



# **POS MALAYSIA BERHAD**

(229990-M)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period  
Ended 31 December 2019

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

The Board of Directors hereby announce the unaudited financial results of Pos Malaysia Group (“the Group”) for the current quarter/financial period ended 31 December 2019.

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

	Note	Current Quarter 3 Months Ended		Cumulative 9 Months Ended	
		31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Revenue		559,584	581,242	1,682,534	1,760,438
Cost of sales and operating expenses		(650,118)	(597,910)	(1,807,938)	(1,781,979)
Other income		19,459	7,665	44,310	32,965
Other expenses		(106,380)	(4,029)	(123,156)	(19,071)
Loss from operations		(177,455)	(13,032)	(204,250)	(7,647)
Finance costs		(12,887)	(4,991)	(36,314)	(14,759)
<b>LOSS BEFORE ZAKAT AND TAXATION</b>		<b>(190,342)</b>	<b>(18,023)</b>	<b>(240,564)</b>	<b>(22,406)</b>
Zakat		(649)	(708)	(1,316)	(2,354)
<b>LOSS BEFORE TAXATION</b>		<b>(190,991)</b>	<b>(18,731)</b>	<b>(241,880)</b>	<b>(24,760)</b>
Taxation	18	19,850	5,711	26,301	119
<b>LOSS FOR THE QUARTER / FINANCIAL PERIOD</b>		<b>(171,141)</b>	<b>(13,020)</b>	<b>(215,579)</b>	<b>(24,641)</b>
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>					
<u>Item that will be subsequently reclassified to profit or loss</u>					
Currency translation differences of foreign subsidiary companies		(3,301)	213	(1,891)	1,923
<b>OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX)</b>		<b>(3,301)</b>	<b>213</b>	<b>(1,891)</b>	<b>1,923</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX)</b>		<b>(174,442)</b>	<b>(12,807)</b>	<b>(217,470)</b>	<b>(22,718)</b>

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

	Note	Current Quarter 3 Months Ended		Cumulative 9 Months Ended	
		31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<b>Loss for the quarter / financial period attributable to:</b>					
Owners of the Company		(171,141)	(13,020)	(215,579)	(24,616)
Non-controlling interest		-	-	-	(25)
		<b>(171,141)</b>	<b>(13,020)</b>	<b>(215,579)</b>	<b>(24,641)</b>
<b>Total comprehensive loss for the quarter / financial period attributable to:</b>					
Owners of the Company		(174,442)	(12,807)	(217,470)	(22,693)
Non-controlling interest		-	-	-	(25)
		<b>(174,442)</b>	<b>(12,807)</b>	<b>(217,470)</b>	<b>(22,718)</b>
Basic and diluted loss per share (sen):	23	<b>(21.86)</b>	<b>(1.66)</b>	<b>(27.54)</b>	<b>(3.14)</b>

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 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 31.12.2019 RM'000	Audited As at 31.03.2019 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,619,248	1,386,546
Prepaid lease properties		-	39,494
Investment properties		39,050	39,050
Intangible assets		276,809	375,622
Deferred tax assets		6,108	6,717
Other assets		501	1,579
		<b>1,941,716</b>	<b>1,849,008</b>
<b>CURRENT ASSETS</b>			
Inventories		7,049	11,418
Trade and other receivables		1,045,837	964,747
Other investments		117,843	164,076
Current tax assets		19,138	35,681
Short term deposits		46,982	63,333
Cash and bank balances		166,619	193,675
		<b>1,403,468</b>	<b>1,432,930</b>
<b>TOTAL ASSETS</b>		<b>3,345,184</b>	<b>3,281,938</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital		1,071,392	1,071,392
Reserves		380,521	644,045
<b>TOTAL EQUITY</b>		<b>1,451,913</b>	<b>1,715,437</b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	20	293,779	200,313
Lease liabilities		204,402	-
Post-employment benefit obligations		637	726
Deferred tax liabilities		46,482	86,776
		<b>545,300</b>	<b>287,815</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		959,364	982,710
Loans and borrowings	20	318,748	294,717
Lease liabilities		60,456	-
Current tax liabilities		9,403	1,259
		<b>1,347,971</b>	<b>1,278,686</b>
<b>TOTAL LIABILITIES</b>		<b>1,893,271</b>	<b>1,566,501</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,345,184</b>	<b>3,281,938</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM)</b>		<b>1.85</b>	<b>2.19</b>

\* Based on 782,776,836 ordinary shares in issue.

