



POS MALAYSIA BERHAD

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

Interim Financial Report for the Financial Period
Ended 30 September 2020

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

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 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended 30.09.2020 RM'000	Financial Period 9 Months Ended 30.09.2020 RM'000
Revenue		623,027	1,787,635
Cost of sales and operating expenses		(617,325)	(1,786,454)
Other income		4,948	23,373
Other expenses		(10,490)	(61,617)
Profit / (loss) from operations		160	(37,063)
Finance costs		(10,222)	(33,513)
LOSS BEFORE ZAKAT AND TAXATION		(10,062)	(70,576)
Zakat		(343)	(1,192)
LOSS BEFORE TAXATION		(10,405)	(71,768)
Taxation	19	2,978	(3,902)
LOSS FOR THE QUARTER / FINANCIAL PERIOD		(7,427)	(75,670)
OTHER COMPREHENSIVE (LOSS) / INCOME			
<u>Item that will be subsequently reclassified to profit or loss</u>			
Currency translation differences of foreign subsidiary companies		(1,357)	135
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE QUARTER / FINANCIAL PERIOD (NET OF TAX)		(1,357)	135
TOTAL COMPREHENSIVE LOSS FOR THE QUARTER / FINANCIAL PERIOD (NET OF TAX)		(8,784)	(75,535)

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

	Note	Current Quarter 3 Months Ended 30.09.2020 RM'000	Financial Period 9 Months Ended 30.09.2020 RM'000
Loss for the quarter / financial period attributable to Owners of the Company		(7,427)	(75,670)
Total comprehensive loss for the quarter / financial period attributable to Owners of the Company		(8,784)	(75,535)
Basic and diluted loss per share (sen):	24	(0.95)	(9.67)

There is no comparative for the quarter / financial period ended 30 September 2020. Due to the change in the financial year end from 31 March to 31 December as stated in Note 2, the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the current quarter / financial period ended 30 September 2020, being the third quarter of the financial year ending 31 December 2020, is not comparable with any comparative period previously reported.

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 period ended 31 December 2019 and the explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited as at 30.09.2020 RM'000	Audited as at 31.12.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,066,275	1,127,558
Investment properties		39,050	39,050
Right-of-use assets		509,366	491,690
Intangible assets		272,964	276,809
Deferred tax assets		6,071	6,108
Other investments		475	501
		1,894,201	1,941,716
CURRENT ASSETS			
Inventories		8,668	7,049
Trade and other receivables		1,019,358	1,045,837
Other investments		30,718	117,843
Current tax assets		15,933	19,138
Deposits placed with licensed banks		63,012	46,982
Cash and bank balances		267,672	166,619
		1,405,361	1,403,468
TOTAL ASSETS		3,299,562	3,345,184
EQUITY AND LIABILITIES			
Share Capital		1,071,392	1,071,392
Reserves		304,986	380,521
TOTAL EQUITY		1,376,378	1,451,913
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	21	257,565	293,779
Lease liabilities		239,735	204,402
Post-employment benefit obligations		638	638
Deferred tax liabilities		40,776	46,482
		538,714	545,301
CURRENT LIABILITIES			
Trade and other payables		1,010,863	959,363
Loans and borrowings	21	307,260	318,748
Lease liabilities		55,959	60,456
Current tax liabilities		10,388	9,403
		1,384,470	1,347,970
TOTAL LIABILITIES		1,923,184	1,893,271
TOTAL EQUITY AND LIABILITIES		3,299,562	3,345,184
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM)		1.76	1.85

* 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 period ended 31 December 2019 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares		Non-distributable			Retained Earnings RM'000	Total 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		
At 1 January 2020	782,777	1,071,392	1,144	(639)	(1,855)	381,871	1,451,913
Loss for the financial period	-	-	-	-	-	(75,670)	(75,670)
Other comprehensive income for the financial period	-	-	-	-	135	-	135
Total comprehensive loss for the financial period	-	-	-	-	135	(75,670)	(75,535)
At 30 September 2020	782,777	1,071,392	1,144	(639)	(1,720)	306,201	1,376,378

