



## **POS MALAYSIA BERHAD**

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

Interim Financial Report for the Financial Period  
Ended 30 June 2021

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

The Board of Directors hereby announce the unaudited financial results of Pos Malaysia Group (“the Group”) for the current quarter/financial period ended 30 June 2021.

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

	Note	Current Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Revenue		533,891	606,083	1,129,168	1,164,608
Cost of sales and operating expenses		(593,637)	(595,384)	(1,224,512)	(1,169,129)
Other income		6,786	10,471	18,019	15,648
Other expenses		(56,476)	(23,206)	(68,733)	(48,350)
Loss from operations		(109,436)	(2,036)	(146,058)	(37,223)
Finance costs		(10,633)	(11,766)	(22,766)	(23,291)
Share of result of associated company (net of tax)		979	-	3,947	-
<b>LOSS BEFORE ZAKAT AND TAXATION</b>		<b>(119,090)</b>	<b>(13,802)</b>	<b>(164,877)</b>	<b>(60,514)</b>
Zakat		(350)	(343)	(640)	(849)
<b>LOSS BEFORE TAXATION</b>		<b>(119,440)</b>	<b>(14,145)</b>	<b>(165,517)</b>	<b>(61,363)</b>
Taxation	18	(2,404)	(4,876)	(3,109)	(6,880)
<b>LOSS FOR THE QUARTER/ FINANCIAL PERIOD</b>		<b>(121,844)</b>	<b>(19,021)</b>	<b>(168,626)</b>	<b>(68,243)</b>
<b>OTHER COMPREHENSIVE (LOSS)/ INCOME</b>					
<i>Item that will be subsequently reclassified to profit or loss</i>					
Currency translation differences for foreign operations		(1,077)	(1,505)	18	1,492
<b>OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX)</b>		<b>(1,077)</b>	<b>(1,505)</b>	<b>18</b>	<b>1,492</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)</b>		<b>(122,921)</b>	<b>(20,526)</b>	<b>(168,608)</b>	<b>(66,751)</b>

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

	Note	Current Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Loss for the quarter/financial period attributable to Owners of the Company		(121,844)	(19,021)	(168,626)	(68,243)
Total comprehensive loss for the quarter/financial period attributable to Owners of the Company		(122,921)	(20,526)	(168,608)	(66,751)
Basic and diluted loss per share (sen):	23	(15.57)	(2.43)	(21.54)	(8.72)

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2020 and the explanatory notes attached to the interim financial report.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	Unaudited as at 30.06.2021 RM'000	Audited as at 31.12.2020 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		917,910	1,011,944
Investment properties		39,050	39,050
Investment in associates		41,947	38,000
Right-of-use assets		493,577	503,920
Intangible assets		141,790	144,353
Deferred tax assets		1,782	1,885
Derivative asset		1,626	1,626
Other investments		6,854	10,271
		<b>1,644,536</b>	<b>1,751,049</b>
<b>CURRENT ASSETS</b>			
Assets classified as held for sale		12,257	12,559
Inventories		7,446	6,660
Trade and other receivables		940,840	988,918
Other investments		35,797	72,817
Current tax assets		26,041	21,033
Deposits placed with licensed banks		149,664	97,737
Cash and bank balances		158,984	218,752
		<b>1,331,029</b>	<b>1,418,476</b>
<b>TOTAL ASSETS</b>		<b>2,975,565</b>	<b>3,169,525</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital		1,071,392	1,071,392
Reserves		(96,594)	72,014
<b>TOTAL EQUITY</b>		<b>974,798</b>	<b>1,143,406</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	20	275,688	228,307
Lease liabilities		246,627	241,325
Post-employment benefit obligations		1,137	1,318
Deferred tax liabilities		41,239	41,986
		<b>564,691</b>	<b>512,936</b>
<b>CURRENT LIABILITIES</b>			
Liabilities classified as held for sale		4,399	6,732
Trade and other payables		936,365	998,963
Loans and borrowings	20	438,656	445,501
Lease liabilities		53,393	58,611
Current tax liabilities		3,263	3,376
		<b>1,436,076</b>	<b>1,513,183</b>
<b>TOTAL LIABILITIES</b>		<b>2,000,767</b>	<b>2,026,119</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,975,565</b>	<b>3,169,525</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM)</b>		<b>1.25</b>	<b>1.46</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 December 2020 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 January 2021</b>	<b>782,777</b>	<b>1,071,392</b>	<b>1,144</b>	<b>(1,225)</b>	<b>(1,758)</b>	<b>73,853</b>	<b>1,143,406</b>
Loss for the financial period	-	-	-	-	-	(168,626)	(168,626)
Other comprehensive income for the financial period	-	-	-	-	18	-	18
Total comprehensive income/(loss) for the financial period	-	-	-	-	18	(168,626)	(168,608)
<b>At 30 June 2021</b>	<b>782,777</b>	<b>1,071,392</b>	<b>1,144</b>	<b>(1,225)</b>	<b>(1,740)</b>	<b>(94,773)</b>	<b>974,798</b>