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 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			
<b>At 1 April 2019, as previously reported</b>	<b>782,777</b>	<b>1,071,392</b>	<b>1,144</b>	<b>(639)</b>	<b>36</b>	<b>643,504</b>	<b>1,715,437</b>	
Adjustment on initial application of MFRS 16, net of tax	-	-	-	-	-	(14,743)	(14,743)	
<b>At 1 April 2019, restated</b>	<b>782,777</b>	<b>1,071,392</b>	<b>1,144</b>	<b>(639)</b>	<b>36</b>	<b>628,761</b>	<b>1,700,694</b>	
Loss for the financial period	-	-	-	-	-	(215,579)	(215,579)	
Other comprehensive income for the financial period	-	-	-	-	(1,891)	-	(1,891)	
Total comprehensive income / (loss) for the financial period	-	-	-	-	(1,891)	(215,579)	(217,470)	
<u>Transaction with Owners</u>								
First and final dividend in respect of financial year ended 31 March 2019	-	-	-	-	-	(31,311)	(31,311)	
<b>At 31 December 2019</b>	<b>782,777</b>	<b>1,071,392</b>	<b>1,144</b>	<b>(639)</b>	<b>(1,855)</b>	<b>381,871</b>	<b>1,451,913</b>	

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

	Issued and fully paid ordinary shares		Non-distributable					Total RM'000	Non - controlling Interest 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	Retained Earnings RM'000				
<b>At 1 April 2018</b>	<b>782,777</b>	<b>1,071,392</b>	<b>1,144</b>	<b>(639)</b>	<b>(719)</b>	<b>872,191</b>	<b>1,943,369</b>	<b>2,108</b>	<b>1,945,477</b>	
Net loss for the financial period	-	-	-	-	-	(24,616)	(24,616)	(25)	(24,641)	
Other comprehensive income for the financial period	-	-	-	-	1,923	-	1,923	-	1,923	
Total comprehensive income / (loss) for the financial period	-	-	-	-	1,923	(24,616)	(22,693)	(25)	(22,718)	
<u>Transaction with Owners</u>										
Effects of changes in shareholdings in a subsidiary company	-	-	-	-	-	(320)	(320)	(2,083)	(2,403)	
First and final dividend in respect of financial year ended 31 March 2018	-	-	-	-	-	(62,622)	(62,622)	-	(62,622)	
<b>At 31 December 2018</b>	<b>782,777</b>	<b>1,071,392</b>	<b>1,144</b>	<b>(639)</b>	<b>1,204</b>	<b>784,633</b>	<b>1,857,734</b>	<b>-</b>	<b>1,857,734</b>	

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>9 Months Ended 31.12.2019 RM'000</b>	<b>9 Months Ended 31.12.2018 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax for the financial period	(241,880)	(24,760)
Adjustments:		
- Depreciation of property, plant and equipment	192,201	132,362
- Amortisation of prepaid lease properties	-	871
- Amortisation of intangible assets	4,963	7,656
- Amortisation of government grant	(4,579)	(8,938)
- Net fair value loss of other investments:		
Financial assets at fair value through profit or loss	(2,681)	(2,892)
- Finance costs	22,706	14,759
- Interest on lease liabilities	13,608	-
- Finance income	(2,262)	(3,202)
- Gain on disposal of property, plant and equipment	(1,051)	(212)
- Net impairment loss / (reversal of impairment loss) of trade receivables	5,156	1,162
- Impairment loss of property, plant and equipment	1,707	-
- Impairment loss of goodwill	93,850	-
- Inventories written down	865	-
- Write off of property, plant and equipment	1,989	205
- Zakat	1,316	2,354
- Unrealised foreign exchange differences	(4,882)	357
- Others	89	397
Operating profit before working capital changes	81,115	120,119
Changes in working capital:		
Change in current assets	(84,594)	3,289
Change in current liabilities	(14,396)	(42,044)
Cash generated from operations	(17,875)	81,364
Tax paid	(12,147)	(19,561)
Tax refund	27,493	2,361
Grant received	7,750	13,392
Defined benefits paid	(92)	(2,183)
Net cash from operating activities	<b>5,129</b>	<b>75,373</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,262	3,202
Proceeds from disposal of property, plant and equipment	1,168	599
Acquisition of property, plant and equipment	(87,800)	(147,129)
Increase in deposit pledged	(85)	(528)
Net movement of investment securities	49,992	135,455
Net cash used in investing activities	<b>(34,463)</b>	<b>(8,401)</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

