

FOCUSING

ON OUR PRIORITIES

ANNUAL REPORT **2021**

About This Report



WELCOME TO POS MALAYSIA BERHAD'S ANNUAL REPORT FOR THE FINANCIAL YEAR 2021



Further details on Pos Malaysia Berhad can be found at
<https://www.pos.com.my>



Cover Rationale

To place Pos Malaysia on a firm footing after past challenges, we focused on moving forward on achieving sustainability and service excellence. The horizontal chevrons symbolise our drive to move the organisation forward, as we execute our strategies to improve the core and transform our business for the future. Led by a refreshed leadership bench, we continue to deliver impactful change by putting our customers and our people first. With a focused outlook, together we progress and evolve with the ever-changing business landscape while going the extra mile to deliver the smiles and serve the needs of all.

Pos Malaysia Berhad (Pos Malaysia) is honoured to present this Annual Report as the primary source of information of the Group's financial and non-financial performance for Financial Year ended 31 December 2021 (FY2021). The report will also include the outlook and plans across our business for 2022.

OUR REPORTING SUITE

Pos Malaysia's Annual Report has been produced with the primary objective of providing our stakeholders a comprehensive overview and a balanced assessment of our financial and non-financial performance.

Reading the report, our stakeholders are informed of our strategy, businesses and performance, our approach to governance and risks as well as our business outlook. The report demonstrates our accountability and strengthens the trust of our stakeholders.

SCOPE AND BOUNDARY OF REPORTING

The report covers the primary activities of the Group and our subsidiaries. It presents information relevant for long-term investments as well as provide insights on how we create value through our business model.

The Financial Year ended 31 December 2021 will be referred to as "FY2021" throughout this report.

MAJOR REGULATIONS COMPLIED

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- Companies Act 2016
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards

ASSURANCE STATEMENT

The credibility of this report is supported by strong governance practices. Assurance for this report is provided by our Board of Directors (Board), supported by external verification by KPMG PLT, our auditors for financial information and providers of limited assurance on selected non-financial information.

MATERIALITY AND MATERIAL MATTERS

We apply the principle of materiality in assessing which information is to be included in our Annual Report. For a balanced and coherent report, we focus particularly on issues, opportunities and challenges that materially impact Pos Malaysia and its ability to be a sustainable business that consistently delivers value to our key stakeholders.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements relating to future performance. These statements and forecasts are based on current assumptions and circumstances, which could change, hence necessarily involve uncertainty. Various factors could cause actual results to differ materially from those expressed or implied by these forward-looking statements.



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Who We Are



Pos Malaysia Berhad (Pos Malaysia) has a track record of **over 200** years. Today, Pos Malaysia is a dynamic postal, logistics, aviation, financial services and supply chain solutions provider in Malaysia, with the largest delivery and touchpoint network in the country.

Through its postal segment, Pos Malaysia currently delivers to over **10 million** addresses nationwide, with a network of **more than 3,500** touchpoints and over **350** self-service terminals.

Pos Malaysia connects the nation with **over 200** postal operators globally and extended its capability to support Southeast Asia rapidly expanding cross-border e-commerce businesses.

Pos Malaysia was listed on Bursa Malaysia in September 2001, and has a market capitalisation of **RM0.52 billion** as of 31 December 2021.

MARKET CAPITALISATION

RM0.52
Billion*

REVENUE

RM2.194
Billion

* as of 31 December 2021



Our Businesses



POSTAL

- Domestic mail and parcel delivery service
- International mailing and cross-border shipping
- Bill payments, financial services, postal services and government services in post offices

REVENUE

RM1,520.38

Million

69.3% Group Revenue

- A licensed independent ground handler that offers a comprehensive range of services for commercial passenger and cargo airlines



AVIATION

REVENUE

RM216.05

Million

9.8% Group Revenue



LOGISTICS

- Multi-modal logistics service provider, offering total logistics and inventory solutions

REVENUE

RM345.89

Million

15.8% Group Revenue

- Pos Ar-Rahnu – One-stop gold centre and Islamic microfinancing services



OTHER SEGMENTS

- Pos Digicert – Licensed digital certificate authority, offering creation of digital identities using digital certificates

- Datapos – A dynamic mailing solutions unit offering a range of services including data processing, enveloping, bulk mail services and delivery

REVENUE

RM111.71

Million

5.1% Group Revenue



Our **Purpose Statement**

We are passionate about building trust to connect lives and businesses for a better tomorrow

Our **Customer Promise**



WE DELIVER



WE CONNECT



WE IMPROVE LIVES



Your National Courier



OWN IT

We take ownership to achieve a great outcome.



BUILD TRUST

We win mutual trust with fairness and integrity, always.



ONE TEAM

We work together with others to achieve great results.

Our Values



DRIVE INNOVATION

We challenge the way we do things to create better solutions.



MOVE FAST

We learn, simplify, adapt and act quickly.



DELIGHT CUSTOMERS

We make our customers happy.

Our Presence

PENINSULAR MALAYSIA



560
Post Offices



109
Pos Mini



84
Pos Laju Branches



32
Pos Laju Kiosks



15
Pos Laju Service Centres



9
Mail Processing Centres



2
Integrated Parcel Centres



150
EziBox



71
Pos Ar-Rahnu



19
Ezi-Drive Thru



91
Pos Automated Machines



100
EziDrop

SABAH/SARAWAK



102
Post
Offices



1
Pos Laju
Kiosk



28
Pos Mini



1
Pos Laju
Service Centre



17
Pos Laju
Branches

KOTA KINABALU

SABAH

LABUAN

SARAWAK



4
EziBox



9
Pos Ar-Rahnu



7
Mail Processing
Centres

Delivers to more than
10 million addresses nationwide

Key Highlights

FINANCIAL HIGHLIGHTS

REVENUE
RM2.194 Billion

REVENUE BY SEGMENT



POSTAL

REVENUE
RM1,520.38
Million



AVIATION

REVENUE
RM216.05
Million



LOGISTICS

REVENUE
RM345.89
Million



OTHER
SEGMENTS

REVENUE
RM111.71
Million

RM115,045
REVENUE PER
EMPLOYEE

RM0.92
per share
NET TANGIBLE
ASSET

RM812
Million
TOTAL
SHAREHOLDERS
EQUITY

RM2.689
Billion
TOTAL ASSETS

1.04*
Times
GEARING
RATIO

* (Total borrowings + Total lease liabilities)/Total equity



NON-FINANCIAL HIGHLIGHTS

365 Million

MAIL DELIVERED

87 Million

COURIER ITEMS

Open 7-Day Week

AT 67 POST OFFICES

POS AVIATION

190,000

IN-FLIGHT CATERING MEALS SERVED

POS LOGISTICS

2.2 Million

TONNAGE OF COAL SHIPMENTS

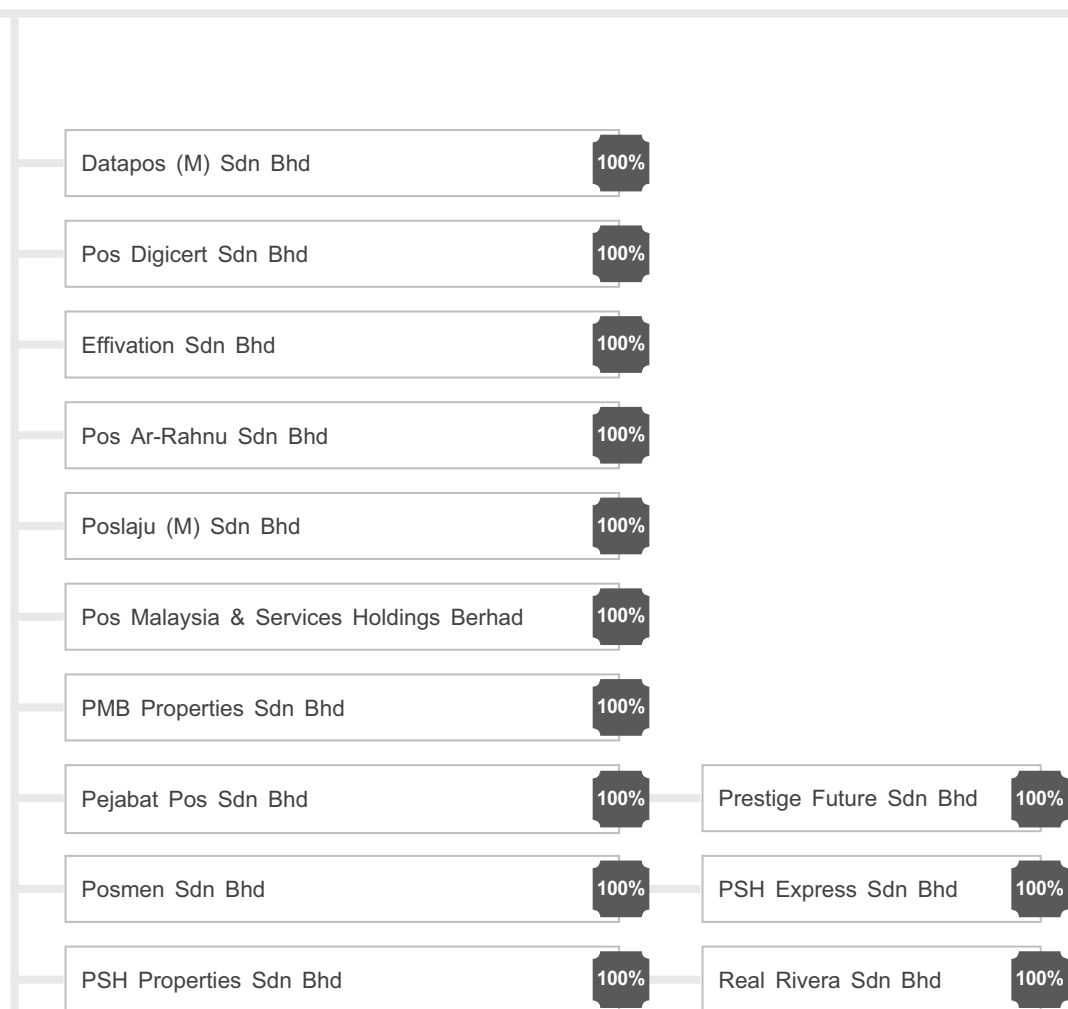
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COMMUNITY POSTMEN AND AGENTS IN SABAH AND SARAWAK

