



POS MALAYSIA BERHAD

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

Interim Financial Report for the Financial Year
Ended 31 December 2022

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors hereby announce the unaudited financial results of Pos Malaysia Group (“the Group”) for the current quarter/financial year ended 31 December 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Current Quarter 3 Months Ended | | Financial Year 12 Months Ended | |
|---|------|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | | 31.12.2022 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.12.2021 RM'000 |
| Revenue | | 467,202 | 528,594 | 1,960,807 | 2,194,023 |
| Cost of sales and operating expenses | | (528,912) | (628,550) | (2,072,179) | (2,417,763) |
| Other income | | 12,623 | 11,164 | 47,911 | 38,770 |
| Other expenses | | (44,032) | (25,555) | (67,532) | (103,892) |
| Loss from operations | | (93,119) | (114,347) | (130,993) | (288,862) |
| Finance costs | | (10,398) | (10,373) | (37,218) | (45,029) |
| Share of result of associated company (net of tax) | | (59) | (795) | (556) | 3,336 |
| LOSS BEFORE ZAKAT AND TAXATION | | (103,576) | (125,515) | (168,767) | (330,555) |
| Zakat | | (284) | 98 | (1,021) | (858) |
| LOSS BEFORE TAXATION | | (103,860) | (125,417) | (169,788) | (331,413) |
| Taxation | 18 | 5,443 | 2,208 | 2,118 | (4,319) |
| LOSS FOR THE QUARTER/ FINANCIAL YEAR | | (98,417) | (123,209) | (167,670) | (335,732) |
| OTHER COMPREHENSIVE INCOME | | | | | |
| <u>Item that will be subsequently reclassified to profit or loss</u> | | | | | |
| Currency translation differences for foreign operations | | (4,378) | (701) | 2,320 | 3,935 |
| OTHER COMPREHENSIVE INCOME FOR THE QUARTER/FINANCIAL YEAR (NET OF TAX) | | (4,378) | (701) | 2,320 | 3,935 |
| TOTAL COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL YEAR (NET OF TAX) | | (102,795) | (123,910) | (165,350) | (331,797) |

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

| | Note | Current Quarter 3 Months Ended | | Financial Period 12 Months Ended | |
|---|------|-----------------------------------|----------------------|-------------------------------------|----------------------|
| | | 31.12.2022 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.12.2021 RM'000 |
| Loss for the quarter/financial year attributable to Owners of the Company | | (98,417) | (123,209) | (167,670) | (335,732) |
| Total comprehensive loss for the quarter/financial year attributable to Owners of the Company | | (102,795) | (123,910) | (165,350) | (331,797) |
| Basic and diluted loss per share (sen): | 23 | (12.57) | (15.74) | (21.42) | (42.89) |

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 31.12.2022 RM'000 | Audited as at 31.12.2021 RM'000 |
|---|------|--|--|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 737,026 | 864,419 |
| Investment properties | | 40,450 | 40,810 |
| Investments in associates | | 40,780 | 41,336 |
| Right-of-use assets | | 321,944 | 361,598 |
| Intangible assets | | 125,022 | 127,674 |
| Deferred tax assets | | 2,779 | 1,781 |
| Derivative financial asset | | 1,626 | 1,626 |
| Other investments | | 6,723 | 6,726 |
| | | 1,276,350 | 1,445,970 |
| CURRENT ASSETS | | | |
| Assets classified as held for sale | | 11,110 | 11,578 |
| Inventories | | 5,039 | 3,030 |
| Trade and other receivables | | 845,178 | 902,068 |
| Other investments | | 36,789 | 38,889 |
| Current tax assets | | 8,088 | 21,324 |
| Deposits placed with licensed banks | | 29,516 | 109,622 |
| Cash and bank balances | | 163,443 | 156,301 |
| | | 1,099,163 | 1,242,812 |
| TOTAL ASSETS | | 2,375,513 | 2,688,782 |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 1,071,392 | 1,071,392 |
| Reserves | | (425,133) | (259,783) |
| TOTAL EQUITY | | 646,259 | 811,609 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | 20 | 208,075 | 303,221 |
| Lease liabilities | | 86,898 | 102,297 |
| Post-employment benefit obligations | | 1,218 | 1,194 |
| Deferred tax liabilities | | 28,103 | 39,247 |
| | | 324,294 | 445,959 |
| CURRENT LIABILITIES | | | |
| Liabilities classified as held for sale | | 3,467 | 3,708 |
| Trade and other payables | | 875,133 | 986,059 |
| Loans and borrowings | 20 | 477,179 | 361,567 |
| Lease liabilities | | 47,301 | 78,258 |
| Current tax liabilities | | 1,880 | 1,622 |
| | | 1,404,960 | 1,431,214 |
| TOTAL LIABILITIES | | 1,729,254 | 1,877,173 |
| TOTAL EQUITY AND LIABILITIES | | 2,375,513 | 2,688,782 |
| NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM) | | 0.83 | 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 year | - | - | - | - | - | (167,670) | (167,670) |
| Other comprehensive income for the financial year | - | - | - | - | 2,320 | - | 2,320 |
| Total comprehensive income/(loss) for the financial year | - | - | - | - | 2,320 | (167,670) | (165,350) |
| At 31 December 2022 | 782,777 | 1,071,392 | 1,144 | (1,225) | 4,497 | (429,549) | 646,259 |