	<b>9 Months Ended 31.12.2019 RM'000</b>	<b>9 Months Ended 31.12.2018 RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown on borrowings	184,260	74,937
Finance costs paid	(22,706)	(14,759)
Repayment of borrowings	(69,204)	(53,039)
Repayment of lease liabilities	(67,200)	-
Dividends paid to shareholders	(31,311)	(62,622)
Movement in restricted cash	(8)	(264)
Net cash used in financing activities	<b>(6,169)</b>	<b>(55,747)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(35,503)</b>	<b>11,225</b>
Effects of foreign currency translation	(46)	662
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	210,404	252,145
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD</b>	<b>174,855</b>	<b>264,032</b>
Cash and cash equivalents included in the statement of cash flow comprise the following statements of financial positions amounts:		
Cash and bank balances	166,619	261,699
Deposits placed with licensed banks	46,982	59,084
Bank overdrafts	(1,223)	(1,326)
	212,378	319,457
Less: Collections held on behalf of agency payables and money order payables**	(28,792)	(53,496)
Less: Deposit pledged	(1,693)	(1,665)
Less: Restricted cash	(7,038)	(264)
	<b>174,855</b>	<b>264,032</b>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 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:

	<b>Finance lease liabilities RM'000</b>	<b>Islamic term loans RM'000</b>	<b>Revolving credits RM'000</b>	<b>Invoice financing RM'000</b>	<b>Lease liabilities RM'000</b>	<b>Total RM'000</b>
<b>At beginning of the financial period</b>	<b>10,179</b>	<b>238,659</b>	<b>238,698</b>	<b>5,007</b>	<b>-</b>	<b>492,543</b>
Effects of adoption of MFRS 16	-	-	-	-	312,965	312,965
<b>As restated</b>	<b>10,179</b>	<b>238,659</b>	<b>238,698</b>	<b>5,007</b>	<b>312,965</b>	<b>805,508</b>
Net changes from financing cash flows:						
Drawdown on borrowings	4,998	150,000	17,102	12,160	-	184,260
Repayment of borrowings	(4,661)	(41,351)	(19,000)	(4,192)	-	(69,204)
Repayment of lease liabilities	-	-	-	-	(67,200)	(67,200)
Accretion of interest	-	-	-	-	13,608	13,608
New finance lease	-	-	-	-	5,485	5,485
Currency translation difference	-	3,705	-	-	-	3,705
<b>Total net changes from financing cash flows</b>	<b>337</b>	<b>112,354</b>	<b>(1,898)</b>	<b>7,968</b>	<b>(48,107)</b>	<b>70,654</b>
<b>At end of the financial period</b>	<b>10,516</b>	<b>351,013</b>	<b>236,800</b>	<b>12,975</b>	<b>264,858</b>	<b>876,162</b>

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# POS MALAYSIA BERHAD

(229990-M)

(Incorporated in Malaysia)

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

### 1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 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 a result, the annual audited financial statements of the Group will be covering a 9-month period ending 31 December 2019.

### 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 year ended 31 March 2019 except for the adoption of the following new accounting standards, amendments and interpretations which are applicable to the Group effective 1 April 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9 *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 112 *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The initial application of the above accounting standards, amendments and interpretations are not expected to have any material impact to the current period and prior period financial statements of the Group except as mentioned below:

#### MFRS 16 *Leases*

The Group adopted MFRS 16 *Leases* on 1 April 2019. MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### MFRS 16 Leases (continued)

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

Right-of-use assets and prepaid lease properties are included under property, plant and equipment in the statement of financial position. The lease liabilities are separately disclosed in the statement of financial position.