There is no comparative for the quarter / financial period ended 30 September 2020. Due to the change in the financial year end from 31 March to 31 December as stated in Note 2, the Unaudited Condensed Consolidated Statement of Changes in Equity for the current quarter / financial period ended 30 September 2020, being the third quarter of the financial year ending 31 December 2020, is not comparable with any comparative period previously reported.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial period ended 31 December 2019 and the explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 Months Ended 30.09.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax for the financial period	(71,768)
Adjustments:	
- Depreciation of property, plant and equipment	121,753
- Depreciation of right-of-use assets	62,269
- Amortisation of intangible assets	3,845
- Amortisation of government grant	(1,621)
- Net fair value gain of other investments:	
Financial assets at fair value through profit or loss	(1,134)
- Finance costs	21,227
- Interest on lease liabilities	12,286
- Finance income	(1,626)
- Unrealised foreign exchange differences	8,001
- Net loss on impairment of receivables	27,203
- Gain on disposal of property, plant and equipment	(7)
- Property, plant and equipment written off	3,285
- Inventories written down	396
- Zakat	1,192
- COVID-19 rent concession income	(723)
Operating profit before changes in working capital	184,578
Changes in working capital:	
Change in current assets	(2,739)
Change in current liabilities	49,226
Net cash from operations	231,065
Tax paid	(8,701)
Tax refund	3,323
Interest paid	(12,286)
Zakat paid	(1,014)
Net cash from operating activities	212,387
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	1,626
Acquisition of property, plant and equipment	(62,636)
Proceeds from disposal of property, plant and equipment	1,115
Decrease in deposit pledged	1,175
Proceeds from redemption of fund investments	88,285
Net cash from investing activities	29,565

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	9 Months Ended 30.09.2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES	
Drawdown on borrowings	17,361
Finance costs paid	(21,227)
Repayment of borrowings	(61,691)
Repayment of hire purchase liabilities	(4,632)
Repayment of lease liabilities	(48,384)
Movement in restricted cash	(476)
Net cash used in financing activities	(119,049)
NET INCREASE IN CASH AND CASH EQUIVALENTS	122,903
Effects of foreign currency translation	(817)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	174,855
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	296,941
Cash and cash equivalents included in the statement of cash flow comprise the following statements of financial positions amounts:	
Cash and bank balances	267,672
Deposits placed with licensed banks	63,012
Bank overdrafts	(1,206)
	329,478
Less: Collections held on behalf of agency payables and money order payables**	(24,505)
Less: Deposits pledged	(518)
Less: Restricted cash	(7,514)
	296,941

There is no comparative for the quarter / financial period ended 30 September 2020. Due to the change in the financial year end from 31 March to 31 December as stated in Note 2, the Unaudited Condensed Consolidated Statement of Cash Flows for the current quarter / financial period ended 30 September 2020, being the third quarter of the financial year ending 31 December 2020, is not comparable with any comparative period previously reported.

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial period ended 31 December 2019 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	Hire purchase	Islamic term loans	Revolving credits	Invoice financing	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	264,858	10,516	351,013	236,800	12,975	876,162
Net changes from financing cash flows:						
Acquisition of new leases / hire purchase	6,035	-	-	-	-	6,035
Lease modification	77,076	-	-	-	-	77,076
Termination of leases	(3,168)	-	-	-	-	(3,168)
Drawdown	-	-	-	-	17,361	17,361
Repayment	(48,384)	(4,632)	(13,498)	(31,500)	(16,693)	(114,707)
COVID-19 rent concession income	(723)	-	-	-	-	(723)
Effects of foreign currency translation	-	-	1,277	-	-	1,277
Total net changes from financing cash flows	30,836	(4,632)	(12,221)	(31,500)	668	(16,849)
At end of the financial period	295,694	5,884	338,792	205,300	13,643	859,313

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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 period ended 31 December 2019 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

2. CHANGE OF YEAR END

As announced on 1 August 2019, the Company changed its financial year end from 31 March to 31 December. As such, no comparative figures are presented as it is not comparable with any comparative period previously reported.

