



POS MALAYSIA BERHAD

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

Interim Financial Report for the Financial Year
Ended 31 December 2020

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended 31.12.2020 RM'000	Financial Year 12 Months Ended 31.12.2020 RM'000
Revenue		544,627	2,332,262
Cost of sales and operating expenses		(659,216)	(2,445,670)
Other income		87,830	111,203
Other expenses		(187,953)	(249,570)
Loss from operations		(214,712)	(251,775)
Finance costs		(16,724)	(50,237)
LOSS BEFORE ZAKAT AND TAXATION		(231,436)	(302,012)
Zakat		(288)	(1,480)
LOSS BEFORE TAXATION		(231,724)	(303,492)
Taxation	19	(624)	(4,526)
LOSS FOR THE QUARTER / FINANCIAL YEAR		(232,348)	(308,018)
OTHER COMPREHENSIVE (LOSS) / INCOME			
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Remeasurement of post-employment benefit obligation		(586)	(586)
<u>Item that may be reclassified subsequently to profit or loss</u>			
Currency translation differences of foreign operations		(38)	86
<u>Reclassified to profit or loss</u>			
Transfer of currency translation differences of a foreign operation upon disposal of partial equity interest in a former subsidiary company		-	11
OTHER COMPREHENSIVE LOSS FOR THE QUARTER / FINANCIAL YEAR (NET OF TAX)		(624)	(489)
TOTAL COMPREHENSIVE LOSS FOR THE QUARTER / FINANCIAL YEAR (NET OF TAX)		(232,972)	(308,507)

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

	Note	Current Quarter 3 Months Ended 31.12.2020 RM'000	Financial Year 12 Months Ended 31.12.2020 RM'000
Loss for the quarter / financial year attributable to Owners of the Company		(232,348)	(308,018)
Total comprehensive loss for the quarter / financial year attributable to Owners of the Company		(232,972)	(308,507)
Basic and diluted loss per share (sen):	24	(29.68)	(39.35)

There is no comparative for the quarter / financial year ended 31 December 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 year ended 31 December 2020, being the fourth quarter of the financial year ended 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 31.12.2020 RM'000	Audited as at 31.12.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,011,944	1,127,558
Investment properties		39,050	39,050
Investment in associate		38,000	-
Right-of-use assets		503,920	491,690
Intangible assets		144,352	276,809
Deferred tax assets		1,885	6,108
Derivative asset		1,626	-
Other investments		10,271	501
		1,751,048	1,941,716
CURRENT ASSETS			
Assets classified as held for sale		12,559	-
Inventories		6,660	7,049
Trade and other receivables		988,918	1,045,837
Other investments		72,817	117,843
Current tax assets		21,033	19,138
Deposits placed with licensed banks		97,737	46,982
Cash and bank balances		218,752	166,619
		1,418,476	1,403,468
TOTAL ASSETS		3,169,524	3,345,184
EQUITY AND LIABILITIES			
Share Capital		1,071,392	1,071,392
Reserves		72,014	380,521
TOTAL EQUITY		1,143,406	1,451,913
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	21	228,307	293,779
Lease liabilities		241,325	204,402
Post-employment benefit obligations		1,318	638
Deferred tax liabilities		41,985	46,482
		512,935	545,301
CURRENT LIABILITIES			
Liabilities classified as held for sale		6,732	-
Trade and other payables		998,963	959,363
Loans and borrowings	21	445,501	318,748
Lease liabilities		58,611	60,456
Current tax liabilities		3,376	9,403
		1,513,183	1,347,970
TOTAL LIABILITIES		2,026,118	1,893,271
TOTAL EQUITY AND LIABILITIES		3,169,524	3,345,184
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM)		1.46	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 year	-	-	-	-	-	(308,018)	(308,018)
Other comprehensive (loss)/ income for the financial year	-	-	-	(586)	97	-	(489)
Total comprehensive (loss)/ income for the financial year	-	-	-	(586)	97	(308,018)	(308,507)
At 31 December 2020	782,777	1,071,392	1,144	(1,225)	(1,758)	73,853	1,143,406

There is no comparative for the quarter / financial year ended 31 December 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 year ended 31 December 2020, being the fourth quarter of the financial year ended 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