As allowed by the transitional provision of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparative and cumulative adjustments resulting from the initial application of MFRS 16 are recognised in retained earnings and reserves as at 1 April 2019, as disclosed below:

	<b>Impact of adoption of MFRS 16 to opening balance at 1 April 2019 RM'000</b>
<b>Statement of financial position</b>	
Increase in right-of-use assets	294,149
Increase in deferred tax assets	48
Decrease in deferred tax liabilities	4,025
Decrease in retained earnings	14,743
Increase in lease liabilities	312,965

### 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

There was no material item of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows during the financial period ended 31 December 2019.

### 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 except as disclosed in Note 3.

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### 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 31 December 2019.

### 8. DIVIDENDS PAID

The shareholders have approved a first and final single tier dividend of 4.0 sen per ordinary share at the last Annual General Meeting held on 18 September 2019 in respect of the financial year ended 31 March 2019. The net dividend of RM31,311,073 was paid on 10 October 2019.

### 9. SEGMENTAL INFORMATION

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different business processes and customer needs. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) and the Board of Directors review internal Management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Postal Services	Includes the provision of basic mail services for corporate and individual customers and customised solutions such as Mailroom Management and Direct Mail and over-the-counter services for payment of bills and certain financial products and services.
Courier	Includes the courier, parcel and logistic solutions by sea, air and land to both national and international destinations.
International	Includes the direct entry and transshipment.
Logistics	Includes haulage services, freight and forwarding, shipping agency and chartering services, warehousing and distribution services.
Aviation	Includes cargo and ground handling, in-flight catering, freight and forwarding and air cargo transport.

Other segment includes the hybrid mail which provides data and document processing services, business of internet security products, solutions and services, Ar Rahn business including storage and safekeeping fees, buying and selling of investment precious metals, namely gold bars and dinars and rental income from investment properties held by the Group. None of these segments meets any of the quantitative thresholds for determining reportable segments in the current reporting period.

There are varying levels of integration between the Postal Services reportable segment and the Courier reportable segment. This integration includes shared distribution services. The accounting policies of the reportable segments are the same as described in Note 3.

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.

**9. SEGMENTAL INFORMATION (CONTINUED)**

The information of each of the Group's business segments for the financial period ended 31 December 2019 is as follows:

Period ended 31 December 2019	Postal Services RM'000	Courier International RM'000	Aviation RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	POS Group RM'000	
External revenue	446,479	619,099	108,795	203,560	232,104	72,497	-	1,682,534
Internal revenue	15,553	99,479	26,811	12,940	12,504	40,324	(207,611)	-
<b>Total revenue</b>	<b>462,032</b>	<b>718,578</b>	<b>135,606</b>	<b>216,500</b>	<b>244,608</b>	<b>112,821</b>	<b>(207,611)</b>	<b>1,682,534</b>
<b>Segment (loss) / profit</b>	<b>(201,899)</b>	<b>14,657</b>	<b>(14,856)</b>	<b>32,353</b>	<b>(1,854)</b>	<b>22,934</b>	<b>-</b>	<b>(148,665)</b>
Amortisation of intangible assets								(4,963)
Impairment loss of goodwill								(93,850)
Fair value loss of other investment								(1,082)
Other income								42,048
Interest income								2,262
Finance costs								(36,314)
<b>Loss before zakat and taxation</b>								<b>(240,564)</b>
Zakat								(1,316)
<b>Loss before taxation</b>								<b>(241,880)</b>
Taxation								26,301
<b>Net loss for the financial period</b>								<b>(215,579)</b>
<b>Attributable to:</b>								
Owners of the company								(215,579)

**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**

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. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets at the end of the reporting period other than what was reported in the last audited financial statement.