3. 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 period ended 31 December 2019 except for the adoption of the following new amendments which are applicable to the Group effective 1 January 2020:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

The Group has also early adopted the Amendment to MFRS 16, *Leases (COVID-19 Related Rent Concession)* issued by MASB in June 2020, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

The initial application of the above amendments is not expected to have any material impact to the current period and prior period financial statements of the Group.

4. 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.

5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

Save as disclosed below, 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 2020.

5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE (CONTINUED)

On 11 March 2020, the World Health Organisation declared the Coronavirus (“COVID-19”) outbreak to be a global pandemic. On 16 March 2020, the Government imposed the Movement Control Order (“MCO”) starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in the country. The COVID-19 outbreak also resulted in travel restrictions, quarantines, social distancing and closures of non-essential services which have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. This has also brought economic uncertainties in Malaysia within which the Group operates.

The effect of the above pandemic containment measures has been reflected in the performance of the Group for the third quarter and financial period ended 30 September 2020.

6. 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.

7. 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 2020.

8. DIVIDENDS PAID

There was no dividend paid for the current financial period ended 30 September 2020.

9. 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.

9. 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.

Information regarding the operations of each reportable segment is shown below. Performance is measured based on segment results. Segment results are 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 2020 is as follows:

Financial period ended 30 September 2020	Postal RM'000	Aviation RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	POS Group RM'000
Total external revenue	1,341,230	125,392	231,209	89,804	-	1,787,635
Intersegment revenue	154,246	16,220	7,755	71,680	(249,901)	-
Total revenue for reportable segments	1,495,476	141,612	238,964	161,484	(249,901)	1,787,635
Reportable segment results before amortisation of intangible assets and zakat	(44,501)	(30,149)	(25,303)	33,222	-	(66,731)
Amortisation of intangible assets	-	(1,989)	(1,856)	-	-	(3,845)
Zakat	-	(195)	-	(997)	-	(1,192)
Reportable segment results after amortisation of intangible assets and zakat	(44,501)	(32,333)	(27,159)	32,225	-	(71,768)
Taxation						(3,902)
Reportable segment results after tax						(75,670)
Attributable to:						
Owners of the company						(75,670)

10. 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.

11. SUBSEQUENT EVENT

Save as disclosed in Note 20, 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.

12. CHANGES IN THE COMPOSITION OF THE GROUP

On 24 August 2020, the Company announced the proposed winding-up of its dormant/inactive subsidiary companies 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>Companies under CVWU</u>
1. Diperdana Utara Sdn. Bhd.	1. North Terminal Sdn. Bhd.
2. Cougar Logistics (Malaysia) Sdn. Bhd.	2. Aman Freight Services Sdn. Bhd.
3. Parcel Tankers Malaysia Sdn. Bhd.	3. Pengangkutan Aspacs Sdn. Bhd.

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

13. 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.

14. LOSS BEFORE TAXATION

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

	3 Months Ended 30.09.2020 RM'000	9 Months Ended 30.09.2020 RM'000
Amortisation of intangible assets	1,282	3,845
Amortisation of government grant	(577)	(1,621)
Depreciation of property, plant and equipment	39,890	121,753
Depreciation of right-of-use assets	21,253	62,269
Fair value gain of investment securities: Financial assets at fair value through profit or loss	(254)	(1,134)
Net loss on impairment of receivables	6,675	27,203
Finance costs	5,606	21,227
Interest on lease liabilities	4,616	12,286
Property, plant and equipment written off	3,276	3,285
Gain on disposal of property, plant and equipment	(3,131)	(7)
Inventories written down (net of write backs)	24	396
Finance income of financial assets calculated using the effective interest method that are at amortised cost	(373)	(1,626)
Net foreign exchange differences	(3,327)	6,752
COVID-19 rent concession income	(723)	(723)

15. REVIEW OF GROUP PERFORMANCE

Group performance for the financial period ended 30 September 2020

As stated in Note 2, due to the change in the financial year, the performance of the current financial period of 9 months ended 30 September 2020 is not comparable against any comparative period previously reported.

