



POS MALAYSIA BERHAD

(Registration No. 199101019653 (229990-M))
(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 September 2022

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

The Board of Directors hereby announce the unaudited financial results of Pos Malaysia Group (“the Group”) for the current quarter/financial period ended 30 September 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Financial Period 9 Months Ended	
		30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Revenue		492,001	536,261	1,493,605	1,665,429
Cost of sales and operating expenses		(531,247)	(564,701)	(1,543,267)	(1,789,213)
Other income		16,757	9,587	35,288	27,606
Other expenses		(4,138)	(9,604)	(23,500)	(78,337)
Loss from operations		(26,627)	(28,457)	(37,874)	(174,515)
Finance costs		(9,342)	(11,890)	(26,820)	(34,656)
Share of result of associated company (net of tax)		(76)	184	(497)	4,131
LOSS BEFORE ZAKAT AND TAXATION		(36,045)	(40,163)	(65,191)	(205,040)
Zakat		(191)	(316)	(737)	(956)
LOSS BEFORE TAXATION		(36,236)	(40,479)	(65,928)	(205,996)
Taxation	18	2,605	(3,418)	(3,325)	(6,527)
LOSS FOR THE QUARTER/ FINANCIAL PERIOD		(33,631)	(43,897)	(69,253)	(212,523)
OTHER COMPREHENSIVE INCOME					
<u>Item that will be subsequently reclassified to profit or loss</u>					
Currency translation differences for foreign operations		3,480	4,618	6,698	4,636
OTHER COMPREHENSIVE INCOME FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)		3,480	4,618	6,698	4,636
TOTAL COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)		(30,151)	(39,279)	(62,555)	(207,887)

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

	Note	Current Quarter 3 Months Ended		Financial Period 9 Months Ended	
		30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Loss for the quarter/financial period attributable to Owners of the Company		(33,631)	(43,897)	(69,253)	(212,523)
Total comprehensive loss for the quarter/financial period attributable to Owners of the Company		(30,151)	(39,279)	(62,555)	(207,887)
Basic and diluted loss per share (sen):	23	(4.30)	(5.61)	(8.85)	(27.15)

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 December 2021 and the explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited as at 30.09.2022 RM'000	Audited as at 31.12.2021 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		810,675	864,419
Investment properties		40,810	40,810
Investments in associates		40,839	41,336
Right-of-use assets		330,985	361,598
Intangible assets		125,685	127,674
Deferred tax assets		1,781	1,781
Derivative financial asset		1,626	1,626
Other investments		6,723	6,726
		1,359,124	1,445,970
CURRENT ASSETS			
Assets classified as held for sale		12,208	11,578
Inventories		6,993	3,030
Trade and other receivables		950,081	902,068
Other investments		31,231	38,889
Current tax assets		11,796	21,324
Deposits placed with licensed banks		33,548	109,622
Cash and bank balances		140,327	156,301
		1,186,184	1,242,812
TOTAL ASSETS		2,545,308	2,688,782
EQUITY AND LIABILITIES			
Share capital		1,071,392	1,071,392
Reserves		(322,338)	(259,783)
TOTAL EQUITY		749,054	811,609
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	20	246,416	303,221
Lease liabilities		92,316	102,297
Post-employment benefit obligations		1,079	1,194
Deferred tax liabilities		36,242	39,247
		376,053	445,959
CURRENT LIABILITIES			
Liabilities classified as held for sale		4,641	3,708
Trade and other payables		893,934	986,059
Loans and borrowings	20	469,913	361,567
Lease liabilities		49,427	78,258
Current tax liabilities		2,286	1,622
		1,420,201	1,431,214
TOTAL LIABILITIES		1,796,254	1,877,173
TOTAL EQUITY AND LIABILITIES		2,545,308	2,688,782
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM)		0.96	1.04