	12 Months Ended 31.12.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax for the financial year	(303,492)
Adjustments:	
- Depreciation of property, plant and equipment	162,615
- Depreciation of right-of-use assets	89,275
- Amortisation of intangible assets	5,126
- Amortisation of government grant	(2,198)
- Net fair value gain of other investments:	
Financial assets at fair value through profit or loss	(1,350)
- Finance costs	31,386
- Interest on lease liabilities	18,851
- Finance income	(5,150)
- Unrealised foreign exchange differences	7,922
- Net loss on impairment of receivables	53,406
- Impairment loss of goodwill	123,263
- Impairment loss of property, plant and equipment	16,244
- Gain on disposal of property, plant and equipment	(30)
- Property, plant and equipment written off	3,345
- Gain on disposal of partial equity interest in a former subsidiary	(79,282)
- Derecognition of right-of-use asset	(1,648)
- Zakat	1,480
- Others	798
Operating profit before changes in working capital	120,561
Changes in working capital:	
Change in current assets	(86,544)
Change in current liabilities	168,111
Net cash from operations	202,128
Interest paid	(18,851)
Tax paid	(14,660)
Tax refund	3,324
Zakat paid	(1,848)
Net cash from operating activities	170,093
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	5,150
Acquisition of property, plant and equipment	(78,264)
Proceeds from disposal of property, plant and equipment	2,045
Decrease in deposit pledged	1,173
Proceeds from redemption of fund investments	46,402
Net cash flow from disposal of partial equity interest in a former subsidiary company	(2,581)
Net cash used in investing activities	(26,075)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	12 Months Ended 31.12.2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES	
Drawdown on borrowings	158,459
Finance costs paid	(31,386)
Repayment of borrowings	(90,229)
Repayment of hire purchase liabilities	(5,787)
Repayment of lease liabilities	(64,887)
Movement in restricted cash	(23,315)
Net cash used in financing activities	(57,145)
NET INCREASE IN CASH AND CASH EQUIVALENTS	86,873
Effects of foreign currency translation	936
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	174,855
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	262,664
Cash and cash equivalents included in the statement of cash flow comprise the following statements of financial positions amounts:	
Cash and bank balances	218,752
Deposits placed with licensed banks	97,737
Cash attributable to assets classified as held for sale	3,099
Bank overdrafts	(1,623)
	317,965
Less: Collections held on behalf of agency payables and money order payables**	(24,428)
Less: Deposits pledged	(520)
Less: Restricted cash	(30,353)
	262,664

There is no comparative for the quarter / financial year ended 31 December 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 year ended 31 December 2020, being the fourth quarter of the financial year ended 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 year	264,858	10,516	351,013	236,800	12,975	876,162
Net changes from financing cash flows:						
Acquisition of new leases / hire purchase	15,112	-	-	-	-	15,112
Lease modification	94,473	-	-	-	-	94,473
Termination of leases	(8,920)	-	-	-	-	(8,920)
Drawdown	-	-	-	140,000	18,459	158,459
Repayment	(64,163)	(5,787)	(21,508)	(44,500)	(24,221)	(160,179)
COVID-19 rent concession income	(723)	-	-	-	-	(723)
Disposal of partial equity interest in a former subsidiary company	(285)	-	-	-	-	(285)
Reclassified to liabilities held for sale	(416)	-	-	-	-	(416)
Effects of foreign currency translation	-	-	(1,562)	-	-	(1,562)
Total net changes from financing cash flows	35,078	(5,787)	(23,070)	95,500	(5,762)	95,959
At end of the financial year	299,936	4,729	327,943	332,300	7,213	972,121

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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 year ended 31 December 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 fourth quarter and financial year ended 31 December 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 year ended 31 December 2020.

