,147 | 2,954 |
| Total | 620,716 | 635,720 | (15,004) |

(i) Postal Services

Postal Services registered lower revenue of RM170.1 million as compared to RM187.1 million in the previous corresponding quarter ended 31 December 2016. This is due to lower revenue in mail business resulting from decline 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 RM198.3 million compared to RM188.6 million registered in the previous corresponding quarter ended 31 December 2016. This is mainly driven by increased demand in e-Commerce as well as online business customers.

15. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

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

(iii) International

International revenue dropped by RM25.9 million due to the lower volume in transshipment for the quarter compared to previous corresponding quarter ended 31 December 2016.

(iv) Logistics

Logistics increased by RM19.5 million for the quarter mainly contributed by project logistics in Pengerang.

(v) Aviation

Aviation dropped by RM4.3 million mainly due to lower revenue from lower volume for in-flight catering services.

(vi) Others

Other segments which consist of printing and insertion, digital certificates and Ar Rahnū, generated an increase in revenue of RM2.9 million mainly due to higher revenue from Ar Rahnū.

(b) Group Profit Before Tax

For the financial quarter ended 31 December 2017, profit before tax has declined to RM21.9 million from RM51.3 million in the corresponding financial quarter ended 31 December 2016. This is due to lower revenue registered coupled with higher growth in cost of sales.

16. COMPARISON WITH PRECEDING FINANCIAL QUARTER'S RESULTS

The group recorded a slightly lower profit before tax of RM21.9 million in the current financial quarter ended 31 December 2017 compared to RM23.3 million in the preceding financial quarter ended 30 September 2017 mainly due to higher cost of sales incurred.

17. FUTURE PROSPECTS

The Group's prospects remain positive as our business continues to be driven by strong e-Commerce growth in Malaysia and the South East Asia region. We are optimistic that the establishment of the Digital Free Trade Zone (DFTZ) will drive cross-border e-Commerce volume underpinned by sustained consumer spending growth momentum. This is expected to be positive for the prospects of our e-Commerce related businesses, namely courier, eFulfilment, air cargo logistics and international mail business.

On the digital front, we will be introducing services that are relevant to our customers. Convenience and reliability demanded by the market affords us the opportunity to be innovative in providing services that suit the changing lifestyle needs of the Malaysian public, and tourists alike.

Notwithstanding the increasingly competitive industry and challenging operating environment, we are optimistic the continued growth of the domestic economy, coupled with exponential e-Commerce demand, are positive for Pos Malaysia Group going forward.

18. 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.

19. TAXATION

Taxation comprises the following:

| | 3 Months Ended | | 9 Months Ended | |
|-------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2017 RM'000 | 31.12.2016 RM'000 | 31.12.2017 RM'000 | 31.12.2016 RM'000 |
| Current taxation | 5,421 | 17,454 | 8,697 | 33,840 |
| Deferred taxation | 7,110 | 465 | 15,880 | 178 |
| Total | 12,531 | 17,919 | 24,577 | 34,018 |

The Group's effective tax rate for the financial period ended 31 December 2017 is higher compared to the statutory tax rate mainly due to expenses not deductible for tax purposes.

20. STATUS OF CORPORATE PROPOSALS

There is no corporate proposal made by the Group for the financial period ended 31 December 2017.

21. GROUP BORROWINGS

Total Group borrowings are as follows:

| | Unaudited as at 31.12.2017 RM'000 |
|---|--|
| Long Term Borrowings | |
| <u>Secured:</u> | |
| Long term loan under Islamic financing | 130,125 |
| Hire purchase and finance lease liabilities | 17,680 |
| - portion repayable within 12 months | (5,926) |
| Total Long Term Borrowings | 141,879 |
| Short Term Borrowings | |
| <u>Secured:</u> | |
| Revolving credit | 137,398 |
| Short term loan under Islamic financing | 3,500 |
| Hire purchase and finance lease liabilities | |
| - portion repayable within 12 months | 5,926 |
| | 146,824 |
| <u>Unsecured:</u> | |
| Bank overdraft | 1,818 |
| Revolving credit | 121,300 |
| Short term loan under Islamic financing | 25,000 |
| | 148,118 |
| Total Short Term Borrowings | 294,942 |
| Total Group Borrowings | 436,821 |

22. MATERIAL LITIGATIONS

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

23. DIVIDEND

No interim dividend has been declared for the financial period ended 31 December 2017.

24. 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 | |
|---|-----------------------|-------------------|-----------------------|-------------------|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Net profit attributable to Owners of the Company (RM'000) | 9,475 | 33,410 | 64,222 | 71,990 |
| Number of ordinary shares in issue ('000) | 782,777 | 782,777 | 782,777 | 782,777 |
| Weighted average number of ordinary shares outstanding ('000) | 782,777 | 782,777 | 782,777 | 635,526 |
| Basic and diluted earnings per share (sen) | 1.21 | 4.27 | 8.20 | 11.33 |

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

SABARINA LAILA BINTI MOHD HASHIM
COMPANY SECRETARY

Kuala Lumpur
26 February 2018