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

	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 January 2020</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>
Loss for the financial period	-	-	-	-	-	(68,243)	(68,243)
Other comprehensive income for the financial period	-	-	-	-	1,492	-	1,492
Total comprehensive income/(loss) for the financial period	-	-	-	-	1,492	(68,243)	(66,751)
<b>At 30 June 2020</b>	<b>782,777</b>	<b>1,071,392</b>	<b>1,144</b>	<b>(639)</b>	<b>(363)</b>	<b>313,628</b>	<b>1,385,162</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 December 2020 and the explanatory notes attached to the interim financial report.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>6 Months Ended 30.06.2021 RM'000</b>	<b>6 Months Ended 30.06.2020 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax for the financial period	(165,517)	(61,363)
Adjustments:		
- Depreciation of property, plant and equipment	75,612	81,863
- Depreciation of right-of-use assets	45,212	41,016
- Amortisation of intangible assets	2,563	2,563
- Amortisation of government grant	(1,146)	(1,044)
- Net fair value gain of other investments:		
Financial assets at fair value through profit or loss	(1,074)	(880)
- Finance costs	12,713	15,621
- Interest on lease liabilities	10,053	7,670
- Derecognition of right-of-use assets	(620)	(11)
- Finance income	(795)	(1,253)
- Unrealised foreign exchange differences	2,607	7,399
- Net loss on impairment of receivables	12,322	20,528
- Impairment loss of property, plant and equipment	46,709	3,135
- Inventories written down	215	372
- Zakat	640	849
- Others	(104)	(3)
Operating profit before changes in working capital	39,390	116,462
Changes in working capital:		
Change in current assets	6,108	(10,227)
Change in current liabilities	(61,857)	47,499
Net cash (used in)/from operations	(16,359)	153,734
Tax paid	(9,784)	(5,363)
Tax refund	-	1,324
Interest paid	(10,053)	(7,670)
Zakat paid	(420)	(1,014)
Defined benefits paid	(201)	-
Net cash (used in)/from operating activities	<b>(36,817)</b>	<b>141,011</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	795	1,253
Acquisition of property, plant and equipment	(24,539)	(32,641)
Proceeds from disposal of property, plant and equipment	212	4,569
Net proceeds from redemption of other investments	37,351	88,052
(Increase)/decrease in deposit pledged	(9)	1,175
Settlement of advance from a former subsidiary	28,000	-
Receipt of capital contribution payment from an associate	4,160	-
Net cash from investing activities	<b>45,970</b>	<b>62,408</b>