8. DIVIDENDS PAID

There was no dividend paid for the current financial year ended 31 December 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 Rahnū 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 year ended 31 December 2020 is as follows:

Financial year ended 31 December 2020	Postal RM'000	Aviation RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	POS Group RM'000
Total external revenue	1,737,333	163,038	313,925	117,966	-	2,332,262
Intersegment revenue	221,662	23,148	10,028	88,340	(343,178)	-
Total revenue for reportable segments	1,958,995	186,186	323,953	206,306	(343,178)	2,332,262
Reportable segment results before amortisation of intangible assets, impairment of goodwill, and gain on partial disposal of a subsidiary	(174,367)	(56,793)	(54,674)	31,449	-	(254,385)
Amortisation of intangible assets	-	(2,652)	(2,474)	-	-	(5,126)
Impairment of goodwill	-	(99,886)	(23,377)	-	-	(123,263)
Gain on disposal of partial equity interest in a former subsidiary	79,282	-	-	-	-	79,282
Reportable segment results after amortisation of intangible assets, impairment of goodwill, and gain on partial disposal of a subsidiary	(95,085)	(159,331)	(80,525)	31,449	-	(303,492)
Taxation						(4,526)
Reportable segment results after tax						(308,018)
Attributable to:						
Owners of the company						(308,018)

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 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.

12. CHANGES IN THE COMPOSITION OF THE GROUP

- 12.1 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.

- 12.2 On 31 December 2020, the proposed disposal of equity interest in World Cargo Airlines Sdn Bhd (formerly known as Pos Asia Cargo Express Sdn Bhd ("WCA") by Pos Aviation Sdn Bhd ("PASB"), a wholly-owned subsidiary company of Pos Malaysia Berhad to Asia Cargo Network Sdn Bhd ("ACN") and proposed issuance and subscription of new shares in WCA by ACN was completed pursuant to the terms and conditions of the Share Sale and Share Subscription agreement ("SSA").

Following the completion of the SSA, PASB's equity interest in WCA had reduced from 100% to 49% and WCA was reclassified from a subsidiary to an associate of the Group.

- 12.3 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.

13. 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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14. LOSS BEFORE TAXATION

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

	3 Months Ended 31.12.2020 RM'000	12 Months Ended 31.12.2020 RM'000
Amortisation of intangible assets	1,281	5,126
Amortisation of government grant	(577)	(2,198)
Depreciation of property, plant and equipment	40,862	162,615
Depreciation of right-of-use assets	27,006	89,275
Fair value gain of investment securities: Financial assets at fair value through profit or loss	(216)	(1,350)
Net loss on impairment of receivables	26,203	53,406
Finance costs	10,159	31,386
Interest on lease liabilities	6,565	18,851
Impairment loss of:		
- Goodwill	123,263	123,263
- Property, plant and equipment	16,244	16,244
Property, plant and equipment written off	60	3,345
Gain on disposal of property, plant and equipment	(23)	(30)
Gain on disposal of partial equity interest in a former subsidiary company	(79,282)	(79,282)
Derecognition of net right-of-use assets	(1,646)	(1,648)
Provision for Mutual Separation Scheme	41,556	41,556
Finance income of financial assets calculated using the effective interest method that are at amortised cost	(3,524)	(5,150)
Net foreign exchange differences	41	6,793
COVID-19 rent concession income	-	(723)

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15. REVIEW OF GROUP PERFORMANCE

Group performance for the financial year ended 31 December 2020

As stated in Note 2, due to the change in the financial year, the performance of the current financial year ended 31 December 2020 (“FY20”) is not comparable against any comparative period previously reported.

The Group recorded a revenue of RM2,332.3 million and loss before tax of RM303.5 million for FY20.

The loss before tax was due to losses from postal, logistics and aviation segment, in addition to one-off costs that includes goodwill impairment of RM123.3 million, property, plant and equipment impairment of RM16.2 million and a provision for Mutual Separation Scheme of RM41.6 million, but offset with a gain in partial disposal of equity in World Cargo Airline Sdn Bhd of RM79.3 million

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

	Revenue 12 months ended 31.12.2020 RM'000	(Loss) / profit before taxation 12 months ended 31.12.2020 RM'000
Postal	1,737,333	(95,085)
Logistics	313,925	(80,525)
Aviation	163,038	(159,331)
Others	117,966	31,449
Total	2,332,262	(303,492)

(i) Postal

Postal segment’s revenue is largely contributed by courier business (46%) followed by mail business (33%). The segment was initially impacted by the first wave of COVID-19 and movement restrictions enforced in March 2020. Temporary closure of businesses and movement restrictions for the public resulted in a decline in mail volume and retail transactions in post offices. Reduced number of commercial flights into and out of Malaysia also impacted our international business.

