



POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 31 December 2018

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

The Board of Directors hereby announce the unaudited financial results of Pos Malaysia Group (“the Group”) for the current quarter/financial period ended 31 December 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Cumulative 9 Months Ended	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Revenue		581,242	620,716	1,760,438	1,819,501
Cost of sales and operating expenses		(597,910)	(600,473)	(1,781,979)	(1,742,265)
Other income		7,665	11,163	32,965	43,850
Other expenses		(4,029)	(5,336)	(19,071)	(19,912)
(Loss) / Profit from operations		(13,032)	26,070	(7,647)	101,174
Finance costs		(4,991)	(3,675)	(14,759)	(11,091)
(LOSS) / PROFIT BEFORE ZAKAT AND TAXATION		(18,023)	22,395	(22,406)	90,083
Zakat		(708)	(512)	(2,354)	(1,509)
(LOSS) / PROFIT BEFORE TAXATION		(18,731)	21,883	(24,760)	88,574
Taxation	18	5,711	(12,531)	119	(24,577)
NET (LOSS) / PROFIT FOR THE QUARTER / FINANCIAL PERIOD		(13,020)	9,352	(24,641)	63,997
OTHER COMPREHENSIVE INCOME					
<u>Item that will be subsequently reclassified to profit or loss</u>					
Currency translation differences of foreign subsidiary companies		213	135	1,923	128
OTHER COMPREHENSIVE INCOME FOR THE QUARTER / FINANCIAL PERIOD (NET OF TAX)		213	135	1,923	128
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE QUARTER / FINANCIAL PERIOD (NET OF TAX)		(12,807)	9,487	(22,718)	64,125

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

	Note	Current Quarter 3 Months Ended		Cumulative 9 Months Ended	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Net (loss) / profit for the quarter/financial period attributable to:					
Owners of the Company		(13,020)	9,475	(24,616)	64,222
Non-controlling interest		-	(123)	(25)	(225)
		(13,020)	9,352	(24,641)	63,997
Total comprehensive (loss) / income for the quarter / financial period attributable to:					
Owners of the Company		(12,807)	9,610	(22,693)	64,350
Non-controlling interest		-	(123)	(25)	(225)
		(12,807)	9,487	(22,718)	64,125
Basic and diluted (loss) / earnings per share (sen):	23	(1.66)	1.21	(3.14)	8.20

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 31.12.2018 RM'000	Audited As at 31.03.2018 (Restated) RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,384,741	1,360,358
Prepaid lease properties		39,785	40,656
Investment properties		39,050	39,050
Intangible assets		417,792	425,448
Deferred tax assets		14,583	16,034
Other assets		1,579	1,579
		1,897,530	1,883,125
CURRENT ASSETS			
Inventories		15,868	14,758
Trade and other receivables		943,602	940,392
Investment securities: financial assets at fair value through profit and loss		75,400	199,962
Investment securities: amortised cost		-	8,000
Current tax assets		39,808	22,886
Short term deposits		59,084	73,602
Cash and bank balances		261,699	229,981
		1,395,461	1,489,581
TOTAL ASSETS		3,292,991	3,372,706
EQUITY AND LIABILITIES			
Share Capital		1,071,392	1,071,392
Reserves		786,342	871,977
Equity attributable to Owners of the Company		1,857,734	1,943,369
Non-controlling interest		-	2,108
TOTAL EQUITY		1,857,734	1,945,477
NON-CURRENT LIABILITIES			
Long term borrowings	20	107,758	118,462
Post-employment benefit obligations		809	2,963
Deferred tax liabilities		93,925	95,212
		202,492	216,637
CURRENT LIABILITIES			
Trade and other payables		919,598	936,302
Bank borrowings	20	312,499	272,546
Current tax liabilities		668	1,744
		1,232,765	1,210,592
TOTAL LIABILITIES		1,435,257	1,427,229
TOTAL EQUITY AND LIABILITIES		3,292,991	3,372,706
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM)		2.37	2.48

* 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	Total	Non - controlling Interest	Total Equity
	Number of shares	Monetary value	Revaluation Reserves	Post-employment Benefit Reserves	Currency Translation Differences				
	'000	RM'000	RM'000	RM'000	RM'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 loss for the financial period	-	-	-	-	-	(24,616)	(24,616)	(25)	(24,641)
Other comprehensive income for the financial period	-	-	-	-	1,923	-	1,923	-	1,923
Total comprehensive income / (loss) for the financial period	-	-	-	-	1,923	(24,616)	(22,693)	(25)	(22,718)
<u>Transaction with Owners</u>									
Effects of changes in shareholdings in a subsidiary company	-	-	-	-	-	(320)	(320)	(2,083)	(2,403)
First and final dividend in respect of financial year ended 31 March 2018	-	-	-	-	-	(62,622)	(62,622)	-	(62,622)
Balance as at 31.12.2018	782,777	1,071,392	1,144	(639)	1,204	784,633	1,857,734	-	1,857,734