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

	6 Months Ended 30.06.2021 RM'000	6 Months Ended 30.06.2020 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown on borrowings	125,004	14,777
Finance costs paid	(12,713)	(15,621)
Repayment of borrowings	(85,462)	(45,665)
Repayment of hire purchase liabilities	(1,120)	(3,246)
Repayment of lease liabilities	(34,285)	(32,601)
Restricted cash	19,271	-
Net cash from/(used in) financing activities	<b>10,695</b>	<b>(82,356)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>19,848</b>	<b>121,063</b>
Effects of foreign currency translation	(1,155)	1,984
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	262,664	174,855
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>281,357</b>	<b>297,902</b>
Cash and cash equivalents included in the statement of cash flow comprise the following statements of financial positions amounts:		
Cash and bank balances	158,984	232,402
Deposits placed with licensed banks	149,664	102,985
Cash attributable to assets classified as held for sale	2,119	-
Bank overdrafts	(1,142)	(1,453)
	309,625	333,934
Less: Collections held on behalf of agency payables and money order payables**	(16,656)	(28,476)
Less: Deposits pledged	(529)	(518)
Less: Restricted cash	(11,083)	(7,038)
	<b>281,357</b>	<b>297,902</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 December 2020 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>Lease liabilities</b>	<b>Hire purchase</b>	<b>Islamic term loans</b>	<b>Revolving credits</b>	<b>Invoice financing</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At beginning of the financial period</b>	<b>299,936</b>	<b>4,729</b>	<b>327,943</b>	<b>332,300</b>	<b>7,213</b>	<b>972,121</b>
Net changes from financing cash flows:						
Acquisition of new leases/ hire purchase	32,946	-	-	-	-	32,946
Lease modification	1,423	-	-	-	-	1,423
Drawdown	-	-	100,000	-	25,004	125,004
Repayment	(34,285)	(1,120)	(46,922)	(22,500)	(16,040)	(120,867)
Effects of foreign currency translation	-	-	2,595	-	-	2,595
<b>Total net changes from financing cash flows</b>	<b>84</b>	<b>(1,120)</b>	<b>55,673</b>	<b>(22,500)</b>	<b>8,964</b>	<b>41,101</b>
<b>At end of the financial period</b>	<b>300,020</b>	<b>3,609</b>	<b>383,616</b>	<b>309,800</b>	<b>16,177</b>	<b>1,013,222</b>

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## **EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

### **1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

The interim financial statements have been prepared on a going concern basis despite the Group's losses incurred during the financial period ended 30 June 2021 and as of that date, its net current liabilities position.

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial period ended 31 December 2020 except for the adoption of the following new accounting standards, amendments and interpretations which are applicable to the Group effective 1 January 2021:

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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.

### **3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The Group's operations are not subject to any significant seasonal factors except that mail volume fluctuates during the festive season and at the beginning of calendar year.

**4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE**

There was no material item of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2021.

**5. CHANGES IN ESTIMATES**

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

**6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There was no issuance and repayment of debt and equity securities, shares held as treasury shares and resale of treasury shares for the financial period ended 30 June 2021.

**7. DIVIDENDS PAID**

There was no dividend paid for the current financial period ended 30 June 2021.

**8. SEGMENTAL INFORMATION**

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

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

Other segment includes the hybrid mail which provides data and document processing services, business of internet security products, solutions and services, Ar-Rahnu business including storage and safekeeping fees, buying and selling of investment precious metals, namely gold bars and 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.

## 8. SEGMENTAL INFORMATION (CONTINUED)

Information regarding the operations of each reportable segment is shown below. Performance is measured based on segment results. Segment results is used to measure performance as Management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on a negotiated basis.

The information of each of the Group's business segments for the financial period ended 30 June 2021 is as follows:

