



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 June 2018

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Cumulative 3 Months Ended	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Revenue		590,463	611,627	590,463	611,627
Cost of sales and operating expenses		(572,360)	(569,035)	(572,360)	(569,035)
Other income		10,247	10,732	10,247	10,732
Other expenses		(9,901)	(6,610)	(9,901)	(6,610)
Profit from operations		18,449	46,714	18,449	46,714
Finance costs		(4,626)	(3,108)	(4,626)	(3,108)
PROFIT BEFORE ZAKAT AND TAXATION		13,823	43,606	13,823	43,606
Zakat		(823)	(266)	(823)	(266)
PROFIT BEFORE TAXATION		13,000	43,340	13,000	43,340
Taxation	18	(8,023)	(7,458)	(8,023)	(7,458)
NET PROFIT FOR THE QUARTER / FINANCIAL PERIOD		4,977	35,882	4,977	35,882
OTHER COMPREHENSIVE LOSS					
<u>Item that will be subsequently reclassified to profit or loss</u>					
Currency translation differences of foreign subsidiary companies		(59)	(15)	(59)	(15)
OTHER COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)		(59)	(15)	(59)	(15)
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX)		4,918	35,867	4,918	35,867

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

	Note	Current Quarter 3 Months Ended		Cumulative 3 Months Ended	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Net profit for the quarter/financial period attributable to:					
Owners of the Company		4,979	35,919	4,979	35,919
Non-controlling interest		(2)	(37)	(2)	(37)
		4,977	35,882	4,977	35,882
Total comprehensive income for the quarter/financial period attributable to:					
Owners of the Company		4,920	35,904	4,920	35,904
Non-controlling interest		(2)	(37)	(2)	(37)
		4,918	35,867	4,918	35,867
Basic and diluted earnings per share (sen):	23	0.64	4.59	0.64	4.59

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 2018 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30.06.2018 RM'000	Audited As at 31.03.2018 (Restated) RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,349,346	1,360,358
Prepaid lease properties		40,365	40,656
Investment properties		39,050	39,050
Intangible assets		422,896	425,448
Deferred tax assets		15,806	16,034
Other assets		1,579	1,579
		1,869,042	1,883,125
CURRENT ASSETS			
Inventories		18,029	14,758
Trade and other receivables		948,865	940,392
Other investments*		168,367	207,962
Current tax assets		28,480	22,886
Short term deposits*		69,522	73,602
Cash and bank balances		227,406	229,981
		1,460,669	1,489,581
TOTAL ASSETS		3,329,711	3,372,706
EQUITY AND LIABILITIES			
Share Capital		1,071,392	1,071,392
Reserves		876,897	871,977
Equity attributable to Owners of the Company		1,948,289	1,943,369
Non-controlling interest		2,106	2,108
TOTAL EQUITY		1,950,395	1,945,477
NON-CURRENT LIABILITIES			
Long term borrowings	20	109,314	118,462
Post-employment benefit obligations		2,903	2,963
Deferred tax liabilities		99,395	95,212
		211,612	216,637
CURRENT LIABILITIES			
Trade and other payables		891,597	936,302
Bank borrowings	20	273,047	272,546
Current tax liabilities		3,060	1,744
		1,167,704	1,210,592
TOTAL LIABILITIES		1,379,316	1,427,229
TOTAL EQUITY AND LIABILITIES		3,329,711	3,372,706
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** (RM)		2.49	2.48

* Money market instruments previously classified as short term deposits have been reclassified as other investments.

** 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 2018 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 1.4.2018 (restated)	782,777	1,071,392	1,144	(639)	(719)	872,191	1,943,369	2,108	1,945,477
Net profit for the financial period	-	-	-	-	-	4,979	4,979	(2)	4,977
Other comprehensive loss for the financial period	-	-	-	-	(59)	-	(59)	-	(59)
Total comprehensive income for the financial period	-	-	-	-	(59)	4,979	4,920	(2)	4,918
Balance as at 30.06.2018	782,777	1,071,392	1,144	(639)	(778)	877,170	1,948,289	2,106	1,950,395