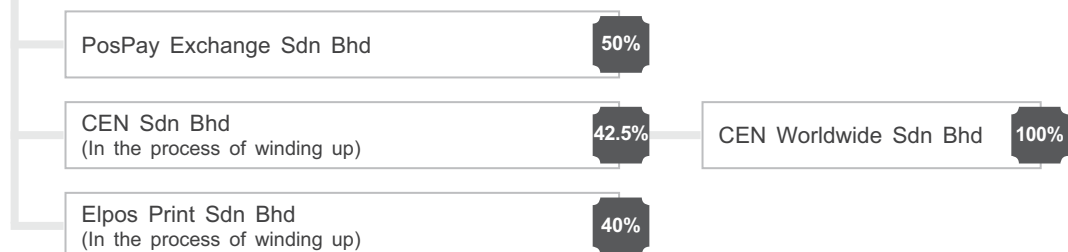
How We Are Structured



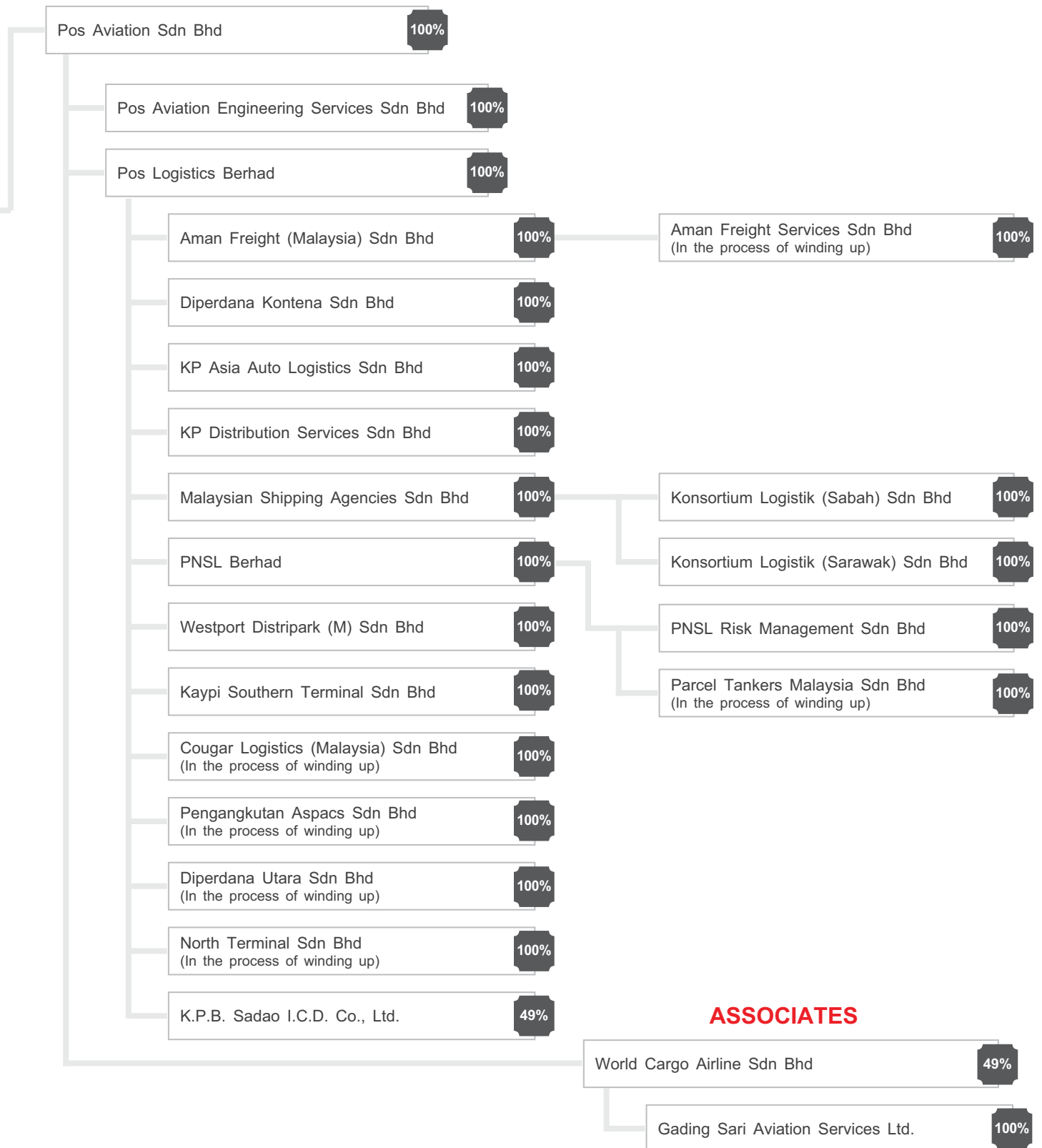
POSTAL GROUP



ASSOCIATES

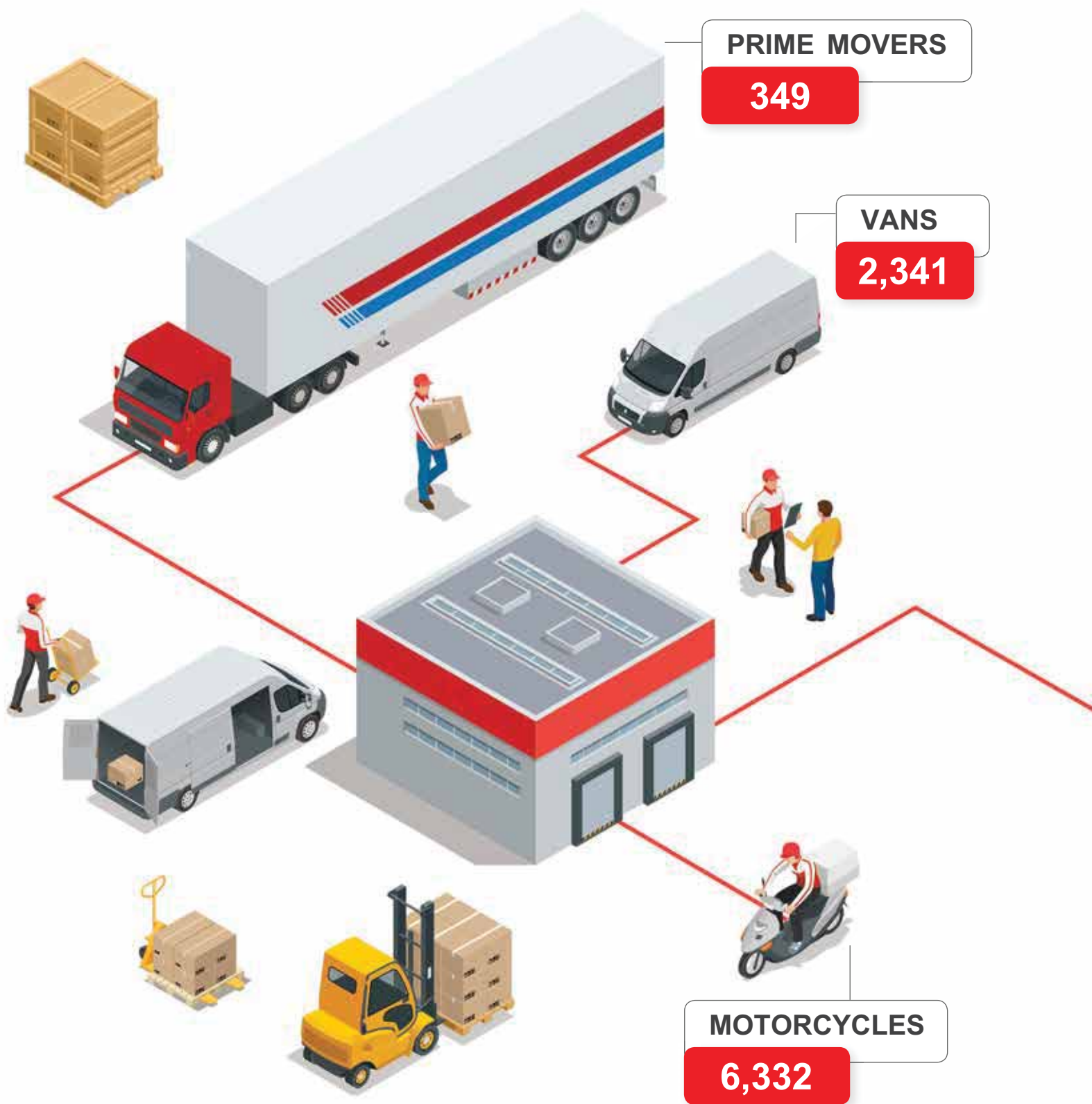


AVIATION & LOGISTICS GROUP



ASSOCIATES

Our Logistic Assets



FREIGHTER AIRCRAFT*

3



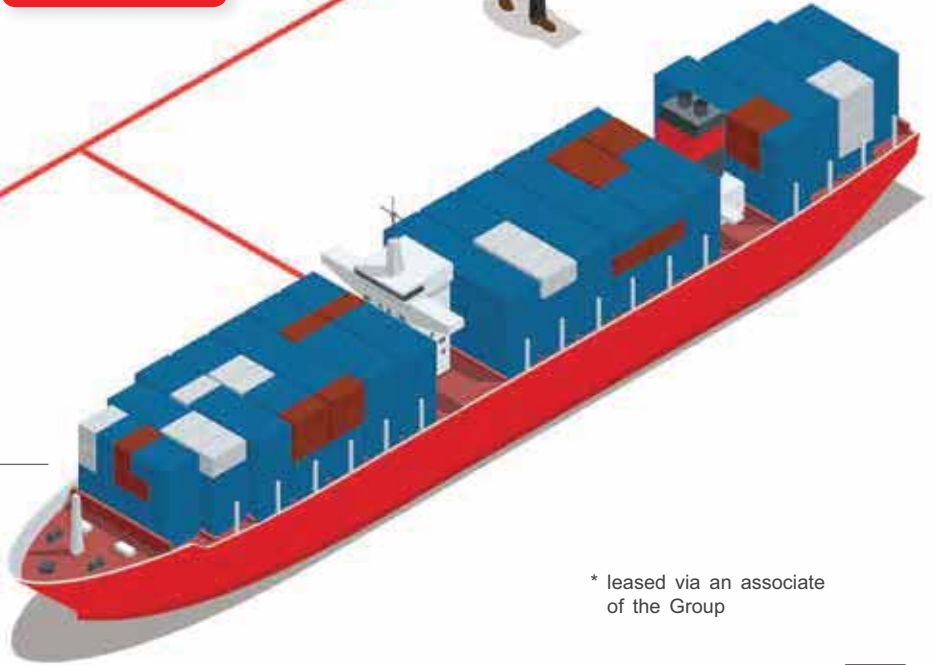
LORRIES

349



BULK CARRIER VESSELS

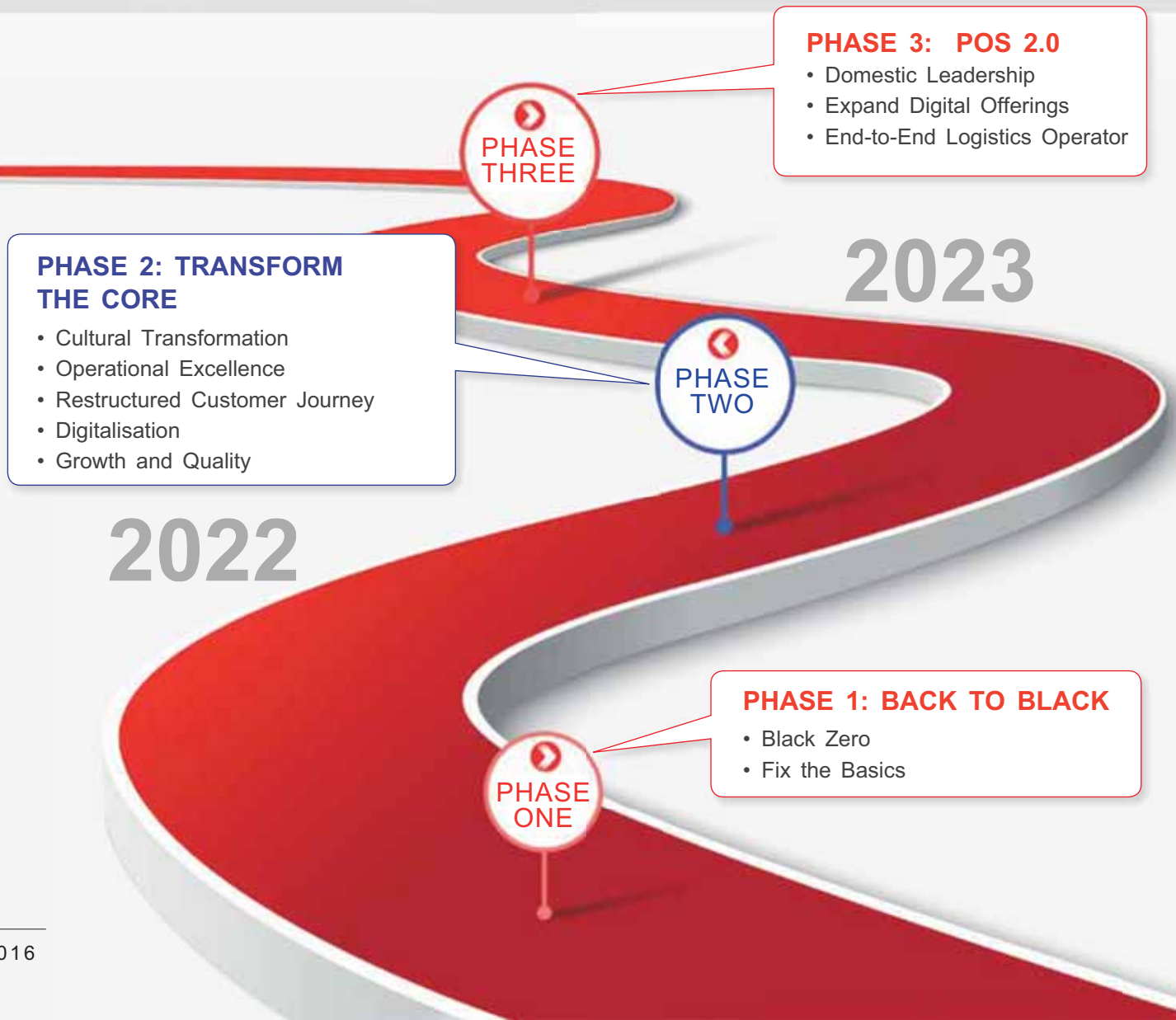
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* leased via an associate of the Group


Strategy and Transformation

Our Roadmap Over the Next Three Years



What We **Need To Do**

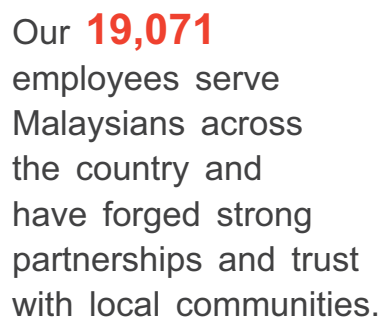
Our Competitive Strengths



We continuously invest in **digitalisation**, enabling us to constantly improve the level of service we provide to **our customers**.



Pos Malaysia is the **largest postal and courier operator** in the country with unparalleled nationwide reach, sizeable logistic assets and end-to-end logistics capability.



Our **19,071** employees serve Malaysians across the country and have forged strong partnerships and trust with local communities.

Chairman's Statement

Moving ahead, whatever it takes

“ We play a vital role in connecting people, communities and companies across the country, and that role has never been more important than during the pandemic we have experienced over these preceding two years. ”

Dear Shareholders,

Pos Malaysia remained a reliable anchor of Malaysia's postal system in 2021. As the country gradually recovers from the impact of multiple movement restrictions, logistics has been at the forefront of the disruption caused by the COVID-19 pandemic and has undergone major adjustment.

As the sole licensee for universal postal services in the country, Pos Malaysia delivers to more than 10 million addresses nationwide. That role has given us a unique position at the heart of Malaysian lives and businesses for more than two centuries. We play a vital role in connecting people, communities and companies across the country, and that role has never been more important than during the pandemic we have experienced over these preceding two years.

The last two years have also seen the acceleration of key trends that were obvious even before the pandemic, including the decline of traditional mail, the switch to contactless transactions, the growth of e-commerce and a boom in demand for parcel delivery services. The rapid acceleration of these trends is reshaping the core businesses in which we operate, and our company will have to evolve even faster if we are to stay ahead of the curve to deliver value to our people, our customers and our shareholders.

DELIVERING SUSTAINABLE VALUE

Pos Malaysia is committed towards building value for shareholders and a central part of this is our focus to reverse the impact of the pandemic by returning to profitability as soon as possible. In December 2021, the Board approved a new three-phase strategy to address the challenges and to also capitalise on the opportunities of a landscape that has been radically transformed by the COVID-19 pandemic.