The Group recorded a revenue of RM1,787.6 million and loss before tax of RM71.8 million for the financial period ended 30 September 2020.

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

	Revenue 9 months ended 30.09.2020 RM'000	(Loss) / profit before taxation 9 months ended 30.09.2020 RM'000
Postal	1,341,230	(44,501)
Logistics	231,209	(27,159)
Aviation	125,392	(32,333)
Others	89,804	32,225
Total	1,787,635	(71,768)

(i) Postal

Postal segment revenue is largely contributed by courier business (45%) followed by mail business (33%). The high parcel volume due to the stronger demand from e-commerce and online marketplace contributed positively to courier business. Further, the postage rates revision effective 1 February 2020 also has a positive impact to the postal segment revenue.

Loss in postal segment is mainly from retail business but mitigated with higher revenue from courier business and the postage rate revision.

(ii) Logistics

Logistics segment revenue of RM231.2 million is mainly from freight management business (especially from freight forwarding and haulage) and automotive business (largely from the local automotive production volume).

Loss in logistics segment is mainly due to impairment loss of certain receivables.

15. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Group performance for the financial period ended 30 September 2020 (continued)

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

(iii) Aviation

Aviation segment contributed RM125.4 million revenue to the Group. This is mainly from cargo and ground handling business.

Loss in aviation segment was mainly due to loss of revenue from ground handling and in-flight catering pursuant to flight cancellations in the wake of COVID-19 pandemic where international borders are mostly closed.

(iv) Others

Other segment consists mainly of printing and insertion, digital certificates and Ar Rahn with 85% of revenue contributed by digital certificates and ArRahn businesses. Profit before tax were mainly contributed by ArRahn and digital certificates businesses.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 3 Months Ended 30.09.2020 RM'000	Preceding Quarter 3 Months Ended 30.06.2020 RM'000	Variance RM'000
Revenue	623,027	606,083	16,944
Loss from operation	160	(2,036)	2,196
Loss before taxation	(10,405)	(14,145)	3,740
Net loss for the quarter	(7,427)	(19,021)	11,594

The group recorded a lower loss before taxation of RM10.4 million in the current quarter ended 30 September 2020 compared to RM14.1 million in the preceding quarter ended 30 June 2020 partly due to higher revenue registered by RM16.9 million from RM606.1 million in the preceding quarter to RM623.0 million, mainly from the mail and retail businesses of the postal segment and the logistics segment. This was offset with higher cost of sales and operating expenses by RM21.9 million compared to the preceding quarter ended 30 June 2020 mainly due to higher handling cost in line with the higher revenue.

17. FUTURE PROSPECTS

Pos Malaysia saw its revenue grow in the third quarter ended September 2020 (Q3 FY20) by 2.8% quarter-on-quarter (“QoQ”) and 13.3% year-on-year (“YoY”) to RM 623 million, while net losses decreased by 61.0% QoQ and 74.7% YoY to RM 7.4 million.

The company’s transformation continues to make progress as it recorded RM 0.1 million in profits from operations in the third quarter ended 30 September 2020 (Q3 FY20), following 8 consecutive quarters of losses from operations.

The easing of nationwide movement restrictions and resumption of economic activities benefitted Pos Malaysia’s mail, retail and logistics businesses, all of which saw QoQ growth in Q3 FY20. Courier business, which saw record parcel volumes in Q2 FY20, declined slightly but remains better than both before COVID-19 restrictions took into effect and compared to the same period last year. Our aviation business continues to aggressively manage its cost as it navigates through a challenging period for the industry and managed to reduce its losses by 34% QoQ.