* 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 December 2021 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				Total Equity RM'000
	Number of shares '000	Amount RM'000	Revaluation Reserves RM'000	Post- employment Benefit Reserves RM'000	Currency Translation Reserves RM'000	Accumulated Losses RM'000	
At 1 January 2022	782,777	1,071,392	1,144	(1,225)	2,177	(261,879)	811,609
Loss for the financial period	-	-	-	-	-	(69,253)	(69,253)
Other comprehensive income for the financial period	-	-	-	-	6,698	-	6,698
Total comprehensive income/(loss) for the financial period	-	-	-	-	6,698	(69,253)	(62,555)
At 30 September 2022	782,777	1,071,392	1,144	(1,225)	8,875	(331,132)	749,054

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Issued and fully paid ordinary shares		Non-distributable				Total Equity RM'000
	Number of shares '000	Amount RM'000	Revaluation Reserves RM'000	Post- employment Benefit Reserves RM'000	Currency Translation Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000	
At 1 January 2021	782,777	1,071,392	1,144	(1,225)	(1,758)	73,853	1,143,406
Loss for the financial period	-	-	-	-	-	(212,523)	(212,523)
Other comprehensive income for the financial period	-	-	-	-	4,636	-	4,636
Total comprehensive income/(loss) for the financial period	-	-	-	-	4,636	(212,523)	(207,887)
At 30 September 2021	782,777	1,071,392	1,144	(1,225)	2,878	(138,670)	935,519

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 December 2021 and the explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 Months Ended 30.09.2022 RM'000	9 Months Ended 30.09.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax for the financial period	(65,928)	(205,996)
Adjustments:		
- Depreciation of property, plant and equipment	90,537	104,552
- Depreciation of right-of-use assets	58,882	69,096
- Amortisation of intangible assets	1,989	3,845
- Amortisation of government grant	(1,204)	(2,081)
- Net fair value gain of other investments:		
Financial assets at fair value through profit or loss	(350)	(1,175)
- Finance costs	20,963	19,713
- Interest on lease liabilities	5,857	14,943
- Derecognition of right-of-use assets	67	(972)
- Finance income	(1,278)	(1,589)
- Unrealised foreign exchange differences	6,846	6,321
- Net (reversal)/loss on impairment of receivables	(13,190)	11,570
- Loss/(Gain) on disposal of property, plant and equipment	12	(185)
- Impairment loss on property, plant and equipment	87	46,709
- Property, plant and equipment written off	248	422
- Inventories (written back)/written down	(1,662)	164
- Zakat	737	956
- Share of result of an equity accounted associate, net of tax	497	(4,131)
- Others	70	66
Operating profit before changes in working capital	103,180	62,228
Changes in working capital:		
Change in current assets	(2,265)	12,373
Change in current liabilities	(133,268)	(46,742)
Cash (used in)/from operations	(32,353)	27,859
Tax paid	(7,973)	(13,827)
Tax refund	11,440	3,920
Interest paid	(5,857)	(14,943)
Zakat paid	(276)	(420)
Defined benefits paid	(182)	(201)
Net cash (used in)/from operating activities	(35,201)	2,388

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	9 Months Ended 30.09.2022 RM'000	9 Months Ended 30.09.2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,279	1,589
Acquisition of property, plant and equipment	(24,544)	(32,172)
Proceeds from disposal of property, plant and equipment	62	213
Net proceeds from redemption of other investments	8,017	44,406
Increase in deposit pledged	(9)	(9)
Settlement of advance from an associate	-	28,000
Receipt of capital contribution payment from an associate	-	4,160
Net cash (used in)/from investing activities	(15,195)	46,187
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown on borrowings	121,079	138,206
Finance costs paid	(20,963)	(19,713)
Repayment of borrowings	(75,240)	(138,675)
Repayment of hire purchase liabilities	(747)	(1,361)
Repayment of lease liabilities	(56,147)	(50,798)
Movement in restricted cash	1,562	24,111
Net cash used in financing activities	(30,456)	(48,230)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(80,852)	345
Effects of foreign currency translation	8	239
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	238,207	262,664
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	157,363	263,248
Cash and cash equivalents included in the statement of cash flow comprise the following statements of financial positions amounts:		
Cash and bank balances	140,327	173,592
Deposits placed with licensed banks	33,548	118,881
Cash attributable to assets classified as held for sale	1,989	721
Bank overdrafts	(915)	(1,457)
	174,949	291,737
Less: Collections on behalf of agency payables and money order payables**	(10,715)	(21,717)
Less: Deposits pledged	(538)	(529)
Less: Restricted cash	(6,333)	(6,243)
	157,363	263,248