As we have reported previously, the mail business continues to decline, mimicking a global trend that began as the internet took over as a quicker and more efficient form of communications. Thus, moving forward, Pos Malaysia aims to pivot from principally being a mail service provider to offering parcel delivery solutions by seizing on the fast-growing courier market. This will serve the booming e-commerce industry that is recording continuous growth annually.

Pos Malaysia aims to remain laser focused on customer-centricity, improving productivity and achieving the highest delivery standards. The scale of the challenge that we face is massive, but the strategy, the effectiveness of its implementation and an operating environment that is supportive of a rebound in our business areas leaves us confident that we are well-positioned for a return to growth.

FORTIFYING LEADERSHIP

The Board has taken measures to effectively deliver our strategic objectives. In August 2021, we appointed Charles Brewer as the new Group Chief Executive Officer and realigned the Company's organisational structure to reflect our priorities. Charles joins us from Canada Post, bringing with him more than 34 years of experience in the mail and logistics industries in a range of countries. Charles is supported by a new leadership bench who are industry experts, to turn our aspiration into fruition.

INTEGRATING SUSTAINABILITY

In the vital area of sustainability, we recognise that we can and must do more. Malaysia has made its stance clear towards achieving carbon neutral status by 2050. Pos Malaysia must align itself to this especially for the impact it carries by processing the widest touchpoints across the country. The Board has approved the new greening plan, which underlines a comprehensive sustainability roadmap for our company. In strengthening the governance and execution of the framework, the Company has set up a dedicated unit headed by a Head of Sustainability. The greening plan sets clear targets and timeframe of sustainability measures into all areas of our business and operations to reduce the negative impact towards the environment.

A full discussion of our approach to Sustainability can be found on pages 124 to 153 of this Report.

STRENGTHENING CORPORATE GOVERNANCE

As a public-listed company, Pos Malaysia upholds the highest standards of governance. Integrity and accountability remain a key focus, and throughout the year, efforts to fortify this important subject continued. Gaps were identified and mitigation plans put in place, and specifically, the Anti-Bribery and Anti-Corruption Policy was formulated to augment the existing Whistleblowing Policy.

Additionally, as part of our fundamental attributes, the Company is taking strides to bolster the values and beliefs to form the right culture environment with integrity as the foremost virtue.

ACKNOWLEDGEMENTS

Pos Malaysia's successes, as one of the oldest businesses in Malaysia, are the result of the contribution by various parties. On behalf of the Board of Directors, I would like to take this opportunity to acknowledge the many stakeholders who have been with us over the years. Of note, I would like to thank the government, Ministry of Communications and Multimedia (KKMM), our regulator the Malaysian Communications and Multimedia Commission (MCMC), relevant agencies, our partners, vendors and customers for their steady and invaluable support. I would also like to thank our shareholders for their trust in our ability to ride out challenging times to emerge stronger and continue to deliver.

Most of all, I would like to express my gratitude to the entire workforce at Pos Malaysia for their passion and loyalty to the organisation. To my colleagues on the Board, thank you for your time and wise counsel. To our management, and especially our Group Chief Executive Officer, Charles Brewer, thank you for your inspired and inspiring leadership. And, to all our frontliner employees, despite the challenges, you continued to serve the nation, delivering parcels, documents and letters to every inch of the land and beyond. Your dedication in doing whatever it takes to deliver exemplifies the very best of our company. My heartfelt appreciation for all the hard work and sacrifices. With the continued collaboration and support of everyone, we can achieve great things together.

Syed Faisal Albar
Chairman

Group Chief Executive Officer's Statement

Built over two centuries of
delivering to more than 10 million
addresses across the nation

“ Malaysia’s
e-commerce is
growing at 18% a
year, fuelling demand
for the comprehensive
logistics services
offered by us.”

Dear Shareholders,

It is an honour for me to have taken up the position of Group Chief Executive Officer (GCEO) of Pos Malaysia in August 2021. I assume this role at a time when the postal industry worldwide is going through a rapid change, with the decline of the traditional mail, which has been the core business of postal companies, and the rise in demand for parcel deliveries. Postal companies globally have had to adapt and evolve to remain relevant and Pos Malaysia is no different.

As the national postal service provider which has been in operation for over 200 years, Pos Malaysia has diversified beyond the traditional provision of Mail and Parcel delivery to offer Retail, Logistics and Aviation products and services.

Proactively responding to the decline in mail volumes, underpinned by the rising trend of e-commerce, Pos Malaysia has embarked on a journey to reinvent its business model. This has seen the organisation go through a series of transformations to capitalise on growing market opportunities, especially in the segment of parcel deliveries which has benefited from the rise in e-commerce. Malaysia’s e-commerce is growing at 18% a year, fuelling demand for the comprehensive logistics services offered by us. In short, Pos Malaysia has pivoted from being a mail company that also delivers parcels, to a parcel company that also delivers mails.

OUR OPERATING ENVIRONMENT IN 2021

The launch of our three-phase transformation strategy in 2021 took place against a challenging backdrop. In addition to the long-term decline in mail volumes, pandemic-related Movement Control Orders (MCO) imposed by the Government from March to August 2020 negatively impacted our Retail and other Postal operations. At the same time, the continued closure of international borders and disruptions to global supply chains had a negative impact on our Logistics, Aviation and International businesses.

The logistics landscape continued to evolve rapidly during the year. The prolonged MCO saw customers shift to online shopping, driving demand for logistics and parcel delivery services.

Although a fast-growing segment, the parcel delivery industry is highly competitive and challenging. Aggressive competition from new entrants and insourcing of logistics by shopping platforms continue to test the performance of the parcel segment. Additionally, the sector has some established players with extensive financial resources, as well as, at the other end of the spectrum, a number of crowdsourcing start-ups with low overheads - both offering aggressive and unsustainable low prices. To ensure the long-term viability of the industry, we will continue to engage with the industry regulators to introduce a more sustainable business model.

Demand growth in parcel delivery industry will remain strong. Malaysia's digital economy is expected to grow from 22.6% of GDP by the end of 2021, to 25.5% of GDP by 2025. This growth will be underpinned by rebounding incomes, high internet penetration rates and the lasting shift in consumers' behaviour brought about by the pandemic. Pos Malaysia is taking concrete steps to capitalise on this opportunity.

DELIVERING GROWTH

As we work to establish our leadership position in the domestic courier industry, Pos Malaysia retains key advantages. Pos Malaysia has the most extensive last-mile reach, built over two centuries, of delivering to more than 10 million addresses across the nation. We also have an unrivalled retail footprint with more than 3,500 touchpoints in the form of our post offices, and our brand is known and loved by all Malaysians.

In 2021, we took concrete steps to respond to the rapidly-evolving logistics landscape. We set things in motion to strengthen our leadership bench to pave the way for sustainable future growth. Since August 2021, the new team has put in place a refreshed transformation programme focused on the three key pillars of having Highly Motivated, Engaged and Safe Employees; Delivering Service Quality & Delighting our Customers and Delivering a Profit.

Our people are true Pos Malaysia heroes, and they will determine the success of our transformation programme. Pos Malaysia is investing in a culture change programme called *Pos Wira* (or hero) that aims to nurture a dynamic workplace in which our people are highly engaged, purpose-driven, safe and focused on delivering performance.

Although the transformation plan was only rolled out in August 2021, early and significant wins are already evident. From a service perspective, Pos Malaysia is now consistently meeting its service-level agreement (SLA) of next-day delivery by more than 90%. In a regular internal mystery shopper programme to benchmark our performance against key competitors, Pos Malaysia is consistently the courier service provider with the fastest delivery.

In building trust and transforming the customer journey, customer service has been a key focus and Pos Malaysia now offers 7-day a week pick-up and delivery, has extended its operating hours at more than 120 retail points, opened express lanes for parcel shippers and is utilising online and offline chat channels to enhance the customer journey.

Financially, we have also made significant strides in reducing our losses since the launch of our strategy. The average loss per month of RM21.0 million (before exceptional items) between January and July 2021 has been narrowed to RM12.5 million since the launch of the turnaround plan. In December 2021, we conducted a mutual separation scheme (MSS) that reduced overhead headcount by over 500 people, resulting in cost-savings of RM3.1 million per month.

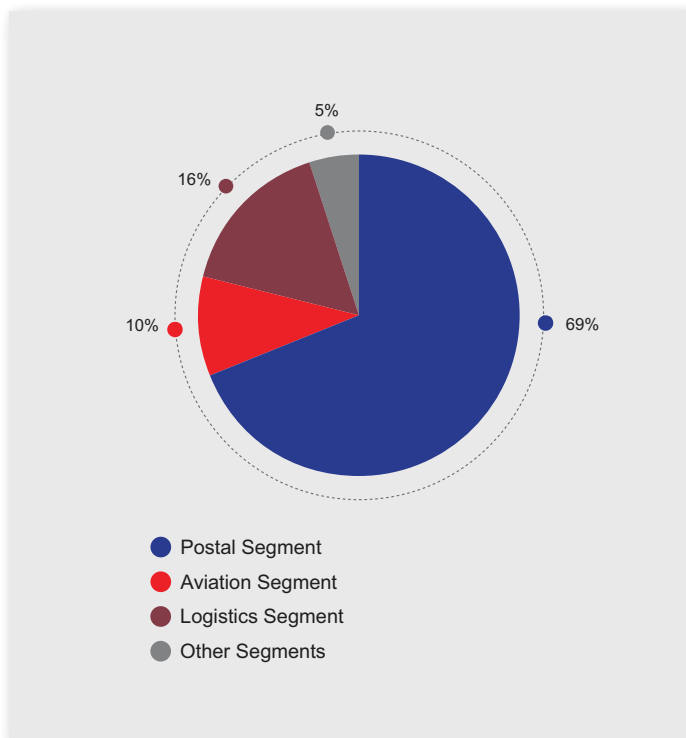
Group Chief Executive Officer’s Statement

OUR PERFORMANCE

In a year marked by operational challenges, Pos Malaysia achieved revenue of RM2.2 billion in FY2021, representing a 5.9% decline from the previous year. Our loss for the year stands at RM335.7 million. Our performance in 2021 reflects the disruption to our business caused by the pandemic, the structural decline of the mail business, the elevated costs of compliance with pandemic SOPs, our reorganisation and restructuring charges, and a drop in e-commerce volumes since the end of the MCO.