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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 year | - | - | - | - | - | (335,732) | (335,732) |
| Other comprehensive income for the financial year | - | - | - | - | 3,935 | - | 3,935 |
| Total comprehensive income/(loss) for the financial year | - | - | - | - | 3,935 | (335,732) | (331,797) |
| At 31 December 2021 | 782,777 | 1,071,392 | 1,144 | (1,225) | 2,177 | (261,879) | 811,609 |

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

| | 12 Months Ended 31.12.2022 RM'000 | 12 Months Ended 31.12.2021 RM'000 |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax for the financial year | (169,788) | (331,413) |
| Adjustments: | | |
| - Depreciation of property, plant and equipment | 123,332 | 140,514 |
| - Depreciation of right-of-use assets | 76,503 | 96,238 |
| - Amortisation of intangible assets | 2,652 | 5,126 |
| - Amortisation of government grant | (1,510) | (2,541) |
| - Change in fair value of investment properties | 360 | (1,760) |
| - Net fair value gain of other investments: | | |
| Financial assets at fair value through profit or loss | (565) | (1,150) |
| - Finance costs | 29,168 | 25,047 |
| - Interest on lease liabilities | 8,050 | 19,982 |
| - Derecognition of right-of-use assets | (128) | (2,174) |
| - Finance income | (1,725) | (2,119) |
| - Unrealised foreign exchange differences | 2,910 | 5,493 |
| - Net (reversal)/loss on impairment of receivables | (12,143) | 10,789 |
| - Loss/(Gain) on disposal of property, plant and equipment | 88 | (377) |
| - Impairment loss on | | |
| - Property, plant and equipment | 39,953 | 53,141 |
| - Right-of-use assets | - | 1,751 |
| - Intangible assets | - | 11,553 |
| - Property, plant and equipment written off | 414 | 524 |
| - Inventories (written back)/written down | (2,013) | 1,185 |
| - Zakat | 1,021 | 858 |
| - Share of result of an equity accounted associate, net of tax | 556 | (3,336) |
| - Others | 206 | 77 |
| Operating profit before changes in working capital | 97,341 | 27,408 |
| Changes in working capital: | | |
| Change in current assets | 104,192 | 55,092 |
| Change in current liabilities | (155,433) | (14,675) |
| Cash from operations | 46,100 | 67,825 |
| Tax paid | (11,281) | (17,826) |
| Tax refund | 14,507 | 7,524 |
| Interest paid | (8,050) | (19,982) |
| Zakat paid | (674) | (1,002) |
| Defined benefits paid | (182) | (201) |
| Net cash from operating activities | 40,420 | 36,338 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| | 12 Months Ended 31.12.2022 RM'000 | 12 Months Ended 31.12.2021 RM'000 |
|--|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 1,725 | 2,119 |
| Acquisition of property, plant and equipment | (31,128) | (41,746) |
| Proceeds from disposal of property, plant and equipment | 200 | 415 |
| Net proceeds from redemption of fund investments | 2,678 | 34,463 |
| Net 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 | (26,534) | 27,402 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown on borrowings | 143,778 | 155,210 |
| Finance costs paid | (29,169) | (25,047) |
| Repayment of borrowings | (125,736) | (164,980) |
| Repayment of hire purchase liabilities | (1,003) | (1,602) |
| Repayment of lease liabilities | (72,131) | (74,552) |
| Movement in restricted cash | 1,443 | 22,449 |
| Net cash used in financing activities | (82,818) | (88,522) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (68,932) | (24,782) |
| Effects of foreign currency translation | (302) | 325 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | 238,207 | 262,664 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 168,973 | 238,207 |
| Cash and cash equivalents included in the statement of cash flow comprise the following statements of financial positions amounts: | | |
| Cash and bank balances | 163,443 | 156,301 |
| Deposits placed with licensed banks | 29,516 | 109,622 |
| Cash attributable to assets classified as held for sale | 1,356 | 1,691 |
| Bank overdrafts | (962) | (980) |
| | 193,353 | 266,634 |
| Less: Collections on behalf of agency payables and money order payables** | (17,390) | (19,994) |
| Less: Deposits pledged | (538) | (529) |
| Less: Restricted cash | (6,452) | (7,904) |
| | 168,973 | 238,207 |