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2021 and the explanatory notes attached to the interim financial report.

** The amount of cash held on behalf of agency payables and money order payables are included under Trade and Other Payables in the Consolidated Statement of Financial Position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities:

	Lease liabilities RM'000	Hire purchase RM'000	Islamic term loans RM'000	Revolving credits RM'000	Invoice financing RM'000	Total RM'000
At beginning of the financial period	180,555	3,127	352,497	291,300	16,884	844,363
Net changes from financing cash flows:						
Acquisition of new lease	7,971	-	-	-	-	7,971
Remeasurement of lease liabilities	20,902	-	-	-	-	20,902
Termination of leases	(11,699)	-	-	-	-	(11,699)
Drawdown	-	-	62,000	-	59,079	121,079
Repayment	(56,147)	(747)	(12,412)	(7,250)	(55,578)	(132,134)
Reclassified to liabilities held for sale	161	-	-	-	-	161
Effects of foreign currency translation	-	-	6,514	-	-	6,514
Total net changes from financing cash flows	(38,812)	(747)	56,102	(7,250)	3,501	12,794
At end of the financial period	141,743	2,380	408,599	284,050	20,385	857,157

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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 December 2021 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

The interim financial statements have been prepared on a going concern basis despite the Group's losses incurred during the financial period ended 30 September 2022 and as of that date, the Group is in net current liabilities position.

The Group has prepared and considered prospective financial information based on assumptions and events that may occur for the next 12 months from reporting date and the possible actions to be taken by the Group. Prospective financial information includes the Group's cash flow forecasts for its operations. In preparing the cash flow forecasts, the Group has considered the availability of cash and fund investments, adequacy of unutilised banking facilities and the ability to roll over the revolving credit facilities of the Group.

Accordingly, the Group believes that the preparation of the interim financial statements on a going concern basis is appropriate, based on the measures as disclosed above, to enable the Group to continue its operations and to meet its liabilities as they fall due for the next 12 months from reporting date.

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 December 2021 except for the adoption of the following new accounting standards, amendments and interpretations which are applicable to the Group effective 1 January 2022:

- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

The initial application of the abovementioned amendments is not expected to have any material 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 September 2022.

5. CHANGES IN ESTIMATES

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

6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance and repayment of debt and equity securities, shares held as treasury shares and resale of treasury shares for the financial period ended 30 September 2022.

7. DIVIDENDS PAID

There was no dividend paid for the current financial period ended 30 September 2022.

8. SEGMENTAL INFORMATION

The Group has three 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 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	Includes the provision of basic mail services for corporate and individual customers, courier, parcel and logistic solutions by sea, air and land to both national and international destinations, direct entry and transshipment 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.
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 and freight and forwarding services.

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-Rahnu business including storage and safekeeping fees, buying and selling of investment precious metals, namely gold bars and gold coins 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.