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	-	-	-	-	-	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>									
First and 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

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

	9 Months Ended 31.12.2018 RM'000	9 Months Ended 31.12.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/ profit for the financial period	(24,641)	63,997
Adjustments:		
- Depreciation of property, plant and equipment	132,362	114,640
- Amortisation of prepaid lease properties	871	871
- Amortisation of intangible assets	7,656	7,868
- Amortisation of government grant	(8,938)	(745)
- Fair value gain of investment securities:		
Financial assets at fair value through profit or loss	(2,892)	(5,864)
- Finance costs	14,759	11,091
- Taxation	(119)	24,577
- Finance income	(3,202)	(3,078)
- Unrealised foreign exchange differences	357	(15,613)
- Allowance for doubtful debts (net of write backs)	1,162	(4,096)
- Gain on disposal of property, plant and equipment	(212)	(1,932)
- Zakat	2,354	1,509
- Others	602	665
Operating profit before working capital changes	120,119	193,890
Changes in working capital:		
Change in current assets	3,289	(64,452)
Change in current liabilities	(42,044)	(126,639)
Net cash generated from operations	81,364	2,799
Finance income received	3,202	3,078
Tax paid, net of refund	(17,200)	(29,575)
Zakat paid	-	(44)
Grant received	13,392	620
Retirement benefit paid	(2,183)	-
Net cash generated from / (used in) operating activities	78,575	(23,122)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	599	2,064
Purchase of property, plant and equipment	(147,129)	(340,384)
Withdrawals of investment securities	135,455	105,944
Net cash used in investing activities	(11,075)	(232,376)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	9 Months Ended 31.12.2018 RM'000	9 Months Ended 31.12.2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	74,937	219,624
Finance costs paid	(14,759)	(11,091)
Bank overdraft	-	1,818
Withdrawals of deposits pledged with licensed bank	(528)	-
Repayment of bank borrowings	(53,039)	(24,664)
Dividends paid to shareholders	(62,622)	(83,757)
Restricted cash	(264)	-
Net cash (used in) / generated from financing activities	(56,275)	101,930
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	11,225	(153,568)
Effects of foreign currency translation	662	-
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	264,032	334,474
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash	261,699	333,565
Deposits	59,084	72,621
Bank overdrafts	(1,326)	(1,818)
	319,457	404,368
Less: Collections held on behalf of agencies**	(53,496)	(68,757)
Less: Deposit pledged	(1,665)	(1,137)
Less: Restricted cash	(264)	-
	264,032	334,474

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	-	4,937	70,000	-	74,937
Repayment	(4,518)	(17,568)	(20,000)	(10,953)	(53,039)
Currency translation differences	-	7,772	-	-	7,772
Total net changes from financing cash flows	(4,518)	(4,859)	50,000	(10,953)	29,670
At end of the financial period	11,696	144,527	258,698	4,010	418,931

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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 31 December 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 31 December 2018.

7. DIVIDENDS PAID

The shareholders have approved a first and final single tier dividend of 8.0 sen per ordinary share at the last Annual General Meeting held on 29 August 2018 in respect of the financial year ended 31 March 2018. The net dividend of RM62,622,147 was paid on 10 October 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 31 December 2018 is as follows:

Period ended 31 December 2018	Postal Services	Courier	International	Logistics	Aviation	Others	Elimination	POS Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	507,903	626,635	107,631	228,302	223,296	66,671	-	1,760,438
Internal revenue	13,089	142,743	250	18,622	6,726	67	(181,497)	-
Total revenue	520,992	769,378	107,881	246,924	230,022	66,738	(181,497)	1,760,438
Segment (loss)/ profit	(147,532)	93,461	(8,762)	5,736	26,647	(2,506)	-	(32,956)
Amortisation of intangible assets								(7,656)
Other income								29,763
Finance income								3,202
Finance costs								(14,759)
Loss before zakat and taxation								(22,406)
Zakat								(2,354)
Loss before taxation								(24,760)
Taxation								119
Net loss for the financial period								(24,641)
Attributable to:								
Owners of the Company								(24,616)
Non-controlling interests (NCI)								(25)
								(24,641)

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

11.1 During the last financial year, the Group announced the proposed winding-up of its direct and indirect subsidiaries via members' voluntary winding up ("MVWU") and creditors' voluntary winding up ("CVWU") and the companies involved in the exercise are as follows:

<u>Companies under MVWU</u>	<u>Company under CVWU</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.	

As announced on 31 January 2019, the above companies have been dissolved and ceased to be subsidiaries of the Group effective 1 February 2019.

