POS MALAYSIA BERHAD

(Company No. 229990-M)
(Incorporated in Malaysia)

TWENTY-FIFTH ANNUAL GENERAL MEETING ("25TH AGM") HELD ON 22 AUGUST 2017 AT 9.00 A.M.

ATTENDANCE OF DIRECTORS

YBhg. Brig. Gen. (K) Tan Sri Dato' Sri (Dr.) Haji Mohd Khamil bin Jamil - Chairman

YBhg. Dato' Ibrahim Mahaludin bin Puteh

YBhg. Dato' Sri Syed Faisal Albar bin Syed A.R. Albar

YBhg. Datuk Mohamed Razeek bin Md Hussain Maricar

YBhg. Datuk Puteh Rukiah binti Abd. Majid

YBhg. Dato' Eshah binti Meor Suleiman

YBhg. Dato' Sri Dr. Mohmad Isa bin Hussain

YBhg. Dato' Abdul Hamid bin Sh. Mohamed

Mr. Lim Hwa Yu

Encik Ahmad Suhaimi bin Endut
(Alternate Director to YBhg. Dato' Sri Dr. Mohmad Isa bin Hussain)

The Summary of Key Matters Discussed at the 25th AGM

No.	Key Matters Discussed	Responses by Directors and Management
1.	The action to be taken by Management on the lower return on equity and assets, increase in the number of employees, and the productivity of employees as revenue per employee was not encouraging.	The total share capital had increased following the corporate exercise involving acquisition of new subsidiaries last year, which involved issuance of new shares. Prior to the acquisition of the new subsidiaries, total employees were 18,000 and

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		additional 4,000 employees were added following the acquisition of the new subsidiaries. The increase in expenses was mainly due to consolidation of these new subsidiaries acquired. Management is aiming at increasing the profitability and freezing the recruitment to improve the return on equity and assets as well as revenue per employee. Productivity of employees had since been improved. Low return of equity and assets were mainly due to a larger share capital base following the acquisition, and only 6 months' contributions from the new subsidiaries were consolidated with Pos Malaysia Berhad in the financial year ended March 2017. However, moving forward, the return on equity and assets is expected to improve.
2.	Enquired on the following:- (i) Availability of customers' loyalty plan for courier customers. (ii) Postage increase from government. (iii) Commission system for courier staff to encourage them to work more and hire less new staff.	The responses were as follows:- (i) Contract customers enjoy discount with lower rate compared to walk-in customers. (ii) Tariff review would be reviewed from time to time. Management had approached the government on tariff review and pending feedback from the government. (iii) Management is in discussion with the Unions to convert the current incentive based to commission based for courier staff.
3.	Noted that both bottom and top line had shown growth but whether the momentum of growth is sustainable.	Courier i.e. eCommerce business has been growing ranging from 15% to 20% year-on-year, which compensates the decline in mail business. Management is confident that Pos Malaysia would continue to register healthy growth, moving forward.

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4.	Whether the collaboration with Lazada/Alibaba at LCCT involves equity participation and whether any other shareholders.	The collaboration with Lazada, which is a subsidiary of Alibaba, is a non-equity collaboration. The collaboration would be directly with Lazada Malaysia.
5.	Whether Pos Malaysia is exploring any joint venture with Amazon.com as the prospect is also exciting besides Lazada.	Management is still trying to understand from the market whether Amazon has the intention of coming into the Malaysian market. According to the Malaysia Digital Economy Corporation (MDEC), the Digital Free Trade Zone at LCCT is not only opened for Lazada/Alibaba but it is opened to any eCommerce players whether regional or global.
6.	Concern on the vessels acquisition as many companies went into trouble with managing, maintaining and other expenses involved for running vessels. Would Pos Malaysia has a safe margin or profitability with these costs involved for the contract with TNB Fuel Services Sdn Bhd ("**TNBF**") of USD194 million over a 10 years' contract period. The current vessels to carry out transportation are on rental, whether leasing is more expensive than buying the vessels. In short, cost effectives was the concern.	The transportation of coal business is not a new business for PNSL Berhad ("**PNSL**"), a subsidiary of Pos Malaysia. PNSL has been transporting coal from Indonesia, South Africa and Australia to the country. TNBF required 5 ships for transporting coal and PNSL was awarded 2 out of 5 contracts by TNBF. Maintenance cost for the vessels would not be high of around USD1.0 million to RM2.0 million and other costs were minimal. The margin from the contract is quite decent and Management is comfortable with the margin. Management would be conscious in bringing down the costs in maintaining the vessels.
7.	Financial analysts targeted that Pos Malaysia share price to be at RM4, which signify a non-favourable opinon on the progress of Pos Malaysia. Management was requested to manage this.	Share price was forecasted by the financial analysts to be between RM4 to RM7 but the forecast was just an opinion. Fundamental is the performance of the Company, which Management continued to strive for improving the performance of the Company.
8.	The acquisition of the new subsidiaries was in line with the business of Pos Malaysia but whether there would be better revenue, earnings, profitability and dividend to the shareholders from the acquisition of the new subsidiaries.	Transformation into eCommerce business requires investment especially on infrastructure, which involved costs. The Management strived for positive contributions from the newly acquired subsidiaries.
9.	The cost for maintaining 16 dormant companies per year.	The costs for maintaining the dormant companies were minimal of about few thousands for Auditors' fees and Tax Agents fees. However, there is a plan to wind-up these dormant companies.