Segmental Performance Review

Our **Postal** Segment, which consists mainly of the Courier and Mail businesses, continued to be the main revenue contributor to the Group, accounting for 69% of revenue in FY2021. This was followed by the Logistics at 16%, Aviation at 10% and Others at 5%.



Our **Postal** segment, which remains the core of our business, saw a decline in revenue of 12.5%, to RM1,520.4 million, amid the challenging operating environment. The Mail business saw volumes decline by 20% during the year, reflecting the long-term shift away from traditional mail. The financial impact was somewhat mitigated by higher mail tariffs and higher prices for bulk mail services, but revenue from our Mail operations declined by 12.6% to RM514.8 million for the year.

The **Courier** business saw a decline of 21.0% in volume and 9.4% in revenue to RM716.7 million in 2021 due to a combination of intensified competition, the insourcing of delivery by major e-commerce players and consumers switching back to bricks-and-mortar shopping after the end of the MCO in August. However, Pos Malaysia is confident that the measures put in place in our Courier business, including industry-leading delivery times and the rationalisation of product offerings, will position us for exciting growth as we move forward.

Revenue at our **Retail** business declined by 7.7% due to a sharp drop in footfall and shorter operating hours during the MCO. Likewise, the International business experienced a 33.0% drop in revenue as the pandemic continued to disrupt our international postal network, which impacted mail delivery and cross-border shipments. Both the Retail and International businesses are positioned for a stronger performance in the year ahead with the end of domestic movement restrictions and reopening of Malaysia’s borders.

Our **Logistics** segment recorded a 10.2% rise in revenue to RM345.9 million, mainly due to a rebound in demand for auto-logistics and freight forwarding services. Growth for the year was concentrated in the first and fourth quarters, with slower performance during the second and third quarters due to the MCO.

Our **Aviation** segment saw a 32.5% rise in revenue to RM216.1 million as both domestic and international flights slowly began to resume with the easing of the MCO and the partial reopening of international borders. Leveraging on these opportunities, Aviation secured new cargo and ground handling contracts from a range of airlines, cargo companies and e-commerce players, with the total volume of cargo handled rising by 17% during the year.

Our **Others** segment, which includes the Datapos and Digicert services, as well as our Pos Ar-Rahnu Islamic pawnbroking business, saw a 5.3% decline in revenue to RM111.7 million. The Pos Ar-Rahnu business saw an 8.2% rise in revenue to RM69.3 million, despite the COVID-19 related restrictions on its operating hours, while the other two businesses saw a fall in revenue.

ACCELERATING DIGITALISATION

As a central part of our growth plan, Pos Malaysia has launched a comprehensive digital strategy that encompasses both our business and operations. Our aim is to deliver increasingly customer-centric solutions at all levels of our business while driving operational efficiencies across our organisation. In 2021, we launched our three-year Information & Communications Technology (ICT) transformation programme, which has already begun to deliver visible outcomes in terms of cost efficiencies and improved customer satisfaction.

As part of this digital optimisation process, we aim to move 80% of our services to more efficient cloud-based platforms by the end of 2022. The investments that we are making will strengthen our digital core and widen our service delivery channels across our business, providing essential building blocks for our further growth.

OUR PEOPLE

The quality of our workforce has been clearly demonstrated over the last two years by the lengths to which our people have been willing to go to, ensuring that Malaysians continue to have access to the vital services that we provide.

Moving forward, our aim is to build a team that can drive change by connecting ideas and actions, and who are receptive towards the new technologies and new modes of operation that are increasingly driving our business. To enable our workers to keep providing excellent service to our customers and creating value for our stakeholders, we have continued to invest in their digital upskilling and other essential areas of training. Alongside that, we have taken the necessary measures to simplify our decision-making and execution by streamlining our organisation structure through the MSS in December.

We have also engaged extensively with the trade unions within Pos Malaysia to ensure that all members of our workforce understand the direction in which Pos Malaysia is heading and the need for change. I am pleased to say that the unions have been supportive of our plans. The essential changes that we have made to the way we operate, including keeping our post offices open on the weekend and 7-day pick-ups and deliveries, have had their strong support. I look forward to a continued fruitful relationship with them.

OUTLOOK

The year ahead looks set to be more favourable for key areas of our business with the shift to the endemic phase of COVID-19 and the reopening of international borders supporting growth in our Retail, International, Logistics and Aviation businesses, driven by rebounding consumer demand.

The vital e-commerce sector is also expected to keep growing, albeit at a slower rate as the world reopens. At the same time, aggressive competition in the courier industry is set to continue and the mail delivery business, which has been at the heart of what we do for almost 200 years, is projected to see continued declines.

Against what will remain a challenging backdrop, we believe the strategy that we have adopted of pivoting to parcels, investing in digitalisation and automation, enhancing customer-centricity and maintaining a strict focus on cost discipline is the right one to bring us back to profitability and deliver a sustainable future. Going forward, a key priority will be for us to diversify our customer base. Pos Malaysia seeks to capitalise on the growing e-commerce parcel sector, increase parcel yields and focus on the long-tail business-to-customer (B2C), direct-to-customer (D2C) and business-to-business (B2B) sectors.

Our focus in 2021 was on getting the basics right and we have made a strong start, but much remains to be done. In 2022, Pos Malaysia will focus on our core transformation programme and we are committed to our purpose of being passionate about building trust to connect lives and businesses for a better tomorrow.

“ Moving forward, our aim is to build a team that can drive change by connecting ideas and actions, and who are receptive towards the new technologies and new modes of operation that are increasingly driving our business. ”

Group Chief Executive Officer's Statement



“ Our aim is to deliver increasingly customer-centric solutions at all levels of our business while driving operational efficiencies across our organisation.”

ACKNOWLEDGEMENTS

On behalf of management, I would like to convey my appreciation to our Board of Directors, who have been guiding us through our transformation journey.

I also wish to express my gratitude to our Chairman, Dato Sri' Syed Faisal Albar and the Board of Directors for their confidence in appointing me to the role of GCEO and for their support as we navigated the challenges of the last year.

To our shareholders and customers, I would like to thank you for the trust you have placed in us and your continued support. To the Government and particularly our regulator, thank you for maintaining close and collaborative engagements with us.

I also wish to thank my colleagues on the leadership team for the excellent work that they have done and I look forward to continuing to work with you.

Finally, I wish to thank the 19,071 members of our workforce for the extraordinary work that you do every single day. You truly are *Pos Wiras*.

Thank you, please stay safe and remain vigilant.

Charles Brewer
Group Chief Executive Officer



A. STRATEGIC REVIEW

Operating Environment

Pos Malaysia’s ability to keep creating value for our stakeholders is dependent on our ability to negotiate the fast-evolving operating environment. The external operating context has a direct impact on our profitability, the risks that we face and our strategic decision-making.

Throughout 2021, the COVID-19 pandemic continued to have a pervasive impact across all areas of our operating environment, but businesses and society have effectively adapted to the new reality. The pandemic has also accelerated key trends in the industry in which we operate: specifically, mail volumes have declined significantly while there has been a sharp increase in parcel volumes. In the year under review, Pos Malaysia took effective measures to capitalise on the changes that the pandemic has created in our operating context.

MOVEMENT RESTRICTIONS AND BORDER CLOSURES

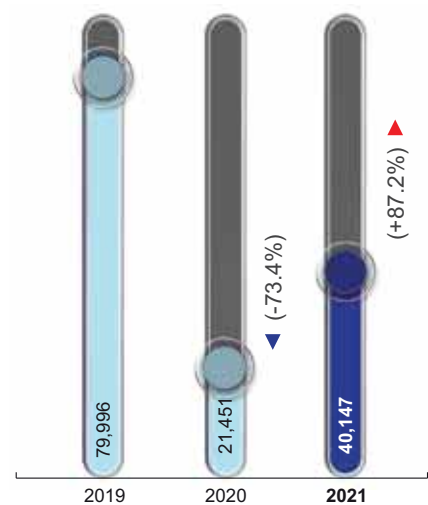
In response to a rise in COVID-19 cases, the Malaysian government reimposed a Movement Control Order (MCO) from March to August. This led to a sharp drop in economic activity across the country, impacting many of our services. The continued closure of Malaysia’s international borders to most passenger travel also saw a major drop in commercial passenger flights, with direct consequences for key areas of our business.