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**13. LOSS BEFORE TAXATION**

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

	3 Months Ended		9 Months Ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Amortisation of prepaid lease properties	-	290	-	871
Amortisation of intangible assets	1,089	2,552	4,963	7,656
Amortisation of government grant	(481)	(1,050)	(4,579)	(8,938)
Depreciation of property, plant and equipment	64,409	52,449	192,201	132,362
Net impairment loss of trade receivables	2,367	3,596	5,156	1,162
Net fair value gain / (loss) of other investments :				
Financial assets at fair value through profit or loss	199	(23)	(2,681)	(2,892)
Finance costs	8,878	4,991	22,706	14,759
Interest on lease liabilities	4,009	-	13,608	-
Write off of property, plant and equipment	1,883	100	1,989	205
Write off of inventories	85	-	85	-
Gain on disposal of property, plant and equipment	33	8	(1,051)	(212)
Impairment loss of property, plant and equipment	1,707	-	1,707	-
Impairment loss of goodwill	93,850	-	93,850	-
Inventories written down (net of write back)	737	106	865	150
Interest income on short term deposit	(679)	(1,510)	(2,262)	(3,202)
Net foreign exchange differences	(7,579)	(1,257)	(2,367)	2,626

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**14. REVIEW OF GROUP PERFORMANCE**

## 14.1 Group performance for the financial period ended 31 December 2019

The Group recorded lower revenue of RM1,682.5 million for the financial period ended 31 December 2019 as compared to RM1,760.4 million in the previous corresponding period ended 31 December 2018. This represents a decrease of RM77.9 million or equivalent to 4.4%.

(a) Group revenue by segment are as follows:

	9 months ended		Variance RM'000
	31.12.2019 RM'000	31.12.2018 RM'000	
<b>Group revenue</b>			
Postal Services	446,479	507,903	(61,424)
Courier	619,099	626,635	(7,536)
International	108,795	107,631	1,164
Logistics	232,104	228,302	3,802
Aviation	203,560	223,296	(19,736)
Others	72,497	66,671	5,826
Total	1,682,534	1,760,438	(77,904)

**(i) Postal Services**

Postal Services registered lower revenue of RM446.5 million as compared to RM507.9 million. This is due to continuous structural decline in traditional mail volume largely due to digital substitution.

**(ii) Courier**

Courier recorded lower revenue of RM619.1 million compared to RM626.6 million registered in the previous corresponding period ended 31 December 2018. This is mainly due to lower volume from customers due to malware attack in October 2019, overall decline in consumer spending, general change in consumer walk in behaviour and intensified competition offering lower pricing to gain market share.

**(iii) International**

International revenue increased by RM1.2 million partly due to the revision in pricing since the beginning of the financial period.

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**14. REVIEW OF GROUP PERFORMANCE (CONTINUED)**

14.1 Group performance for the financial period ended 31 December 2019 (continued)

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

(iv) **Logistics**

Logistics registered higher revenue by RM3.8 million mainly contributed by haulage and automotive logistics.

(v) **Aviation**

Aviation dropped by RM19.7 million compared to previous corresponding period ended 31 December 2018 mainly contributed by lower tonnage of cargo handled.

(vi) **Others**

Others segment which consist of printing and insertion, digital certificates and Ar Rahnū, generated an increase in revenue by RM5.8 million mainly contributed by printing and insertion business.

(b) Group Profit Before Tax

For the financial period ended 31 December 2019, the Group registered a loss before tax of RM241.9 million from RM24.8 million loss in the corresponding period ended 31 December 2018. The drop is mainly due to lower revenue registered from postal services and aviation segments of RM61.4 million and RM19.7 million respectively, provision for re-delivery of aircraft of RM28.6 million and impairment loss of goodwill in Logistics and Aviation segments of RM93.9 million as disclosed in Note 13.

14.2 Group performance for the financial quarter ended 31 December 2019

The Group recorded lower revenue of RM559.6 million for the financial quarter ended 31 December 2019 as compared to RM581.2 million in the previous corresponding quarter ended 31 December 2018. This represents a decrease of RM21.6 million or equivalent to 3.7%.