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 September 2022 is as follows:

Financial period ended 30 September 2022	Postal RM'000	Aviation RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	POS Group RM'000
Total external revenue	962,351	189,727	248,908	92,619	-	1,493,605
Intersegment revenue	1,733	1,090	3,463	42,002	(48,288)	-
Total revenue for reportable segments	964,084	190,817	252,371	134,621	(48,288)	1,493,605
Reportable segment results	(81,614)	8,299	(12,209)	22,082		(63,442)
Share of results of associated company	-	-	-	(497)	-	(497)
Amortisation of intangible assets	-	(1,989)	-	-	-	(1,989)
Reportable segment results before taxation	(81,614)	6,310	(12,209)	21,585	-	(65,928)
Taxation						(3,325)
Reportable segment results after taxation						(69,253)
Attributable to:						
Owners of the Company						(69,253)

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 On 24 August 2020, the Company announced the proposed winding-up of the following dormant/inactive subsidiaries via members' voluntary winding up ("MVWU") and creditors' voluntary winding up ("CVWU"):

Companies under MVWU

1. Diperdana Utara Sdn. Bhd.
2. Cougar Logistics (Malaysia) Sdn. Bhd.
3. Parcel Tankers Malaysia Sdn. Bhd.

Companies under CVWU

1. North Terminal Sdn. Bhd.
2. Aman Freight Services Sdn. Bhd.
3. Pengangkutan Aspacs Sdn. Bhd.

Upon the completion of the winding up exercise, the above companies will cease to be subsidiaries of the Group. This exercise is not expected to have any material impact on the earnings and net assets of the Group.

On 10 June 2022, the Company announced the dissolution of the dormant subsidiaries, namely Parcel Tankers Malaysia Sdn. Bhd., Aman Freight Services Sdn. Bhd. and North Terminal Sdn. Bhd.

- 11.2 On 30 June 2020, Elpos Print Sdn Bhd ("Elpos"), an inactive associate of Pos Malaysia Berhad with 40% shareholding, was under winding up. Upon completion of the winding up exercise, Elpos will cease to be an associate of the Group.
- 11.3 On 4 August 2021, CEN Sdn Bhd ("CEN"), an inactive associate of Pos Malaysia Berhad with 42.5% shareholding, was under MVWU. Upon completion of the winding up exercise, CEN will cease to be an associate of the Group.

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.

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13. LOSS BEFORE TAXATION

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

	3 Months Ended		9 Months Ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Amortisation of intangible assets	663	1,282	1,989	3,845
Amortisation of government grant	(421)	(935)	(1,204)	(2,081)
Depreciation of property, plant and equipment	29,815	28,940	90,537	104,552
Depreciation of right-of-use assets	19,081	23,884	58,882	69,096
Fair value gain of investment securities: Financial assets at fair value through profit or loss	(182)	(101)	(350)	(1,175)
Net (reversal)/loss on impairment of receivables	(14,831)	(752)	(13,190)	11,570
Finance costs	7,588	7,000	20,963	19,713
Interest on lease liabilities	1,754	4,890	5,857	14,943
Impairment loss of property, plant and equipment	40	-	87	46,709
Property, plant and equipment written off	5	362	248	422
(Gain)/Loss on disposal of property, plant and equipment	-	(1)	12	(185)
Derecognition of right-of-use assets	45	(352)	67	(972)
Inventories written down/(written back)	194	(51)	(1,662)	164
Finance income of financial assets calculated using the effective interest method that are at amortised cost	(364)	(794)	(1,278)	(1,589)
Net foreign exchange differences	4,803	4,301	10,656	7,626

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14. REVIEW OF GROUP PERFORMANCE

Group performance for the financial period ended 30 September 2022

The Group recorded a revenue of RM1,493.6 million and loss before tax of RM65.9 million for the financial period ended 30 September 2022.

(a) Group revenue and (loss)/profit before tax by segment are as follows:

	Revenue 9 months ended		(Loss)/Profit before tax 9 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Postal	962,351	1,173,011	(81,614)	(211,452)
Logistics	248,908	259,420	(12,209)	405
Aviation	189,727	152,123	6,310	(18,053)
Others	92,619	80,875	21,585	23,104
Total	1,493,605	1,665,429	(65,928)	(205,996)

(i) Postal

Decrease of revenue in postal segment by 18% primarily contributed by the drop in courier business following the decrease in overall parcel volume especially from contract customers. In addition, major e-commerce players leveraged on their insourced delivery capabilities while international players pursue penetration strategies to capture higher market share in courier business.