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 year | 180,555 | 3,127 | 352,497 | 291,300 | 16,884 | 844,363 |
| Net changes from financing cash flows: | | | | | | |
| Acquisition of new lease | 17,848 | - | - | - | - | 17,848 |
| Remeasurement of lease liabilities | 20,950 | - | - | - | - | 20,950 |
| Termination of leases | (13,240) | - | - | - | - | (13,240) |
| Drawdown | - | - | 62,000 | - | 81,778 | 143,778 |
| Repayment | (72,131) | (1,003) | (45,667) | (4,500) | (75,569) | (198,870) |
| Reclassified to liabilities held for sale | 217 | - | - | - | - | 217 |
| Effects of foreign currency translation | - | - | 3,445 | - | - | 3,445 |
| Total net changes from financing cash flows | (46,356) | (1,003) | 19,778 | (4,500) | 6,209 | (25,872) |
| At end of the financial year | 134,199 | 2,124 | 372,275 | 286,800 | 23,093 | 818,491 |
| | | | | | | |

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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 year ended 31 December 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 and the continuous support from the various stakeholders.

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 year ended 31 December 2022.

5. CHANGES IN ESTIMATES

There was no material change in the estimate of amount reported in prior financial year 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 year ended 31 December 2022.

7. DIVIDENDS PAID

There was no dividend paid for the current financial year ended 31 December 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 year ended 31 December 2022 is as follows:

| Financial year ended 31 December 2022 | Postal RM'000 | Aviation RM'000 | Logistics RM'000 | Others RM'000 | Elimination RM'000 | POS Group RM'000 |
|---|------------------|--------------------|---------------------|------------------|-----------------------|---------------------|
| Total external revenue | 1,238,212 | 254,942 | 335,573 | 132,080 | - | 1,960,807 |
| Intersegment revenue | 2,397 | 1,247 | 3,846 | 53,830 | (61,320) | - |
| Total revenue for reportable segments | 1,240,609 | 256,189 | 339,419 | 185,910 | (61,320) | 1,960,807 |
| Reportable segment results | (128,493) | 7,943 | (34,679) | 28,602 | | (126,627) |
| Share of results of associated company | - | - | - | (556) | - | (556) |
| Amortisation of intangible assets | - | (2,652) | - | - | - | (2,652) |
| Impairment loss of property, plant and equipment | (2,025) | - | (37,843) | (85) | - | (39,953) |
| Reportable segment results before taxation | (130,518) | 5,291 | (72,522) | 27,961 | - | (169,788) |
| Taxation | | | | | | 2,118 |
| Reportable segment results after taxation | | | | | | (167,670) |
| Attributable to: | | | | | | |
| Owners of the Company | | | | | | (167,670) |

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 year 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.

As at 31 December 2022, the winding-up exercise of the above companies have been completed and they have ceased to be subsidiaries of the Group. There was no material impact on the earnings and net assets of the Group.