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**14. REVIEW OF GROUP PERFORMANCE (CONTINUED)**

14.2 Group performance for the financial quarter ended 31 December 2019 (continued)

(a) Group revenue by segment are as follows:

Group revenue	3 months ended		Variance RM'000
	31.12.2019 RM'000	31.12.2018 RM'000	
Postal Services	152,509	174,523	(22,014)
Courier	194,474	207,126	(12,652)
International	34,592	39,278	(4,686)
Logistics	78,744	70,742	8,002
Aviation	74,633	74,267	366
Others	24,632	15,306	9,326
Total	559,584	581,242	(21,658)

**(i) Postal Services**

Postal Services registered lower revenue of RM152.5 million as compared to RM174.5 million. This is due to continuous structural decline in traditional mail volume largely due to digital substitution.

**(ii) Courier**

Courier recorded lower revenue of RM194.5 million compared to RM207.1 million registered in the previous corresponding quarter ended 31 December 2018. This is mainly due to lower volume from customers due to malware attack in October 2019, overall decline in consumer spending, general change in consumer walk in behaviour and intensified competition offering lower pricing to gain market share.

**(iii) International**

International revenue decreased by RM4.7 million mainly due to drop in volume handled during this financial quarter.

**(vi) Logistics**

Logistics registered higher revenue by RM8.0 million mainly contributed by haulage and automotive logistics.

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**14. REVIEW OF GROUP PERFORMANCE (CONTINUED)**

14.2 Group performance for the financial quarter ended 31 December 2019 (continued)

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

**(v) Aviation**

Aviation slightly increase by RM0.4 million compared to previous corresponding quarter ended 31 December 2018 mainly contributed by higher tonnage of cargo handled.

**(vi) Others**

Other segments which consist of printing and insertion, digital certificates and Ar Rahnū, generated an increase in revenue by RM9.3 million mainly due to higher revenue from printing and insertion business.

(b) Group Profit Before Tax

For the financial quarter ended 31 December 2019, the Group registered a loss before tax of RM191.0 million from RM18.7 million loss in the corresponding quarter ended 31 December 2018. The drop is due to lower revenue registered from postal services and courier segments of RM22.0 million and RM12.7 million respectively, provision for re-delivery of aircraft of RM28.6 million and impairment loss of goodwill in Logistics and Aviation segments of RM93.9 million as disclosed in Note 13.

**15. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

The group recorded a loss before tax of RM191.0 million in the current quarter ended 31 December 2019 compared to a loss of RM35.5 million in the preceding quarter ended 30 September 2019 mainly due to provision for re-delivery of aircraft of RM28.6 million and impairment loss of goodwill in Logistics and Aviation segments of RM93.9 million as disclosed in Note 13.

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### **16. FUTURE PROSPECTS**

Pos Malaysia's transformation continues in FY2020 towards achieving financial sustainability while serving its Universal Services Obligations in an increasingly competitive business landscape. The Group is focusing its efforts on revenue growth in line with the rapid e-Commerce boom, while embarking on operational efficiencies to improve its cost structure in the long run.

The recent revision of the commercial postage rates effective 1st February 2020 will provide a positive impact towards our mail business. This will allow Pos Malaysia to continue serving its Universal Service Obligation amidst a structural decline in mail volume and the growing number of addresses to serve, which has grown from 7.6 million to 9.2 million addresses in the last 5 years.

Courier business remains as the biggest revenue growth driver for Pos Malaysia due to the booming e-Commerce sector. By providing superior customer experience, the company will obtain a distinct competitive advantage in an increasingly competitive and crowded courier market. Among the initiatives to support this initiative includes promoting adoption of its online shipping platform SendParcel and revamped Pos Mobile App, expanding its courier touchpoints through agent outlets, as well as improving utilisation of its parcel lockers across 250 locations nationwide. The e-Commerce boom also has a positive impact on international cross-border volume. Pos Malaysia continues to see this business sector as key to support top line revenue growth.

Digitalisation of Pos Malaysia is key in ensuring the organisation maintains its relevance in today's ever-changing environment. RM300 million has been allocated for the next few years in an effort to digitalise its core systems. This includes the recently launched new track and trace system and the modernization of its ICT architecture, which will improve operational efficiency as it scales up its courier business.

Automation of our processing capabilities is critical to support the exponential growth of ecommerce and obtain improved cost efficiency. In the nine-month financial period ended 31 December 2019, Pos Malaysia deployed semi-automated processing systems in over 20 of its distribution centres to further improve processing speed and capacity plus reduce its processing cost per item. In FY2020, Pos Malaysia plans to introduce more automation, including fully automated processing centres across the country.