Despite the lower revenue, the loss before tax was reduced consequent to effective cost management effort to optimise operating cost evidenced in lower transportation and delivery cost recorded during the financial period. The recent Mutual Separation Scheme (MSS) exercise has also contributed to the lower staff cost. Efforts to increase products yield resulted in higher average revenue per item (ARPI) during the period.

(ii) Logistics

Logistics segment registered lower revenue by 4% at RM248.9 million during the period. The decrease is mainly from freight management business (especially from freight forwarding) where included in the revenue last year was an exceptionally high demurrage and detention charges of RM19.1 million. The coal export ban imposed by Indonesian government in January 2022, also adversely impacted the revenue from Marine business.

Logistics segment loss before tax was mainly related to the lower revenue during the period while certain fixed costs continued to be incurred. In addition, there was impairment on receivables of certain customer during the period.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Group performance for the financial period ended 30 September 2022 (continued)

(a) Group revenue and (loss)/profit before tax by segment are as follows (continued):

(iii) Aviation

Aviation segment contributed higher revenue of RM189.7 million and turnaround to profit before tax of RM6.3 million mainly due to opening of borders with increased number of flights resulting in higher cargo tonnage handled and increased ground handling revenue during the period. In addition, the re-activation of umrah charter flights and provision of meals uplifted on behalf of the competitors under their business continuity plan have contributed to the surge in meals prepared for in-flight catering business.

(iv) Others

Other segment which consists mainly of printing and insertion, digital certificates and Ar-Rahnu, registered RM92.6 million revenue during the period, an increase of 15% compared to last year mainly contributed by Ar-Rahnu.

Profit before tax was mainly from Ar-Rahnu and digital certificates businesses.

(b) Group Loss Before Tax

For the financial period ended 30 September 2022, despite the Group registering a lower revenue, loss before tax was reduced to RM65.9 million compared to RM206.0 million in the comparative period in 2021. Apart from the impairment of property plant and equipment of RM46.7 million included in the financial period ended 30 September 2021, this is partly due to lower staff cost pursuant to the recent MSS exercise coupled with continuous effective cost management exercised across the board. In addition, there were reversals on impairments of certain receivables during the year.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded a loss before tax of RM36.2 million in the current quarter ended 30 September 2022 compared to a profit before tax of RM0.2 million in the preceding quarter ended 30 June 2022 mainly due to lower revenue registered during the current quarter by RM25.3 million largely from lower Postal revenue and higher cost of sales and operating expenses of RM27.3 million.

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16. FUTURE PROSPECTS

The global and domestic economic uncertainties caused by macroeconomic headwinds are expected to further depress the already soft post-pandemic e-commerce market, as consumers' preference for physical shopping and the continued in-sourcing by e-commerce platforms put pressure on parcel volumes and margins for all courier and logistics players.

Despite the increasingly challenging business environment, we remain focused on our transformation journey in providing a great service for our customers, acquiring higher-yielding customers, optimising for a margin-led business and continued and strict cost management. The mail and courier business challenges are mitigated by the positive prospects in our aviation and Islamic pawnbroking business segments.

As we foresee our financial performance outlook will remain challenging for the rest of the financial year, the Company will continue to leverage on our unparalleled reach and continue to take appropriate actions to ensure that the longer-term prospects remain sustainable. We remain committed to our purpose of being passionate about building trust to connect lives and businesses for a better tomorrow.

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	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Current taxation	(172)	1,757	6,513	5,593
Deferred taxation	(2,433)	1,661	(3,188)	934
Total	(2,605)	3,418	3,325	6,527

For the financial period ended 30 September 2022, despite the Group recording losses, the current taxation charge arose from certain profit-making subsidiaries.

19. STATUS OF CORPORATE PROPOSALS

On 13 February 2020, Pos Aviation Sdn. Bhd. (“PASB”), a wholly owned subsidiary of Pos Malaysia, entered into a Share Purchase Agreement (“SPA”) and a Shareholders’ Agreement (“SHA”) with SIA Engineering Company Limited (“SIAEC”), in relation to the proposed divestment of 49% equity interest in Pos Aviation Engineering Services Sdn Bhd (“PAESSB”). PAESSB is a wholly owned subsidiary of PASB.