However, Postal segment’s performance was generally much better in Q2 FY20 and Q3 FY20, which recorded a profit before tax in both quarters. Increase in online shopping resulted in parcel volume increasing by 24% compared to the same period last year, with April 2020 recording the highest number of parcel acceptance in Pos Malaysia’s history at 13 million parcels. Mail volume and retail transactions also returned to pre-COVID-19 levels at the end of Q2 FY20 as movement restrictions were eased. In addition, mail business benefitted from the postage rate increase that was implemented in February 2020.

15. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Group performance for the financial year ended 31 December 2020 (continued)

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

(i) Postal (continued)

Despite strict precautionary measures taken by both Pos Malaysia and our vendors, our main parcel processing centres, which processes up to 70% of our total parcel volume, had to temporarily shut down in October and November 2020 due to a COVID-19 outbreak. This impacted our ability to meet our courier service level agreements (“SLA”), resulting in lower customer confidence, thus lesser parcels received during the period. As part of our redundancy plan, parcel processing was rerouted to Senai International Airport in Johor and other processing centres, which required manual sorting, and more shuttling and line haul. In addition, Q4 FY20 also saw more large-sized and bulky items being shipped, especially to East Malaysia. This resulted in courier transport cost to increase by 20% compared to the preceding quarter. Our main parcel processing centres returned to full operations in December 2020.

International business was also negatively impacted as COVID-19 cases increased globally, resulting in a reduction in flights into and out of the country. Retail business remained unaffected in Q4 FY20.

(ii) Logistics

Logistics segment’s revenue is primarily contributed by freight management services (freight forwarding, haulage, warehousing, etc) and automotive logistics services. During FY20, the segment benefitted from higher demand for shipment services and higher automobile production volume from Proton. Logistics segment was largely unimpacted by COVID-19, apart from the months of March and April 2020 when strict movement restrictions were in place.

Losses for the segment was contributed to impairments of multiple receivables.

(iii) Aviation

Aviation segment’s revenue is primarily contributed by cargo handling (33%) and ground handling (23%). The segment was negatively impacted by the COVID-19 pandemic which saw the number of commercial flights in Malaysian airports decline drastically in FY20. This resulted in decline in demand for all services, except for e-commerce warehousing.

Pos Aviation has executed various cost-cutting measures across the board to mitigate the loss in revenue. Despite this, the segment recorded losses before tax.

(iv) Others

Other segment consists of printing and insertion, digital certificates and Ar-Rahnu businesses. This segment benefitted from higher demand for gold pawning and increased certificate issuance from e-filing projects during FY20.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Current Quarter 3 Months Ended 31.12.2020 RM'000	Preceding Quarter 3 Months Ended 30.09.2020 RM'000	Variance RM'000
Revenue	544,627	623,027	(78,400)
Loss from operation	(214,712)	160	(214,872)
Loss before taxation	(231,724)	(10,405)	(221,319)
Net loss for the quarter	(232,348)	(7,427)	(224,921)

The Group recorded a net loss RM232.3 million in the fourth quarter ended 31 December 2020 ("Q4 FY20") compared to net loss of RM7.4 million in the preceding quarter ended 30 September 2020 due to one-off expenses incurred which includes RM123.3 million goodwill impairment, RM41.6 million provision for Mutual Separation Scheme and RM16.2 million in property, plant and equipment impairments. Revenue for the Q4 FY20 was recorded at RM544.6 million, a 12.6% decline compared to the previous quarter as revenue from mail and international businesses declined.

17. FUTURE PROSPECTS

The management is confident that progress of our transformation program and improving financial performance seen in Q2 and Q3 FY20, should be able to pick up and continue on our profitability path in FY21.

2021 will see Pos Malaysia continue its transformation initiatives to further improve efficiency, manage costs and capitalise on growth opportunities.

The resumption of operations, after the temporary shutdown of our main parcel processing centres, allows our courier business to function at full capacity again. Our courier business will focus to regain parcel market share from online marketplaces and e-commerce businesses.