11.2 On 18 September 2018, PNSL Berhad (a wholly owned subsidiary of the Group), acquired 49% equity interest in Parcel Tankers Malaysia Sdn. Bhd. ("PTM") previously held by Yuma Shipping Pte. Ltd. ("YUMA") for a total consideration of RM2,403,000, increasing its ownership from 51% to 100%.

11.3 On 1 November 2018, PSH Investment Holding (BVI) Ltd ("PSH Investment Holding"), a dormant wholly owned subsidiary of the Group, had been struck off from the British Virgin Islands Registry of Corporate Affairs.

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 statement.

13. LOSS BEFORE TAXATION

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

	3 Months Ended		9 Months Ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Amortisation of prepaid lease properties	290	290	871	871
Amortisation of intangible assets	2,552	2,623	7,656	7,868
Amortisation of government grant	(1,050)	(387)	(8,938)	(745)
Depreciation of property, plant and equipment	52,449	40,096	132,362	114,640
Allowance for doubtful debts (net of write backs)	3,596	(1,274)	1,162	(4,096)
Fair value gain of investment securities: Financial assets at fair value through profit or loss	(23)	(1,789)	(2,892)	(5,864)
Finance costs	4,991	3,675	14,759	11,091
Write off of property, plant and equipment	100	-	205	-
(Loss) / gain on disposal of property, plant and equipment	8	(704)	(212)	(1,932)
Inventories written down	106	-	150	-
Finance income on short term deposit	(925)	(848)	(3,202)	(3,078)
Net foreign exchange differences	(1,257)	(3,229)	2,626	(9,588)

14. REVIEW OF GROUP PERFORMANCE

14.1 Group performance for the financial period ended 31 December 2018

The Group recorded lower revenue of RM1,760.4 million for the financial period ended 31 December 2018 as compared to RM1,819.5 million in the previous corresponding period ended 31 December 2017. This represents a decrease of RM59.1 million or equivalent to 3.2%.

(a) Group revenue by segment are as follows:

	9 months ended		Variance RM'000
	31.12.2018 RM'000	31.12.2017 RM'000	
Group revenue			
Postal Services	507,903	539,320	(31,417)
Courier	626,635	561,118	65,517
International	107,631	124,081	(16,450)
Logistics	228,302	316,380	(88,078)
Aviation	223,296	203,515	19,781
Others	66,671	75,087	(8,416)
Total	1,760,438	1,819,501	(59,063)

(i) Postal Services

Postal Services registered lower revenue of RM507.9 million as compared to RM539.3 million. This is due to accelerating decline in traditional mail volume largely due to electronic substitution.

(ii) Courier

Courier recorded higher revenue of RM626.6 million compared to RM561.1 million registered in the previous corresponding period ended 31 December 2017. This is mainly driven by increased demand in e-Commerce as well as online business customers.

(iii) International

International revenue dropped by RM16.5 million largely due to lower volume in transshipment pursuant to a loss in one major customer's account.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.1 Group performance for the financial period ended 31 December 2018 (continued)

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

(iv) Logistics

Logistics registered lower revenue by RM88.1 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 RM19.8 million compared to previous corresponding period ended 31 December 2017 mainly contributed by higher tonnage of cargo handled.

(vi) Others

Other segments which consist of printing and insertion, digital certificates and Ar Rahnū, generated a decrease in revenue of RM8.4 million mainly due to lower contribution from printing and insertion business.

(b) Group Profit Before Tax

For the financial period ended 31 December 2018, the Group registered a loss before tax of RM24.8 million from a profit of RM88.6 million in the previous corresponding period ended 31 December 2017. The drop is due to lower revenue registered from postal services, international and logistics segments, lower other income and increase in costs namely cost of sales and operating expenses.

14.2 Group performance for the financial quarter ended 31 December 2018

The Group recorded a lower revenue of RM581.2 million for the financial quarter ended 31 December 2018 as compared to RM620.7 million in the previous corresponding quarter ended 31 December 2017. This represents a decrease of RM39.5 million or equivalent to 6.4%.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.2 Group performance for the financial quarter ended 31 December 2018 (continued)

(a) Group revenue by segment are as follows:

	3 months ended		Variance RM'000
	31.12.2018 RM'000	31.12.2017 RM'000	
Group revenue			
Postal Services	174,523	170,134	4,389
Courier	207,126	198,282	8,844
International	39,278	44,749	(5,471)
Logistics	70,742	112,865	(42,123)
Aviation	74,267	71,585	2,682
Others	15,306	23,101	(7,795)
Total	581,242	620,716	(39,474)

(i) Postal Services

Postal Services registered higher revenue of RM174.5 million as compared to RM170.1 million. This is due to cross border exercise in handling e-Commerce items.