Impact: The MCO drove demand for our courier services, as consumers turned to online shopping. However, the national-level movement restrictions negatively impacted most of our other Postal operations, while the continued closure of international borders and disruptions to global supply chains had a strongly negative impact on our Logistics, Aviation and International businesses. On the whole, the national and international movement restrictions had a highly negative impact on our performance, with gains in the courier business being insufficient to mitigate the losses in other areas.

How We Responded: We capitalised on the opportunity in the courier market by improving service efficiency and service levels. The Logistics, Aviation and International businesses imposed various efficiency measures to cope with the sharp drop in business, while pursuing new clients and establishing partnerships in preparation for the reopening of international commerce and travel. The specific responses by our different business segments are explained in the Business Review section from page 038 to page 071 of this report.

Outlook: The end of the MCO in August 2021 has seen a rebound in economic activity that is supportive of our business performance. The shift to the endemic phase of COVID-19 and the reopening of international borders in 2022 will provide further support for the turnaround in our performance as we capitalise on the rapid growth of domestic and cross-border e-commerce, and the resumption of international commercial flights.

Aircraft Movement Malaysia



Source: Malaysia Airport Holding Berhad Passenger Traffic Report 2020 & 2021

2020: https://mahb.listedcompany.com/misc/operatingstatistic/2020/Passenger_Traffic_Snapshot_Dec_2020.pdf

2021: <https://mahb.listedcompany.com/misc/operatingstatistic/2021/PassengerTrafficDecember2021.pdf>

INTENSIFIED COMPETITION IN THE COURIER MARKET

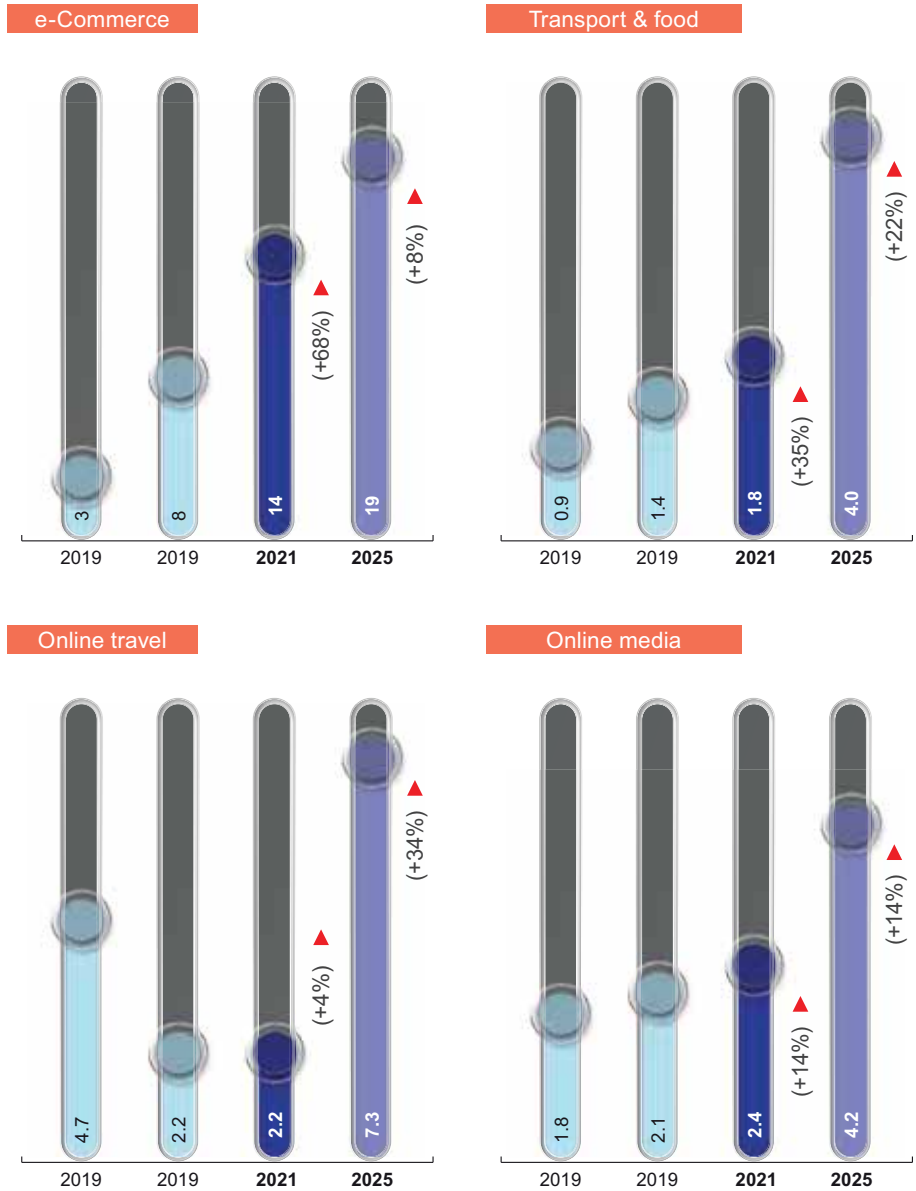
The rapid growth in the e-commerce market, which is growing at 18% per year, has fuelled a demand for courier services. This has attracted an increasing number of players into the market, with more than 109 licensed courier operators in Malaysia at the end of 2021. Additionally, major e-commerce players are, increasingly, choosing to insource their logistics operations.

Impact: Price competition has led to reduced average revenue per item and margin compression across the industry. This has been aggravated by numerous new entrants engaging in price-dumping in order to gain market share, which undermines the viability of the courier industry.

How We Responded: We have improved competitiveness across our courier services. Pos Malaysia now offers the highest level of on-time deliveries in Malaysia's courier industry, at 92%, as well as seven days a week pick-up and delivery. We have also increased efficiency by merging our mail and courier delivery networks. Additionally, we have worked to diversify our customer base in order to reduce dependence on just a few large e-commerce companies. Pos Malaysia has also continued to engage with regulators on industry reform measures to ensure the sustainability of the courier market.

Outlook: Competition in the courier market will remain fierce in the short term as new entrants seek market share, but our industry-leading service levels, unrivalled distribution network and high brand recognition give us a major advantage as we seek to establish our leadership in the national courier market. Additionally, the receptiveness of regulators to our proposals for rationalisation in the pricing structure in the industry should lead to an end to the predatory practice of price-dumping and improvement in margins for viable players.

GMV per sector (\$B)



Source:
 E-Conomy SEA 2021 Report
https://www.bain.com/globalassets/noindex/2021/e_conomy_sea_2021_report.pdf

A. STRATEGIC REVIEW

Operating Environment



DIGITALISATION

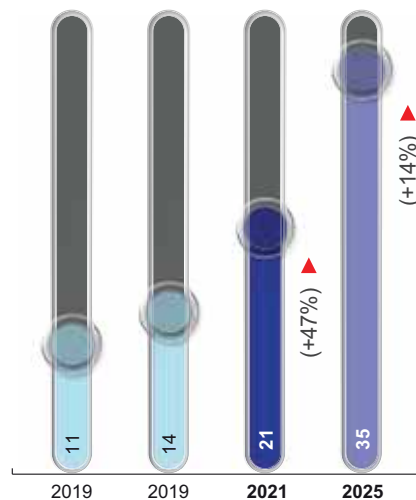
The pace of digital take-up and transformation globally has been greatly accelerated by the COVID-19 pandemic as people and businesses sought to reduce human contact by opting for remote transactions. Many of these changes are set to persist, with online shopping and e-commerce now an established part of the economy as businesses and consumers embrace the wider choices and convenience that it offers. Reflecting this trend, the Malaysian government projects that the country’s digital economy will grow from 22.6% of GDP at the end of 2021 to 25.5% of GDP by 2025.

Impact: The largest impact on our performance from increased digitalisation has been the growth in the parcel delivery industry as a result of the boom in online shopping and the accelerating decline in traditional mail services as people switch to electronic communication. The growth in digital services has also seen reduced demand for our over-the-counter services, whether in terms of parcel drop-offs or additional services such as bill payments, leading to reduced footfall at our post offices.

How We Responded: We have expanded and optimised our parcel delivery service to capture growing volumes from the e-commerce market, which includes moving to seven days a week deliveries and pick-ups, which can be digitally scheduled. Additionally, we launched our three-year digital transformation programme, which aims to deliver customer-centric solutions at every level of our business while driving operational efficiencies across our organisation.

Outlook: The shift by consumers and businesses towards online commerce and digital solutions is structural, and working to capitalise on the resulting rapid growth of the parcel delivery industry is at the heart of our growth strategy.