Pursuant to the SPA, PASB shall transfer 7,840,000 ordinary shares representing 49% equity interest in PAESSB to SIAEC, for an indicative cash consideration of RM10.09 million. The final consideration will be determined based on the latest available management financial statements prior to the completion date.

The completion of the divestment is subject to the fulfilment of the Conditions Precedent (“CP”) in the SPA which was recently extended until 13 February 2023.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited as at 30.09.2022 RM’000
Long Term Borrowings	
<u>Secured:</u>	
Islamic term loans	245,084
Hire purchase liabilities	2,380
- portion repayable within 12 months	(1,048)
Total Long Term Borrowings	246,416
Short Term Borrowings	
<u>Secured:</u>	
Bank overdraft	915
Revolving credit	282,750
Islamic term loans	163,515
Hire purchase liabilities	
- portion repayable within 12 months	1,048
Invoice financing	20,385
	468,613
<u>Unsecured:</u>	
Revolving credit	1,300
	1,300
Total Short Term Borrowings	469,913
Total Group Borrowings	716,329

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 Islamic term loans	USD	8,972	41,584
Short term Islamic term loans	USD	3,941	18,265
Invoice financing	USD	710	3,291
Total		13,623	63,140

21. MATERIAL LITIGATIONS

Save as disclosed in the last audited financial statements, there is no other material litigation as at the date of this report.

22. DIVIDEND

No interim dividend has been declared for the financial period ended 30 September 2022.

23. LOSS PER SHARE

The basic and diluted loss per share have been calculated based on the Group’s net loss attributable to Owners of the Company and weighted average number of ordinary shares outstanding during the financial period.

	3 Months Ended		9 Months Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Net loss attributable to Owners of the Company (RM’000)	(33,631)	(43,897)	(69,253)	(212,523)
Number of ordinary shares in issue (’000)	782,777	782,777	782,777	782,777
Basic and diluted loss per share (sen)	(4.30)	(5.61)	(8.85)	(27.15)

24. FINANCIAL INSTRUMENTS AT FAIR VALUE MEASUREMENTS

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

The Group measured the financial instruments based on:

Level 1 :	Derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date
Level 2 :	Estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly
Level 3 :	Estimated using unobservable inputs for the financial assets and liabilities

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Financial assets										
Other investments	31,231	-	6,723	37,954	-	-	-	-	37,954	37,954
Derivative asset	-	-	1,626	1,626	-	-	-	-	1,626	1,626
Financial liabilities										
Islamic term loans	-	-	-	-	-	-	404,445	404,445	404,445	408,599
Hire purchase liabilities	-	-	-	-	-	-	2,388	2,388	2,388	2,380

The carrying amounts of cash and cash equivalents, other investments, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

25. COMMITMENTS

	As at 30.09.2022 RM'000	As at 30.09.2021 RM'000
Property, plant and equipment		
Contracted but not provided for	3,364	26,488

26. RELATED PARTIES TRANSACTIONS

	9 Months Ended	
	30.09.2022 RM'000	30.09.2021 RM'000
Related companies:		
Sales of services	119,420	95,875
Rental income	10	7
Purchase of services	(7,635)	(7,071)
Payment of lease liabilities	(16,382)	(14,541)
Associates:		
Sales of services	3,073	13,368
Transportation cost	(77,889)	(166,826)
Companies subject to common significant influence:		
Sales of services	29,074	36,987
Purchase of services	(11,907)	(15,496)
Rental expense	(500)	(480)

27. 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 (LS 0004324) SSM PC No. 201908001661
NGIAN YOKE FUNG (MAICSA 7049093) SSM PC No. 201908002393
COMPANY SECRETARIES

Kuala Lumpur
21 November 2022