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	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	-	-	-	-	-	35,919	35,919	(37)	35,882
Other comprehensive loss for the financial period	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the financial period	-	-	-	-	(15)	35,919	35,904	(37)	35,867
Balance as at 30.06.2017	782,777	1,071,392	1,144	(639)	(2,049)	900,523	1,970,371	2,010	1,972,381

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 2018 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 Months Ended 30.06.2018 RM'000	3 Months Ended 30.06.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	4,977	35,882
Adjustments:		
- Depreciation of property, plant and equipment	44,125	36,725
- Amortisation of prepaid lease properties	290	290
- Amortisation of intangible assets	2,552	2,623
- Amortisation of government grant	(396)	(141)
- Fair value gain of investment securities:		
Financial assets at fair value through profit or loss	(1,678)	(2,137)
- Finance costs	4,626	3,108
- Taxation	8,023	7,458
- Interest income	(766)	(853)
- Unrealised foreign exchange differences	2,790	(133)
- Net (write backs) /allowance for doubtful debts	(1,205)	2,869
- Gain on disposal of property, plant and equipment	(180)	(714)
- Zakat	823	266
- Others	(143)	(153)
Operating profit before working capital changes	63,838	85,090
Changes in working capital:		
Change in current assets	26,127	7,742
Change in current liabilities	(49,877)	(58,979)
Net cash generated from operations	40,088	33,853
Interest income received	766	853
Tax paid, net of refund	(7,891)	(5,968)
Zakat paid	-	(42)
Retirement benefit paid	(73)	-
Net cash generated from operating activities	32,890	28,696
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	341	714
Purchase of property, plant and equipment	(33,288)	(44,522)
Increase in deposit pledged	(529)	-
Net cash used in investing activities	(33,476)	(43,808)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	3 Months Ended 30.06.2018 RM'000	3 Months Ended 30.06.2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown on revolving credit	32,004	20,000
Finance costs paid	(4,626)	(3,108)
Repayment of borrowings	(41,701)	(1,402)
Restricted cash	(264)	-
Net cash (used in)/ generated from financing activities	(14,587)	15,490
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(15,173)	378
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	252,145	488,042
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	236,972	488,420
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	227,406	278,190
Deposits	69,522	250,944
Bank overdrafts	(2,797)	-
	294,131	529,134
Less: Collections held on behalf of agencies**	(55,230)	(39,605)
Less: Deposit pledged	(1,665)	(1,109)
Less: Restricted cash	(264)	-
	236,972	488,420

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 2018 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities:

	Hire purchase	Islamic term loans	Revolving credits	Invoice financing	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	16,214	149,386	208,698	14,963	389,261
Net changes from financing cash flows:					
Drawdown	-	-	30,000	2,004	32,004
Repayment	(1,490)	(5,248)	(20,000)	(14,963)	(41,701)
Total net changes from financing cash flows	(1,490)	(5,248)	10,000	(12,959)	(9,697)
At end of the financial period	14,724	144,138	218,698	2,004	379,564

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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 2018 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 2018 except for the adoption of the following new /amended standards which are applicable to the Group with effect 1 April 2018:

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

The adoption and application of the above standards are not expected to have any material impact to the financial statements of the Group except as mentioned below:

(a) MFRS 9, *Financial Instruments*

The Group adopted MFRS 9, *Financial Instruments* on 1 April 2018. MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments, Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The new standard contains three principles classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) MFRS 9, *Financial Instruments* (continued)

The Group has estimated the financial impact upon initial application of the new impairment model. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives. Adjustments arising from the initial application of the new impairment model has been recognised in the opening retained earnings as at 1 April 2018 as disclosed below:

	As stated RM'000	As previously stated RM'000
Statement of financial position		
Retained earnings	872,191	874,100
Trade and other receivables	940,392	942,904
Deferred tax asset	16,034	15,431

(b) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to the customer, moving from the transfer of risk and rewards.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct goods or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Effective 1 April 2018, the Group recognises revenue in accordance to MFRS 15, *Revenue from Contracts with Customers*. The initial application of this accounting standard is not expected to have any material financial impact to the current period and prior period 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 2018.

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 except as disclosed in Note 2 (a).

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 2018.