Internet economy by GMV (\$B)



Source: E-Conomy SEA 2021 Report https://www.bain.com/globalassets/noindex/2021/economy_sea_2021_report.pdf

WORKFORCE CHALLENGES

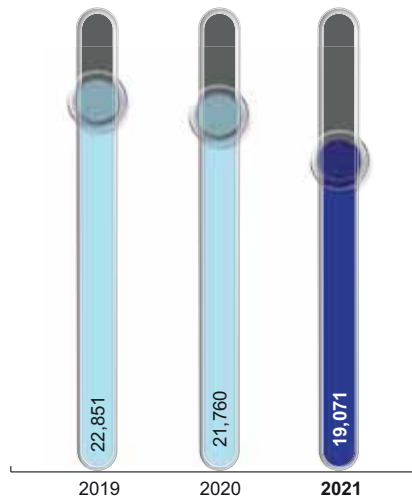
Having the right people in our workforce is essential to executing our growth strategy and to deliver on our corporate transformation plans. The right people, however, are in high demand and competition for top talent has increased due to the COVID-19 pandemic, which has led many qualified individuals to opt out of traditional corporate careers and towards remote working and gig jobs.

Impact: Our rapidly-evolving business environment and the implementation of our turnaround plan have revealed the existing gaps in our human resource base and employee performance. It has also shown the need for us to adopt a more agile workforce structure and a more customer-centric HR policy that is aligned with our strategic goals.

How We Responded: We carried-out a workforce rationalisation programme via a Mutual Separation Scheme (MSS) and implemented a freeze on the recruitment of new Pos Riders. Alongside that, we have continued to invest in upskilling our human capital, providing training in digital and other essential skills. We have also continued to recruit new talent that is necessary for us to deliver on our transformation plans while working to better align our human resources policies with the evolving needs of our company.

Outlook: Attracting and retaining the right people will remain a constant challenge as the type of skills needed by Pos Malaysia will continue to evolve as we seek to stay ahead of the rapid changes that are reshaping our business landscape. We will maintain our focus on recruiting people with the right skills and experience, and on constantly investing in our people to equip them with the skills that our evolving business needs.

Number of employees



ENVIRONMENTAL STEWARDSHIP

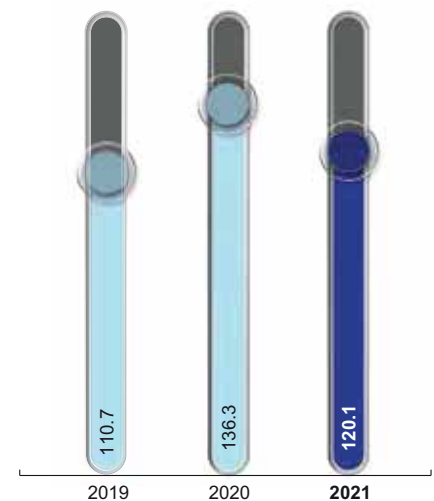
The issues of environmental stewardship and carbon emissions continue to move to the centre for businesses as regulators, customers, investors and shareholders all raise growing concerns about the threat from climate change. Across the board, stakeholders are demanding greater transparency on the environmental impact from business and what companies are doing to mitigate their environmental footprint. Among institutional investors, there has been a strong rise in appetite for climate-aligned and net-zero investment opportunities across Asia, over the last several years, with carbon footprint analysis now commonly conducted by investors. At the national level, the Securities Commission strengthened its regulations around sustainability governance in 2021.

Impact: Companies face higher costs from complying with tighter environmental standards. Additionally, as a universal services provider, there is a need for us to engage with a wider range of stakeholders in order to ensure our reputational integrity.

How We Responded: Pos Malaysia developed our new greening plan that aims to embed sustainability practices into all areas of our business and operations. The plan sets out clear targets and timelines for achieving visible reductions in our environmental footprint by focusing on key areas, including our vehicle fleet, resource usage and waste management. The plan also strengthens our sustainability governance framework, with clear lines of reporting to the Board on sustainability matters.

Outlook: Pos Malaysia will move beyond simple compliance with current environmental and sustainability standards by implementing our strategy to proactively reduce our company's environmental footprint and enhance sustainability disclosure as part of our next phase of growth. Moving forward, scrutiny of companies' environmental impact and policies will continue to intensify, with a likely further tightening of environmental and emissions standards. We would welcome these developments as they align with our own values as a responsible corporate citizen.

Emission
(ktCO₂e)*



*ktCO₂e = kilotonnes of carbon dioxide equivalent

B. PERFORMANCE REVIEW

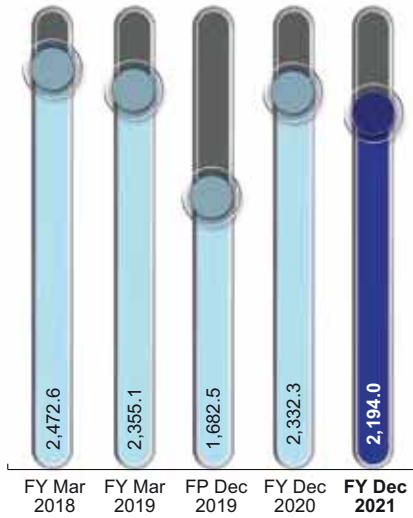
5-Year Group Financial Summary

	FY Mar 2018	FY Mar 2019	FP Dec 2019	FY Dec 2020	FY Dec 2021
Profit/(Loss) Before Tax (RM' million)	117.3	(158.4)	(241.9)	(303.5)	(331.4)
Profit/(Loss) Before Tax Margin (%)	4.7	(6.7)	(14.4)	(13.0)	(15.1)
EBITDA Margin (%)	11.7	1.5	(1.0)	(0.1)	(2.3)
Return on Assets (%)	2.8	(5.1)	(6.4)	(9.7)	(12.5)
Return on Equity (%)	4.8	(9.7)	(14.8)	(26.9)	(41.4)
Balance Sheet					
Total Assets (RM' million)	3,374.6	3,281.9	3,345.2	3,169.5	2,688.8
Total Equity (RM' million)	1,947.4	1,715.4	1,451.9	1,143.4	811.6
Equity attributable to Owners of the Company (RM' million)	1,945.3	1,715.4	1,451.9	1,143.4	811.6
Current Ratio (Times)	1.2	1.1	1.0	0.9	0.9
Staff Information					
No. of staff (No.)	22,915	23,353	22,851	21,626	19,071
Revenue per employee (RM'000)	107.9	100.8	73.6	107.8	115.0

5-Year Group Financial Highlights

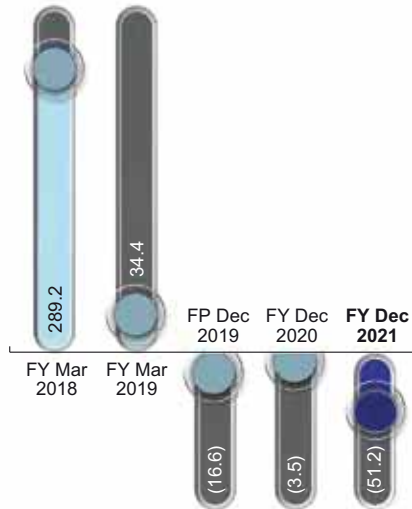
REVENUE

(RM' million)



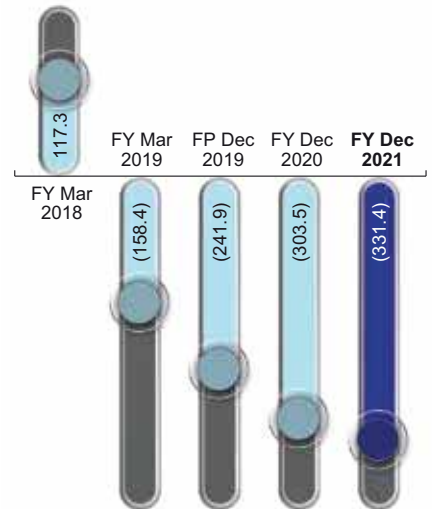
EBITDA

(RM' million)



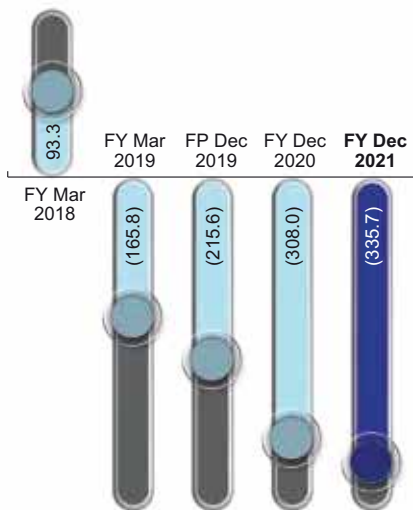
PROFIT/(LOSS) BEFORE TAX

(RM' million)



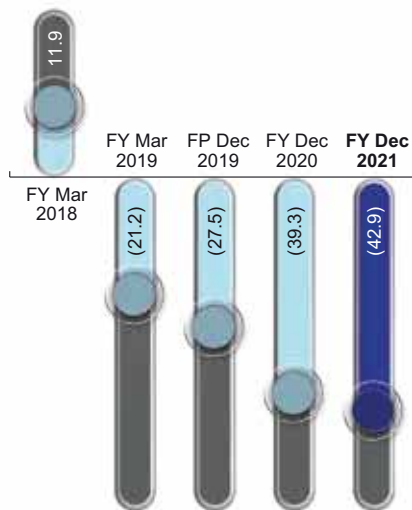
PROFIT/(LOSS) AFTER TAX

(RM' million)