As part of its transformation plan, Pos Malaysia aims to further improve efficiency and manage its costs.

Pos Malaysia installed new parcel sorting machines in 5 distribution centres in Q3 FY20 and today has a total of 31 semi-auto distribution centres. The move to automate our processing facilities is a big part of our transformation plan to scale up our delivery capacity efficiently. This initiative, coupled with our delivery rider crowdsourcing program, will enable us to handle more parcels in the future and improve delivery timeliness.

Our new Track and Trace system is expected to be fully operational in Q4 FY20. The system will provide customers improved parcel tracking visibility and enhance our courier operation’s capabilities.

Pos Malaysia has begun rationalising underutilised mail infrastructure, starting with the consolidation of our mail processing center in Melaka into our national mail center in Shah Alam. This initiative will be replicated across the country where feasible and will not impact our capability to serve our postal obligations.

The reinstatement of partial movement restrictions in October 2020 should result in an increase in online shopping and will likely have a positive impact on our courier business. We foresee that parcel volume will be high in Q4 FY20 driven by 11.11 and year-end online sales. However, we anticipate a reduction in footfall into our post offices which should result in a dip in retail business revenue.

Mail volume continues to decline but at a much slower rate than expected after the implementation of new postal tariffs. We maintain our initial projection that the new postal tariffs will contribute positively to our bottom line.

17. FUTURE PROSPECTS (CONTINUED)

Pos Logistics is expected to benefit from the recent launch of a new car model from a local car manufacturer and should see increased demand for automotive logistics services.

The management of Pos Malaysia acknowledges the high level of uncertainty that the COVID-19 pandemic has brought about to the economy and society. Pos Malaysia will continue to ensure the safety of our people and remain vigilant in ensuring our business continues to support the nation during these challenging times.

18. 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.

19. TAXATION

Taxation comprises the following:

	3 Months Ended 30.09.2020 RM'000	9 Months Ended 30.09.2020 RM'000
Current taxation	1,698	9,556
Deferred taxation	(4,676)	(5,654)
Total	(2,978)	3,902

For the financial period ended 30 September 2020, despite the Group recording losses, the current taxation charge arose from certain profit making subsidiary companies.

20. STATUS OF CORPORATE PROPOSALS

- i) 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 extended until 13 February 2021.

20. STATUS OF CORPORATE PROPOSALS (CONTINUED)

ii) On 19 August 2020, PASB entered into the following agreements:

(a) PASB and World Cargo Airline Sdn. Bhd. (formerly known as Pos Asia Cargo Express Sdn. Bhd.) (“WCA”), a wholly-owned subsidiary company of PASB, entered into a Share Sale and Share Subscription Agreement (“SSA”) with Asia Cargo Network Sdn. Bhd. (“ACN”) in relation to the proposed subscription and disposal of shares for a total cash consideration as below:

- WCA shall issue and allot 15,612,240 ordinary shares representing 51% of the total enlarged issued ordinary share capital in WCA to ACN for a cash consideration of RM40 million; and
- PASB shall dispose 106,786 preference shares representing 51% of the total preference shares in WCA to ACN, for a cash consideration of RM1.

The proposed subscription and disposal of shares will result in the change of shareholders’ shareholdings in WCA, where PASB and ACN will own 49% and 51% equity interest in WCA respectively; and

(b) PASB entered into a Shareholders Agreement with ACN.

The completion of the divestment is subject to the fulfilment of the Conditions Precedent in the SSA.