Financial period ended 30 June 2021	Postal RM'000	Aviation RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	POS Group RM'000
Total external revenue	787,563	100,996	187,379	53,230	-	1,129,168
Intersegment revenue	2,685	2,349	4,108	34,430	(43,572)	-
<b>Total revenue for reportable segments</b>	<b>790,248</b>	<b>103,345</b>	<b>191,487</b>	<b>87,660</b>	<b>(43,572)</b>	<b>1,129,168</b>
<b>Reportable segment results before share of result of associated company, amortisation of intangible assets and impairment of property, plant and equipment</b>	<b>(127,558)</b>	<b>(12,493)</b>	<b>4,787</b>	<b>15,072</b>	<b>-</b>	<b>(120,192)</b>
Share of results of associated company	3,947	-	-	-	-	3,947
Amortisation of intangible assets	-	(1,326)	(1,237)	-	-	(2,563)
Impairment of property, plant and equipment	(46,708)	-	(1)	-	-	(46,709)
<b>Reportable segment results after share of result of associated company, amortisation of intangible assets and impairment of property, plant and equipment</b>	<b>(170,319)</b>	<b>(13,819)</b>	<b>3,549</b>	<b>15,072</b>	<b>-</b>	<b>(165,517)</b>
Taxation						(3,109)
<b>Reportable segment results after tax</b>						<b>(168,626)</b>
Attributable to: Owners of the Company						<b>(168,626)</b>

## 9. PROPERTY, PLANT AND EQUIPMENT

There is no revaluation of property, plant and equipment from the previous audited annual financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

The Company performed impairment testing on its property, plant and equipment due to impairment indicators that arose. As a result, impairment loss amounting to RM46.7mil has been made as of 30 June 2021.

## 10. SUBSEQUENT EVENT

There has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature that would likely affect substantially the results of the operations of the Group.

## **11. CHANGES IN THE COMPOSITION OF THE GROUP**

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

Companies under MVWU

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

Companies under CVWU

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

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

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

## **12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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**13. LOSS BEFORE TAXATION**

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

	3 Months Ended		6 Months Ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Amortisation of intangible assets	1,281	1,262	2,563	2,563
Amortisation of government grant	(571)	(563)	(1,146)	(1,044)
Depreciation of property, plant and equipment	35,896	40,397	75,612	81,863
Depreciation of right-of-use assets	22,719	20,042	45,212	41,016
Fair value gain of investment securities: Financial assets at fair value through profit or loss	(110)	(287)	(1,074)	(880)
Net loss on impairment of receivables	6,525	17,585	12,322	20,528
Finance costs	6,066	8,073	12,713	15,621
Interest on lease liabilities	4,567	3,693	10,053	7,670
Impairment loss of property, plant and equipment	46,699	3,135	46,709	3,135
Derecognition of net right-of-use assets	(588)	21	(620)	11
Inventories written down (net of write backs)	153	390	215	372
Finance income of financial assets calculated using the effective interest method that are at amortised cost	(243)	(623)	(795)	(1,253)
Net foreign exchange differences	3,223	(9,433)	3,325	10,079

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#### 14. REVIEW OF GROUP PERFORMANCE

Group performance for the financial period ended 30 June 2021.

The Group recorded a revenue of RM1,129.2 million and loss before tax of RM118.8 million for the financial period ended 30 June 2021.

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

	Revenue		(Loss)/profit before tax	
	6 months ended		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Postal	787,563	867,398	(170,319)	(45,693)
Logistics	187,379	142,204	3,549	(20,051)
Aviation	100,996	94,141	(13,819)	(22,126)
Others	53,230	60,865	15,072	26,507
Total	1,129,168	1,164,608	(165,517)	(61,363)

(i) **Postal**

Decrease of revenue in postal segment by 9% is primarily contributed by the drop in postal services following the decrease in mail and parcel volume handled especially from contract customers.

Apart from the lower revenue generated, higher loss registered for Postal segment was contributed by impairment of property, plant and equipment and higher transportation and delivery cost incurred.

(ii) **Logistics**

Logistics segment registered higher revenue by 32% at RM187.4 million during the current period. The increase is mainly from freight management business (especially from freight forwarding) and automotive business (largely from the local automotive production volume and commencement of a new warehouse).

Logistics segment managed to register profit before tax in this current period which saw all businesses from automotive, marine and freight management recording improved profitability compared to the corresponding period last year.

(iii) **Aviation**

Aviation segment contributed higher revenue by 7% at RM101.0 million mainly from increased contribution from e-commerce warehousing and cargo and ground handling businesses.