Pos Malaysia will continue to rationalise underutilised mail infrastructure in its ongoing efforts to streamline operations and reduce costs. In addition, the Company is trialling the concept of a fully crowdsourced last-mile delivery model for courier business, to be replicated in suitable locations across the nation.

In line with its cost reduction scheme, Pos Malaysia managed to reduce its expenditure in Q4 FY20 and this will give a forecasted annual savings of RM24 million.

More auto insurance partners will be onboarded on to our web portal and mobile application, to enrich our offerings on our digital platforms. Pos Malaysia will also seek further regulatory changes through the National Postal and Courier Industry Laboratory (NPCIL), which should aid in building a sustainable courier sector.

17. FUTURE PROSPECTS (CONTINUED)

Pos Logistics, which serves prominent automotive manufacturers, should benefit from the government's extension for sales tax exemption on cars until June 2021. Pos Aviation will continue to be prudent in managing its cost as it navigates through this unprecedented challenging period for the aviation industry.

The culmination of our initiatives, as well as continuous operations improvement, should result in improved profitability for the upcoming financial year.

18. 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.

19. TAXATION

Taxation comprises the following:

	3 Months Ended 31.12.2020 RM'000	12 Months Ended 31.12.2020 RM'000
Current taxation	(4,897)	4,659
Deferred taxation	5,521	(133)
Total	624	4,526

For the financial year ended 31 December 2020, despite the Group recording losses, the current taxation charge arose from certain profit making subsidiaries.

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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 May 2021.

- 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 proposed divestment was completed on 31 December 2020 in accordance with the terms and conditions of the SSA.

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21. GROUP BORROWINGS

Total Group borrowings are as follows:

	Unaudited as at 31.12.2020 RM'000
Long Term Borrowings	
<u>Secured:</u>	
Islamic term loans	63,193
Hire purchase liabilities	4,729
- portion repayable within 12 months	(1,615)
	66,307
<u>Unsecured:</u>	
Islamic term loans	162,000
Total Long Term Borrowings	228,307
Short Term Borrowings	
<u>Secured:</u>	
Revolving credit	299,000
Islamic term loans	14,750
Hire purchase liabilities	
- portion repayable within 12 months	1,615
Invoice financing	7,213
	322,578
<u>Unsecured:</u>	
Bank overdraft	1,623
Revolving credit	33,300
Islamic term loans	88,000
	122,923
Total Short Term Borrowings	445,501
Total Group Borrowings	673,808

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	15,755	63,193
Short term Islamic term loans	USD	3,677	14,750
Invoice financing	USD	1,068	4,283
Total		20,500	82,226

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 of World Cargo Airline, and World Cargo Airline is an associate of Pos Aviation Sdn Bhd (“PASB”), which in turn is an associate of the Group.

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 have reviewed 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 have filed their Statement of Defence and Counterclaim on 25 November 2020. The case management has been fixed on 16 April 2021. The trial dates have been fixed on 26 July 2022 until 29 July 2022.

23. DIVIDEND

No interim dividend has been declared for the financial year ended 31 December 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 year.

	3 Months Ended 31.12.2020	12 Months Ended 31.12.2020
Net loss attributable to Owners of the Company (RM'000)	(232,348)	(308,018)
Number of ordinary shares in issue ('000)	782,777	782,777
Basic and diluted loss per share (sen)	(29.68)	(39.35)

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	72,817	-	10,271	83,088	-	-	-	-	83,088	83,088
Derivative asset	-	-	1,626	1,626	-	-	-	-	1,626	1,626
Financial liabilities										
Islamic term loans	-	-	-	-	-	-	348,854	348,854	348,854	327,943
Hire purchase liabilities	-	-	-	-	-	-	5,228	5,228	5,228	4,729

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 31.12.2020 RM'000
Property, plant and equipment	
Contracted but not provided for	42,558

27. RELATED PARTIES TRANSACTIONS

	12 Months Ended 31.12.2020 RM'000
Related companies:	
Sales of services	120,312
Purchase of services	(3,476)
Payment of lease liabilities	(25,434)
Companies subject to common significant influence:	
Sales of services	31,909
Purchase of services	(19,278)
Expenses relating to short-term leases	(607)

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
22 February 2021