- 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 while on 24 May 2022, CEN Worldwide Sdn Bhd ("CENW"), a wholly owned subsidiary of CEN is under CVWU. 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 year 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 | | 12 Months Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2022 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.12.2021 RM'000 |
| Amortisation of intangible assets | 663 | 1,281 | 2,652 | 5,126 |
| Amortisation of government grant | (306) | (460) | (1,510) | (2,541) |
| Depreciation of property, plant and equipment | 32,795 | 35,962 | 123,332 | 140,514 |
| Depreciation of right-of-use assets | 17,621 | 27,142 | 76,503 | 96,238 |
| Fair value gain of investment securities: | | | | |
| Financial assets at fair value through profit or loss | (219) | (3) | (565) | (1,150) |
| Change in fair value of investment properties | 360 | (1,760) | 360 | (1,760) |
| Net loss/(reversal) on impairment of receivables | 1,047 | (781) | (12,143) | 10,789 |
| Finance costs | 8,205 | 5,334 | 29,168 | 25,047 |
| Interest on lease liabilities | 2,193 | 5,039 | 8,050 | 19,982 |
| Impairment loss of: | | | | |
| - Property, plant and equipment | 39,866 | 6,432 | 39,953 | 53,141 |
| - Rights-of-use assets | - | 1,751 | - | 1,751 |
| - Intangible asset | - | 11,553 | - | 11,553 |
| Property, plant and equipment written off | 166 | 102 | 414 | 524 |
| Loss/(Gain) on disposal of property, plant and equipment | 76 | (192) | 88 | (377) |
| Derecognition of right-of-use assets | (195) | (1,202) | (128) | (2,174) |
| Mutual Separation Scheme | - | 75,057 | - | 75,057 |
| Inventories (written back)/written down | (351) | 1,021 | (2,013) | 1,185 |
| Finance income of financial assets calculated using the effective interest method that are at amortised cost | (447) | (530) | (1,725) | (2,119) |
| Net foreign exchange differences | (3,484) | (1,211) | 7,172 | 6,415 |

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14. REVIEW OF GROUP PERFORMANCE

Group performance for the financial year ended 31 December 2022

The Group recorded a revenue of RM1,960.8 million and loss before tax of RM169.8 million for the financial year ended 31 December 2022.

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

| | Revenue 12 months ended | | (Loss)/Profit before tax 12 months ended | |
|--------------|----------------------------|----------------------|---|----------------------|
| | 31.12.2022 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.12.2021 RM'000 |
| Postal | 1,238,212 | 1,520,375 | (130,518) | (312,864) |
| Logistics | 335,573 | 345,888 | (72,522) | (6,765) |
| Aviation | 254,942 | 216,053 | 5,291 | (33,210) |
| Others | 132,080 | 111,707 | 27,961 | 21,426 |
| Total | 1,960,807 | 2,194,023 | (169,788) | (331,413) |

(i) **Postal**

Decrease of revenue in postal segment by 19% 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 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 3% at RM335.6 million during the year. The decrease is mainly from freight management business (especially from freight forwarding) where included in the revenue last year was an exceptionally higher demurrage and detention charges by RM24.7 million. The coal export ban imposed by Indonesian government in January 2022, also adversely impacted the revenue from Marine business. Lower new projects secured to replace the contracts that have ended during the year contributed further to the lower revenue.

Logistics segment loss before tax was mainly related to the lower revenue during the year while certain fixed costs continued to be incurred. In addition, there was impairment on property, plant and equipment and receivables of certain customers during the year.

14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Group performance for the financial year ended 31 December 2022 (continued)

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

(iii) Aviation

Aviation segment contributed higher revenue of RM254.9 million and turnaround to profit before tax of RM5.3 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 year. In addition, higher number of meals uplifted for commercial and umrah related flights has contributed significantly to the in-flight catering business revenue.

(iv) Others

Other segment which consists mainly of printing and insertion, digital certificates and Ar-Rahnu, registered RM132.1 million revenue during the year, an increase of 18% 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 year ended 31 December 2022, despite the Group registering a lower revenue, loss before tax was reduced to RM169.8 million compared to RM331.4 million in 2021. Apart from the higher net impairment of property plant and equipment and intangible assets of RM53.1 million and RM11.6 million respectively included in 2021, this is partly due to lower staff cost pursuant to the 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 RM103.9 million in the current quarter ended 31 December 2022 compared to a loss before tax of RM36.2 million in the preceding quarter ended 30 September 2022 mainly due to lower revenue registered during the current quarter by RM24.8 million largely from lower revenue contribution from Postal segment whilst the cost of sales and operating expenses decrease by only RM7.0 million. Also included in the current quarter, impairment of certain property, plant and equipment of RM39.9 million.

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16. FUTURE PROSPECTS

Pos Malaysia Berhad continued to make solid progress with its transformation plan even in a weakening macroeconomic environment. The Group was able to maximise its yields and efficiently utilize its assets.

Pos Malaysia's business is cyclical and broadly follows economic trends. The year 2022 was a year marked out by extraordinary challenges including economic uncertainty and high inflation, resulting in reduced consumer spending. That along with accelerated insourcing of parcels from the larger 'platform' sellers, use of 'masking' and heightened competitor activity, have all resulted in a very challenging environment.