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10.	What were the expenses that had resulted in the increase in admin costs by RM76 million as stated on Page 103 of the Annual Report.	The increase in expenses/costs was mainly due to the inclusion of the 3 new subsidiaries acquired.
11.	Borrowings had also increased to RM240 million from RM99 million and the Company was practicing 100% dividend payout to the shareholders. How did the higher borrowings reconcile with the 100% dividend payout since the Company was borrowing to run its business.	The competition in the business is very stiff. Pos Malaysia has the largest market share in the domestic courier market. Other competitors such as GDex, DHL and Yamato were expanding to compete with Pos Malaysia and to capture larger market share. Pos Malaysia was embarking on aggressive transformation and expansion to maintain and to capture larger market share in view of the changing business landscape in eCommerce business. The shareholders would get the maximum dividend payment, where possible, despite the expansion. It was inevitable that expansion requires borrowings while, the Board had taken the balancing act to also reward the shareholders by dividend payment. To the large extent, the borrowings were operational in nature and specific for the business of the 3 new subsidiaries acquired especially for the transportation of coal contract awarded by TNBF.
12.	Page 182 under segmental reporting of the Annual Report stated a loss or decrease in revenue for postal services, which was also raised by MSWG, what was the specific plan taken to mitigate the loss in postal services.	The losses for Mail business was compensated by the increase in revenue of the Courier business. Some of the post offices were transformed gradually to also undertake courier business in view of the growing demand for courier services. Currently, most of the costs incurred for running of these post offices had been borne by the Retail and Mail operations. Moving forward, the intention is for most of the space at the post offices to be taken up by the Courier operation instead of Retail and Mail operations where growing demand for courier services is seen in that area. In future, the anchor tenant in post offices would be Pos Laju but the normal postal services would still continue to exist within these post offices to serve customers with the normal postal services.

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13.	Complimented the postmen for their productivity and efficiency with the enlarged job functions. There must be a good performance incentive system for the staff and postmen.	The Courier staff would be rewarded with commission or incentive based on their productivity and not fixed amount in nature to encourage productivity, which is being practiced by the other players in the industry.
14.	There was competition from international players and other private local players are expanding and doing very well. Concern over whether Pos Malaysia is able to capture the potential market and perform better and why these players were able to expand and were doing very well.	Pos Malaysia's market share had increased from approximately 31% to 37% in the last 4 years. Pos Laju business is growing at faster pace than expected and it was Pos Malaysia's inspiration to continue to achieve higher market share.
15.	It was forecasted that total remittance business for Malaysia is RM25 billion. He inquired why Pos Malaysia was not able to capture more remittance business, which Pos Malaysia should tap on this business.	There is a big market for remittance business. Location is an important factor for remittance business and remittance transactions were mainly done on Sunday. The current Pos outlets were not located at the prominent locations where there is strong demand for remittance transactions. Pos Malaysia is changing its way of doing business by having certain Pos outlets operating on Sunday and also getting approval from Bank Negara Malaysia to set up mobile units to provide remittances services to tap into remittance business.
16.	Many products and services are being offered by many post outlets currently and might lack focus. The performance of these post outlets should be tracked and monitored closely to ensure they deliver the desired services and result.	Pos Malaysia is looking into transformation in its business and not doing everything under the sun. As seen globally, the entire postal services throughout the world is declining due to the changing business landscape into digitalisation and changing consumers' preference. Historically, postal services of Pos Malaysia had been declining where it had declined by 50% for the last 5 years and had been making losses, which was not due to its services of Pos Malaysia but due to the change in customers' preference of no longer sending mails. The Management has been very proactive and aggressive in introducing many initiatives to cater the demand and expectations of the customers and to compensate the losses of postal services by venturing into other businesses amongst others, such as Pos Ar-Rahnu business and Digital Mailbox to cater for on-line bill payments. Nevertheless, Pos Malaysia would not forsake its 200 years services in postal services.

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17.	Concern over the deteriorating revenue from bill payment services and advised that the business model be reviewed.	Businesses of post offices are declining. Post offices contributed a revenue of approximately RM180 million per year. Bill payments and commission from selling insurance were the main contributors, which contributes RM67 million and RM53 million respectively. Pos Malaysia is expanding its range of services being offered at post offices in order to cushion the loss-making of postal services. Pos Ar-Rahnu Sdn Bhd, a subsidiary of the Company, involved in broking business and ranked No. 2 in the country after Bank Rakyat, was incorporated 4 years ago and had started registering decent profits after 2 years in the business. Pos Ar-Rahnu outlets are mainly located inside post offices, which also optimise the utilisation of space at post offices.
18.	Is Pos Malaysia ready for the eCommerce business with Lazada/Alibaba. Concern whether the service of Pos Malaysia is up to the customers' expectations.	There are areas for improvement. In terms of delivery service, Pos Malaysia had improved its delivery service standard of D+1 tremendously from 60% to about 90% since the last 6 months as one of the Key Performance Indicators ("**KPI**") set by the Board on the Management. This service level had surpassed the service level of the industry.
19.	How was the achievement of SCORE 2.0 by Pos Malaysia for the Industry 4.0.	Industry 4.0 could not be accomplished overnight as relevant infrastructure and resources are required to achieve it. There are a team of members comprising 70 to 80 staff working full time on SCORE 2.0 with 90 initiatives and were being monitored closely.
20.	e-Commerce business is the right direction for the Company. Pos Malaysia would need to be more efficient particularly in servicing customers.	Pos Malaysia has about 180 to 200 billers with the top 10 billers contributing about 90% of the revenue of postal services. Pos Malaysia has to fulfill the social obligation of providing services to the public at large and with the varieties of services, staff at post offices have to understand and handle 200 types of transactions. Slow service for remittance transaction, which is more complicated might be due to compliance process in compliant with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 under the Bank Negara Malaysia requirements.