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21. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited as at 30.09.2020 RM'000
Long Term Borrowings	
<u>Secured:</u>	
Islamic term loans	70,171
Hire purchase liabilities	5,884
- portion repayable within 12 months	(2,490)
	73,565
<u>Unsecured:</u>	
Islamic term loans	184,000
Total Long Term Borrowings	257,565
Short Term Borrowings	
<u>Secured:</u>	
Revolving credit	163,000
Islamic term loans	18,621
Hire purchase liabilities	
- portion repayable within 12 months	2,490
Invoice financing	13,643
	197,754
<u>Unsecured:</u>	
Bank overdraft	1,206
Revolving credit	42,300
Islamic term loans	66,000
	109,506
Total Short Term Borrowings	307,260
Total Group Borrowings	564,825

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	16,686	69,296
Short term Islamic term loans	USD	3,641	15,121
Invoice financing	USD	1,931	8,020
Total		22,258	92,437

22. MATERIAL LITIGATIONS

Save as disclosed below, there is no material litigation as at the date of this report.

On 28 September 2020, Gading Sari Aviation Services Limited, a Labuan based company (“Gading Sari”) and World Cargo Airline Sdn Bhd (formerly known as Pos Asia Cargo Express Sdn Bhd) (“World Cargo Airline”) (collectively referred to as “the Defendants”) were served with a Writ of Summons and Statement of Claim, filed at the Kuala Lumpur High Court by the Bank of Utah (“the Plaintiff”). The Bank of Utah is a corporation organised under the laws of State of Utah.

Gading Sari is a wholly owned subsidiary company of World Cargo Airline, and World Cargo Airline is a wholly owned subsidiary company of Pos Aviation Sdn Bhd (“PASB”), which in turn is a wholly owned subsidiary of Pos Malaysia Berhad.

The Plaintiff is claiming for, inter alia, the sum of USD8,782,964.00 (equivalent to RM36,422,951.70) being the losses, damages, expenses, costs and/or liabilities sustained by the Plaintiff, as of 23 July 2020, from the Defendants as a result of alleged multiple breaches and/or defaults under relevant contracts, which include amongst others, a Lease Agreement dated 13 February 2013, executed between the Plaintiff and Gading Sari, for the lease of an aircraft by the Plaintiff to Gading Sari (“Lease Agreement”) and a Sublease Agreement dated 15 March 2013, executed between Gading Sari and World Cargo Airline, for the sublease of the same aircraft by Gading Sari to World Cargo Airline (“Sublease Agreement”). Contractually, the Plaintiff is the Lessor, while Gading Sari and World Cargo Airline are the Lessee and Sub-Lessee respectively.

The Defendants and its legal advisors are currently reviewing the aforesaid claims; and will take all the necessary steps to defend against the claims and ensure the rights of the Defendants are protected. The Defendants are required to file their Statement of Defence by 25 November 2020 and the case management has been fixed on 26 November 2020.

23. DIVIDEND

No interim dividend has been declared for the financial period ended 30 September 2020.

24. 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 30.09.2020	9 Months Ended 30.09.2020
Net loss attributable to Owners of the Company (RM'000)	(7,427)	(75,670)
Number of ordinary shares in issue ('000)	782,777	782,777
Basic and diluted loss per share (sen)	(0.95)	(9.67)

25. 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	30,636	-	557	31,193	-	-	-	-	31,193	31,193
Financial liabilities										
Islamic term loans	-	-	-	-	-	-	363,344	363,344	363,344	338,792
Hire purchase liabilities	-	-	-	-	-	-	6,452	6,452	6,452	5,884

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.

26. COMMITMENTS

	Unaudited as at 30.09.2020 RM'000
Property, plant and equipment	
Contracted but not provided for	30,826

27. RELATED PARTIES TRANSACTIONS

	9 Months Ended 30.09.2020 RM'000
Related companies:	
Sales of services	87,810
Purchase of services	(3,432)
Payment of lease liabilities	(18,515)
Companies subject to common significant influence:	
Sales of services	23,364
Purchase of services	(3,613)
Expenses relating to short-term leases	(104)

28. 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)
KAMILIA NOR BINTI MOHAMAD KAMAL (LS 0008663)
COMPANY SECRETARIES

Kuala Lumpur
24 November 2020