The ongoing challenges require continued structural changes. We will continue to focus on our transformation, adjusting the business model and capacity, and tackling our unprofitable segments. Our operations are characterized by high fixed costs, which makes it challenging to quickly adapt capacity to changing volume trends.

We remain dedicated to the multi-pronged transformation plan of 1) improving financial performance, 2) transforming the core business and culture, 3) optimising for margin-led initiatives, 4) maintaining strict cost control, and 5) promoting sustainability guided by our ESG roadmap.

Despite the challenges, we remain cautiously optimistic that the Group will deliver improved results in 2023.

17. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee for the current financial year in a public document.

18. TAXATION

Taxation comprises the following:

| | 3 Months Ended | | 12 Months Ended | |
|-------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2022 RM'000 | 31.12.2021 RM'000 | 31.12.2022 RM'000 | 31.12.2021 RM'000 |
| Current taxation | 3,599 | 1,452 | 10,112 | 7,045 |
| Deferred taxation | (9,042) | (3,660) | (12,230) | (2,726) |
| Total | (5,443) | (2,208) | (2,118) | 4,319 |

For the financial year ended 31 December 2022, the taxation charge arose mainly 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 previously extended until 13 February 2023. However, the completion date is expected to be further extended to a date to be determined later upon agreement by both parties.

20. GROUP BORROWINGS

Total Group borrowings are as follows:

| | Unaudited as at 31.12.2022 RM’000 |
|--------------------------------------|--|
| Long Term Borrowings | |
| <u>Secured:</u> | |
| Islamic term loans | 207,014 |
| Hire purchase liabilities | 2,124 |
| - portion repayable within 12 months | (1,063) |
| Total Long Term Borrowings | 208,075 |
| Short Term Borrowings | |
| <u>Secured:</u> | |
| Bank overdraft | 962 |
| Revolving credit | 285,500 |
| Islamic term loans | 165,261 |
| Hire purchase liabilities | 1,063 |
| - portion repayable within 12 months | |
| Invoice financing | 23,093 |
| | 475,879 |
| <u>Unsecured:</u> | |
| Revolving credit | 1,300 |
| | 1,300 |
| Total Short Term Borrowings | 477,179 |
| Total Group Borrowings | 685,254 |

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 | 7,961 | 35,014 |
| Short term Islamic term loans | USD | 3,982 | 17,511 |
| Invoice financing | USD | 767 | 3,373 |
| Total | | 12,710 | 55,898 |

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 year ended 31 December 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 year.

| | 3 Months Ended | | 12 Months Ended | |
|---|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Net loss attributable to Owners of the Company (RM’000) | (98,417) | (123,209) | (167,670) | (335,732) |
| Number of ordinary shares in issue (’000) | 782,777 | 782,777 | 782,777 | 782,777 |
| Basic and diluted loss per share (sen) | (12.57) | (15.74) | (21.42) | (42.89) |

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 | 36,789 | - | 6,723 | 43,512 | - | - | - | - | 43,512 | 43,512 |
| Derivative asset | - | - | 1,626 | 1,626 | - | - | - | - | 1,626 | 1,626 |
| Financial liabilities | | | | | | | | | | |
| Islamic term loans | - | - | - | - | - | - | 373,606 | 373,606 | 373,606 | 372,275 |
| Hire purchase liabilities | - | - | - | - | - | - | 2,174 | 2,174 | 2,174 | 2,124 |

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 31.12.2022 RM'000 | As at 31.12.2021 RM'000 |
|--------------------------------------|----------------------------|----------------------------|
| Property, plant and equipment | | |
| Contracted but not provided for | 5,270 | 32,524 |

26. RELATED PARTIES TRANSACTIONS

| | 12 Months Ended | |
|---|----------------------|----------------------|
| | 31.12.2022 RM'000 | 31.12.2021 RM'000 |
| Related companies: | | |
| Sales of services | 162,174 | 123,251 |
| Rental income | 97 | - |
| Purchase of services | (38,537) | (6,329) |
| Payment of lease liabilities | (20,291) | (24,095) |
| Associates: | | |
| Sales of services | 3,999 | 14,479 |
| Transportation cost | (100,747) | (200,470) |
| Companies subject to common significant influence: | | |
| Sales of services | 41,066 | 53,234 |
| Purchase of services | (16,271) | (19,664) |
| Rental expense | (670) | (671) |

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
20 February 2023