(ii) Courier

Courier recorded higher revenue of RM207.1 million compared to RM198.3 million registered in the previous corresponding quarter ended 31 December 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 RM5.5 million largely due to lower volume in transshipment pursuant to a loss in one major customer's account.

(vi) Logistics

Logistics registered lower revenue by RM42.1 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.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

14.2 Group performance for the financial quarter ended 31 December 2018 (continued)

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

(v) Aviation

Aviation increased by RM2.7 million compared to previous corresponding quarter ended 31 December 2017 mainly contributed by higher tonnage of cargo handled.

(vi) Others

Other segments which consist of printing and insertion, digital certificates and Ar Rahnū, registered a decrease in revenue of RM7.8 million mainly due to lower revenue from printing and insertion business.

(b) Group Profit Before Tax

For the financial quarter ended 31 December 2018, the Group registered a loss before tax of RM18.7 million from a profit of RM21.9 million in the previous corresponding quarter ended 31 December 2017. The drop is due to lower revenue contribution from international and logistics segments.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The group recorded a slightly lower loss before tax of RM18.7 million in the current quarter ended 31 December 2018 compared to a loss before tax of RM19.0 million in the preceding quarter ended 30 September 2018 mainly due to lower revenue of RM7.5 million and a decrease in other income of RM7.4 million. However, this is offset against lower cost of sales and operating expenses amounting to RM13.8 million.

POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

16. FUTURE PROSPECTS

The Pos Malaysia Berhad Group's business outlook going forward remains generally challenging. One major challenge is the continuing contraction in mail volume as business enterprises are increasingly communicating with their customers via electronic and digital channels, foregoing mail-based communications.

This has resulted in a 14% drop in mail volume, year-on-year. In tandem with the high cost of maintaining the nationwide postal network associated with universal service obligations, the sustainability of the traditional mail business is negatively impacted. Engagement with stakeholders, including the regulator and work on a proposal for a more sustainable pricing model to address the high cost associated with universal service obligations is currently ongoing.

The courier business, although growing, is also challenging as a result of the entry of numerous competitors. To address the threat posed by these competitors, investment in automation and digital technology are being made to enable higher operational efficiencies and also to provide value added services as a differentiator vis-à-vis competitors.

The growing cross-border e-Commerce volume is the key driver of International business and steady economic growth in major developed economies has contributed to the higher cross-border volumes. In the longer term, trade disputes and uncertainties in some economies have the potential to disrupt cross-border volumes going forward.

The outlook for the Logistics business is largely driven by the automotive industry as the Pos Logistics Berhad Group is a substantial player in the automotive logistics space. As the automotive industry has picked up due to the introduction of new models, a positive contribution is expected for the Logistics business.

The increase in air freight volume and higher airline passenger traffic has resulted in improved performance from the Aviation business and this trend should persist in the short to medium term.

Overall, although the Group is cautiously optimistic about some of its businesses, the Group's key revenue generators, Postal Services and Courier businesses, remain challenging due to the issues highlighted earlier. Firm steps are being taken to address these issues faced by these businesses but the outcome of these steps will only be evident in the medium term.

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		9 Months Ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Current taxation	(4,537)	5,421	(325)	8,697
Deferred taxation	(1,174)	7,110	206	15,880
Total	(5,711)	12,531	(119)	24,577

For the financial period ended 31 December 2018, the tax credit position arose mainly due to unabsorbed capital allowances and over provision of prior year taxation.

19. STATUS OF CORPORATE PROPOSALS

There is no corporate proposal made by the Group for the financial period ended 31 December 2018.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited as at 31.12.2018 RM'000
Long Term Borrowings	
<u>Secured:</u>	
Long term loan under Islamic financing	102,151
Hire purchase and finance lease liabilities	11,696
- portion repayable within 12 months	(6,089)
Total Long Term Borrowings	107,758
Short Term Borrowings	
<u>Secured:</u>	
Revolving credit	137,398
Short term loan under Islamic financing	17,376
Hire purchase and finance lease liabilities	
- portion repayable within 12 months	6,089
Invoice financing	4,010
	164,873
<u>Unsecured:</u>	
Bank overdraft	1,326
Revolving credit	121,300
Short term loan under Islamic financing	25,000
	147,626
Total Short Term Borrowings	312,499
Total Group Borrowings	420,257

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	22,986	95,151
Short term loan under Islamic financing	USD	3,352	13,876
Total		26,338	109,027

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 31 December 2018.

23. (LOSS) / EARNINGS PER SHARE

The basic and diluted (loss) / 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Net (loss) / profit attributable to Owners of the Company (RM'000)	(13,020)	9,475	(24,616)	64,222
Number of ordinary shares in issue ('000)	782,777	782,777	782,777	782,777
Basic and diluted (loss) / earnings per share (sen)	(1.66)	1.21	(3.14)	8.20

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
27 February 2019