Lower loss before tax registered for Aviation segment partly due to the higher revenue registered while cost was contained.

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

Group performance for the financial period ended 30 June 2021 (continued)

**(iv) Others**

Other segment which consists mainly of printing and insertion, digital certificates and Ar-Rahnu, registered RM53.2 million revenue during the current period, lower compared to the corresponding period last year. Despite Ar-Rahnu contributing a higher revenue, this was offset with lower revenue from both printing and insertion and digital certificates businesses.

Profit before tax was mainly contributed by Ar-Rahnu and digital certificates businesses albeit with a lower quantum compared to the corresponding period last year.

**(b) Group Loss Before Tax**

For the financial period ended 30 June 2021, the Group registered a higher loss before tax of RM165.5 million compared to RM61.4 million during the corresponding period last year. This is mainly due to lower revenue by RM35.4 million, higher cost of sales and operating expenses by RM55.4 million and higher impairment of property, plant and equipment by RM43.6 million.

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

The Group recorded a higher loss before tax of RM119.4 million in the current quarter ended 30 June 2021 compared to RM46.1 million in the preceding quarter ended 31 March 2021 mainly due to lower revenue by RM61.4 million mainly from Postal segment and impairment of property, plant and equipment by RM46.7 million offset with lower cost of sales and operating expenses by RM37.2 million.

#### **16. FUTURE PROSPECTS**

Pos Malaysia continues to face challenges in the second quarter of 2021 due to Movement Control Order (MCO 3.0).

The nationwide movement restriction continues to pressure our postal segment with a 20% decline in Mail business as a result of multiple operational limitations rising from stricter Standard Operating Procedure (SOP) for bulk mailers and financial institutions. We foresee that the migration to digital alternatives and continuation of movement restrictions will continue to depress mail volumes further.

For Courier business, we registered a 17% decline in volume. Closure of physical outlets by our contract customers during the MCO period had contributed to this decline.

Our Retail business continues to experience minimal activities due to nationwide movement restrictions and shorter operating business hours which compelled customers to switch to online platform. Our International business has yet to normalise due to suspension of services for international mail and parcel.



**16. FUTURE PROSPECTS (CONTINUED)**

In mitigating these challenges, amongst others, Pos Malaysia has introduced Courier price revision for key customers to improve profitability.

As part of Mail rationalisation initiative, four (4) more Mail Processing Centres (MPCs) are expected to be rationalised in Q3 and Q4 of this financial year. Furthermore, we are revisiting our outsourcing models for Pos Rider (PR) and land transportation in order to manage costs better. Pos Aviation continues to manage its operational costs to minimise losses.

Pos Malaysia remains vigilant in ensuring all efforts are taken and that SOPs are adhered to curb the widespread infection of COVID-19. We have reached a vaccination rate of our staff of around 75% for first dose and priority is given to our front liners.

The Company remain cautious on the challenging operational performance for the current financial year ending 31 December 2021, whilst continuing to take appropriate steps to ensure that the near-term prospects remain stable.

**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		6 Months Ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Current taxation	1,112	4,388	3,836	7,858
Deferred taxation	1,292	488	(727)	(978)
<b>Total</b>	<b>2,404</b>	<b>4,876</b>	<b>3,109</b>	<b>6,880</b>

For the financial period ended 30 June 2021, despite the Group recording losses, the current taxation charge arose from certain profit-making subsidiaries.

**19. STATUS OF CORPORATE PROPOSALS**

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

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

The completion of the divestment is subject to the fulfilment of the Conditions Precedent ("CP") in the SPA which was recently extended until 13 November 2021.