7. DIVIDENDS PAID

There was no dividend paid for the current financial period ended 30 June 2018.

8. 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	Includes haulage services, freight and forwarding, shipping agency and chartering services, warehousing and distribution services.
Aviation	Includes cargo and ground handling, in-flight catering, freight and forwarding and air cargo transport.

8. 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 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.

The information of each of the Group's business segments for the financial period ended 30 June 2018 is as follows:

Period ended 30 June 2018	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	171,957	204,505	34,624	74,956	74,278	30,143	-	590,463
Internal revenue	16,953	40,258	-	6,794	2,737	22	(66,764)	-
Total revenue	188,910	244,763	34,624	81,750	77,015	30,165	(66,764)	590,463
Segment (loss) / profit	(32,861)	25,485	2,581	(768)	8,466	7,851	-	10,754
Amortisation of intangible assets								(2,552)
Other income								9,481
Interest income								766
Finance cost								(4,626)
Profit before zakat and taxation								13,823
Zakat								(823)
Profit before taxation								13,000
Taxation								(8,023)
Net profit for the financial period								4,977
Attributable to:								
Owners of the Company								4,979
Non-controlling interest								(2)
								4,977

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

During last financial year, the Group 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:

<u>Companies under MVL</u>	<u>Company under CVL</u>
1. Pos Takaful Agency Sdn. Bhd.	1. Diperdana Terminal Services 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.	

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.

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	
	30.06.2018 RM'000	30.06.2017 RM'000
Amortisation of prepaid lease properties	290	290
Amortisation of intangible assets	2,552	2,623
Amortisation of government grant	(396)	(141)
Depreciation of property, plant and equipment	44,125	36,725
Net (write backs) / allowance for doubtful debts	(1,205)	2,869
Fair value gain of investment securities:		
Financial assets at fair value through profit or loss	(1,678)	(2,137)
Finance costs	4,626	3,108
Write off of property, plant and equipment	14	21
Gain on disposal of property, plant and equipment	(180)	(714)
Inventories written back	-	(172)
Interest income on short term deposit	(766)	(853)
Net foreign exchange differences	2,308	(1,207)

14. REVIEW OF GROUP PERFORMANCE

Group performance for the financial period ended 30 June 2018

The Group recorded lower revenue of RM590.5 million for the financial period ended 30 June 2018 as compared to RM611.6 million in the previous corresponding period ended 30 June 2017. This represents a decrease of RM21.2 million or equivalent to 3.5%.

(a) Group revenue by segment are as follows:

	3 months ended		Variance RM'000
	30.06.2018 RM'000	30.06.2017 RM'000	
Group revenue			
Postal Services	171,957	192,743	(20,786)
Courier	204,505	181,592	22,913
International	34,624	44,535	(9,911)
Logistics	74,956	99,797	(24,841)
Aviation	74,278	63,854	10,424
Others	30,143	29,106	1,037
Total	590,463	611,627	(21,164)

(i) **Postal Services**

Postal Services registered lower revenue of RM172.0 million as compared to RM192.7 million. This is due to continuous decline in traditional mail volume largely due to electronic substitution.

(ii) **Courier**

Courier recorded higher revenue of RM204.5 million compared to RM181.6 million registered in the previous corresponding period ended 30 June 2017. 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 dropped by RM9.9 million largely due to lower volume in transshipment pursuant to a loss in one major customer's account.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Group performance for the financial period ended 30 June 2018 (continued)

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

(iv) Logistics

Logistics registered lower revenue by RM24.8 million mainly from the drop in project logistics namely Refinery and Petrochemical Integrated Development Project ("RAPID") in Pengerang as it is in the last stage of completion.

(v) Aviation

Aviation increased by RM10.4 million compared to previous corresponding period ended 30 June 2017 mainly contributed by higher tonnage of cargo handled.

(vi) Others

Other segments which consist of printing and insertion, digital certificates and Ar Rahn, generated a marginal increase in revenue of RM1.0 million mainly due to higher revenue from Datapos.