Additionally, Pos Malaysia will operationalise its crowdsource delivery rider model, which was successfully tested in 2019. This program will also be extended to existing Pos Malaysia staff as part of its entrepreneurship program, aimed at promoting productivity and improve overall cost of delivery.

Pos Logistics Berhad will refocus its business which will see it move into higher-margin and scalable services and shifting its operational model to become asset-lighter. The growing automotive sector contributes greatly to Pos Logistics' business and we foresee positive growth in 2020.

Pos Aviation is expected to remain resilient in the face of continued global uncertainty brought about by Covid-19. A strategic partnership with SIA Engineering Company (SIAEC) will enable Pos Aviation's engineering services to tap into the global maintenance, repair and overhaul (MRO) market, enhance its technical expertise and expand its product offerings.

Moving forward, we will continue to fine tune our transformation efforts by engaging our customers and stakeholders to transform Pos Malaysia to become the nation's premier postal service provider.

**17. PROFIT FORECAST OR PROFIT GUARANTEE**

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

**18. TAXATION**

Taxation comprises the following:

	3 Months Ended		9 Months Ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Current taxation	4,596	(4,537)	9,298	(325)
Deferred taxation	(24,446)	(1,174)	(35,599)	206
<b>Total</b>	<b>(19,850)</b>	<b>(5,711)</b>	<b>(26,301)</b>	<b>(119)</b>

For the financial period ended 31 December 2019, the tax credit position mainly arose from the unutilised capital allowances and tax losses balance.

**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 RM10.087 million. The final consideration will be determined based on the latest available management financial statements prior to the completion date.

The acquisition is expected to be completed within three (3) months after the signing of the SPA subject to the fulfilment of the conditions precedent to the SPA.

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**20. GROUP BORROWINGS**

Total Group borrowings are as follows:

	<b>Unaudited as at 31.12.2019 RM'000</b>
<b>Long Term Borrowings</b>	
<u>Secured:</u>	
Islamic term loans	83,046
Finance lease liabilities	10,516
- portion repayable within 12 months	(5,783)
	87,779
<u>Unsecured:</u>	
Islamic term loans	206,000
<b>Total Long Term Borrowings</b>	<b>293,779</b>
<b>Short Term Borrowings</b>	
<u>Secured:</u>	
Revolving credit	166,500
Islamic term loans	17,967
Finance lease liabilities	
- portion repayable within 12 months	5,783
Invoice financing	12,975
	203,225
<u>Unsecured:</u>	
Bank overdraft	1,223
Revolving credit	70,300
Islamic term loans	44,000
	115,523
<b>Total Short Term Borrowings</b>	<b>318,748</b>
<b>Total Group Borrowings</b>	<b>612,527</b>

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**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.

<b>Secured</b>	<b>Foreign currency</b>	<b>Foreign '000</b>	<b>RM '000</b>
Long term loan under Islamic financing	USD	19,420	79,545
Short term loan under Islamic financing	USD	3,532	14,467
<b>Total</b>		<b>22,952</b>	<b>94,012</b>

**21. MATERIAL LITIGATIONS**

There is no material litigation pending as at the date of this report.

**22. DIVIDEND**

The Board of Directors will evaluate the payment of dividend when the full year account is adopted in April 2020.

**23. LOSS PER SHARE**

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

	<b>3 Months Ended</b>		<b>9 Months Ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Net loss attributable to Owners of the Company (RM'000)	(171,141)	(13,020)	(215,579)	(24,616)
Number of ordinary shares in issue ('000)	782,777	782,777	782,777	782,777
Basic and diluted loss per share (sen)	<b>(21.86)</b>	<b>(1.66)</b>	<b>(27.54)</b>	<b>(3.14)</b>

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**24. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report of the Group's preceding audited annual financial statements was not subject to any qualification.

BY ORDER OF THE BOARD

SABARINA LAILA BINTI MOHD HASHIM (LS 0004324)

KAMILIA NOR BINTI MOHAMAD KAMAL (LS 0008663)

COMPANY SECRETARIES

Kuala Lumpur

25 February 2020