**20. GROUP BORROWINGS**

Total Group borrowings are as follows:

	<b>Unaudited as at 30.06.2021 RM'000</b>
<b>Long Term Borrowings</b>	
<u>Secured:</u>	
Islamic term loans	273,055
Hire purchase liabilities	3,609
- portion repayable within 12 months	(976)
<b>Total Long Term Borrowings</b>	<b>275,688</b>
<b>Short Term Borrowings</b>	
<u>Secured:</u>	
Revolving credit	56,500
Islamic term loans	110,561
Hire purchase liabilities	
- portion repayable within 12 months	976
Invoice financing	16,177
	184,214
<u>Unsecured:</u>	
Bank overdraft	1,142
Revolving credit	253,300
	254,442
<b>Total Short Term Borrowings</b>	<b>438,656</b>
<b>Total Group Borrowings</b>	<b>714,344</b>

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 Islamic term loans	USD	13,867	57,555
Short term Islamic term loans	USD	3,749	15,561
Invoice financing	USD	1,160	4,815
<b>Total</b>		<b>18,776</b>	<b>77,931</b>

## **21. MATERIAL LITIGATIONS**

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

21.1 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 matter is set for case management on 16 August 2021 for parties to update the status of filing of the relevant documents in relation to their respective interlocutory applications. The trial dates have been fixed on 26 July 2022 until 29 July 2022.

21.2 The Group is defending an action brought by a shipping agency due to termination of contract without notice. If defence against the action is unsuccessful, the claim on business loss and legal costs could amount to approximately RM14,970,000.

In the Directors’ opinion, disclosure of any further information about the above matters would be prejudicial to the interests of the Group.

## **22. DIVIDEND**

No interim dividend has been declared for the financial period ended 30 June 2021.

### 23. LOSS PER SHARE

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

	3 Months Ended		6 Months Ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Net loss attributable to Owners of the Company (RM'000)	(121,844)	(19,021)	(168,626)	(68,243)
Number of ordinary shares in issue ('000)	782,777	782,777	782,777	782,777
Basic and diluted loss per share (sen)	<b>(15.57)</b>	<b>(2.43)</b>	<b>(21.54)</b>	<b>(8.72)</b>

### 24. FINANCIAL INSTRUMENTS AT FAIR VALUE MEASUREMENTS

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

The Group measured the financial instruments based on:

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>Financial assets</b>										
Other investments	35,797	-	6,854	42,651	-	-	-	-	42,651	42,651
Derivative asset	-	-	1,626	1,626	-	-	-	-	1,626	1,626
<b>Financial liabilities</b>										
Islamic term loans	-	-	-	-	-	-	389,642	389,642	389,642	383,616
Hire purchase liabilities	-	-	-	-	-	-	3,829	3,829	3,829	3,609

**24. FINANCIAL INSTRUMENTS AT FAIR VALUE MEASUREMENTS (CONTINUED)**

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

**25. COMMITMENTS**

	<b>As at 30.06.2021 RM'000</b>	<b>As at 30.06.2020 RM'000</b>
<b>Property, plant and equipment</b>		
Contracted but not provided for	20,480	6,796

**26. RELATED PARTIES TRANSACTIONS**

	<b>6 Months Ended</b>	
	<b>30.06.2021 RM'000</b>	<b>30.06.2020 RM'000</b>
<b>Related companies:</b>		
Sales of services	77,193	50,068
Rental income	4	-
Purchase of services	(3,279)	(2,582)
Payment of lease liabilities	(11,094)	(12,538)
<b>Associates #:</b>		
Sales of services	11,532	7,554
Transportation cost	(125,342)	(81,181)
<b>Companies subject to common significant influence:</b>		
Sales of services	20,773	15,085
Purchase of services	(10,587)	(819)
Rental expense	(336)	(71)

# Comparatives have been represented to conform with the current period's presentation with World Cargo Airline Sdn. Bhd. now being an associate of the Group effective 31 December 2020.

**POS MALAYSIA BERHAD**  
(Registration No. 199101019653 (229990-M))  
(Incorporated in Malaysia)

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

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

BY ORDER OF THE BOARD

SABARINA LAILA BINTI MOHD HASHIM (LS 0004324)  
KAMILIA NOR BINTI MOHAMAD KAMAL (LS 0008663)  
COMPANY SECRETARIES

Kuala Lumpur  
16 August 2021