(b) Group Profit Before Tax

For the financial period ended 30 June 2018, profit before tax has reduced to RM13.0 million from RM43.3 million in the corresponding quarter ended 30 June 2017. The drop is due to lower revenue registered from postal services, international and logistics segments coupled with the increase in costs namely cost of sales and operating expenses as well as finance costs.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The group recorded a lower profit before tax of RM13.0 million in the current quarter ended 30 June 2018 compared to RM28.8 million in the preceding quarter ended 31 March 2018 mainly due to lower revenue by RM62.2 million and lower other income by RM22.0 million offset by lower cost of sales and operating expenses by RM64.7 million.

16. FUTURE PROSPECTS

We expect the coming quarter to continue to improve on the back of better consumer sentiment. The economy would also benefit from firmer oil prices, currently hovering around US\$70 per barrel.

Our Courier business segment remains the key revenue growth driver for the Pos Malaysia Group as the Group has the largest last-mile network and infrastructure in which e-Commerce items flows through. As e-Commerce growth is expected to remain strong as a result of lifestyle changes arising from the proliferation of mobile and online marketplaces, the Pos Malaysia Group's courier business is expected to maintain its revenue growth momentum.

On the other hand, our Postal Services business segment remains challenging due to the continued decline in mail volumes and also lower retail transaction volumes at our post offices as a result of the digitalisation of various type of services that has resulted in customers carrying out more transactions such as bill payments via online and mobile platforms; rather than at post offices. To address this, we are offering alternative digital mail related services and also in the process of migrating our over-the-counter service offerings onto digital platforms to meet the need of our customers.

Pos Malaysia's Logistics business segment also remains challenging due to industry overcapacity and also the consolidation of major infrastructure projects in Malaysia. We plan to consolidate our logistic assets in line with industry conditions while at the same time, enter into new market segments such as the transportation of bulk commodities.

We are cautiously optimistic about our Aviation business segment in light of the expected passenger traffic growth of about 6% to 7% for 2018. However, the passenger and ground handling businesses are competitive and therefore growing our market share while maintaining our efficiency is key to business sustainability.

Overall, we are optimistic that over the medium term, our transformation efforts will yield more sustainable revenue growth and higher profit margins but in the very near term, we need to continue to invest prudently in new technology platforms that will enable us to roll-out innovative product and service offerings that are in line with the lifestyle changes that are currently taking place in Malaysia and globally.

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	
	30.06.2018	30.06.2017 (Restated)
	RM'000	RM'000
Current taxation	3,613	3,933
Deferred taxation	4,410	3,525
Total	8,023	7,458

The Group's effective tax rate for the current quarter ended 30 June 2018 is higher mainly due to the under accrual of prior year's deferred tax and increase in expenses not deductible for tax purposes.

19. STATUS OF CORPORATE PROPOSALS

There is no corporate proposal made by the Group for the financial period ended 30 June 2018.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited as at 30.06.2018 RM'000
Long Term Borrowings	
<u>Secured:</u>	
Long term loan under Islamic financing	107,264
Hire purchase and finance lease liabilities	14,724
- portion repayable within 12 months	(12,674)
Total Long Term Borrowings	109,314
Short Term Borrowings	
<u>Secured:</u>	
Revolving credit	137,398
Short term loan under Islamic financing	11,874
Hire purchase and finance lease liabilities	
- portion repayable within 12 months	12,674
Invoice financing	2,004
	163,950
<u>Unsecured:</u>	
Bank overdraft	2,797
Revolving credit	81,300
Short term loan under Islamic financing	25,000
	109,097
Total Short Term Borrowings	273,047
Total Group Borrowings	382,361

20. GROUP BORROWINGS (CONTINUED)

Apart from the following Ringgit Malaysia (“RM”) equivalent of foreign currency borrowing, the rest of the borrowings are denominated in RM.

Secured	Foreign currency	Foreign '000	RM '000
Long term loan under Islamic financing	USD	25,786	98,514
Short term loan under Islamic financing	USD	2,192	8,374
Total		27,978	106,888

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 2018.

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	
	30.06.2018	30.06.2017
Net profit attributable to Owners of the Company (RM'000)	4,979	35,919
Number of ordinary shares in issue ('000)	782,777	782,777
Basic and diluted earnings per share (sen)	0.64	4.59

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

24. 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
24 August 2018