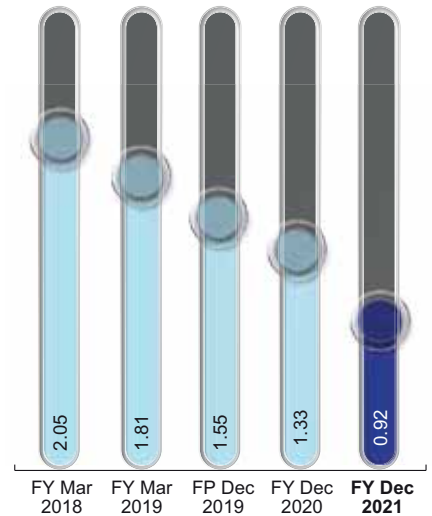
EARNINGS/(LOSS) PER SHARE

(sen)



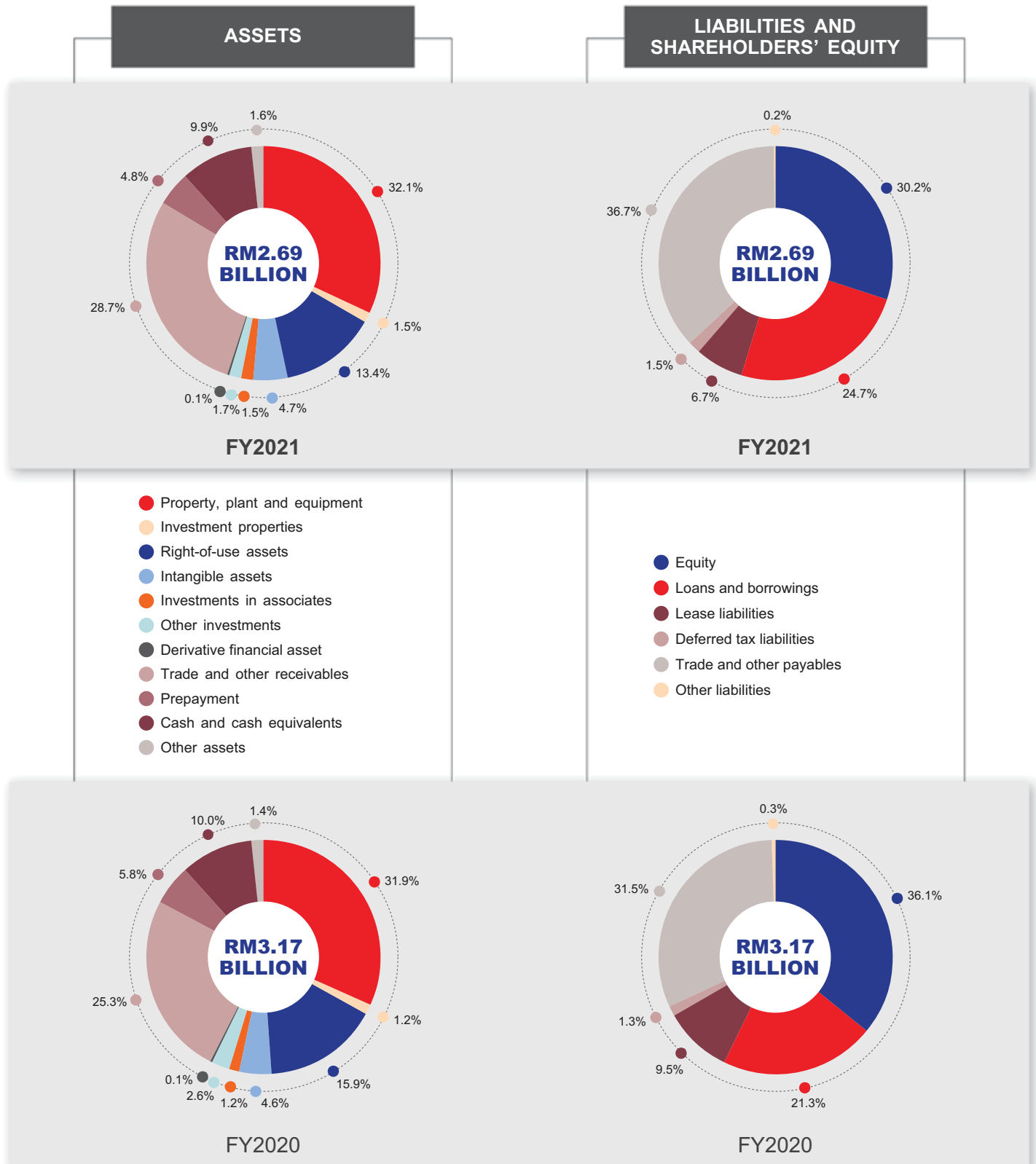
NET TANGIBLE ASSET PER SHARE

(RM)

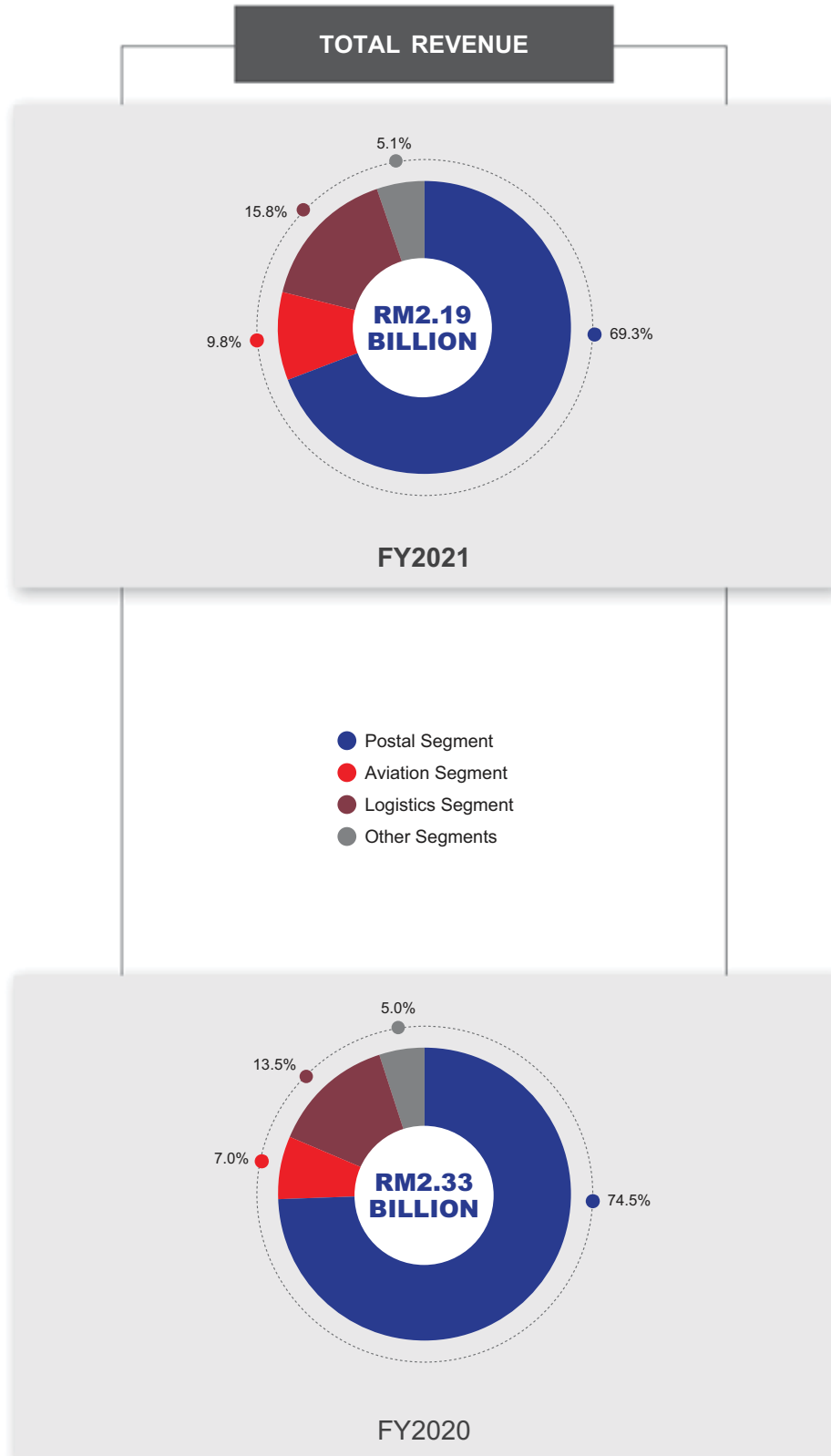


B. PERFORMANCE REVIEW

Simplified Statements of Financial Position



Segmental Analysis



B. PERFORMANCE REVIEW

Statement of Value Added and Value Distributed

VALUE ADDED	FY Dec 2020 RM' million	FY Dec 2021 RM' million
Revenue	2,332.3	2,194.0
Purchase of goods and services	(1,007.7)	(1,062.2)
Value added by the Group	1,324.6	1,131.8
Other operating income/expense (net)	(150.3)	(73.7)
Finance income	5.2	2.1
Finance cost	(50.2)	(45.0)
Foreign exchange loss	6.8	(6.4)
Share of results of associate	–	3.3
Value added available for distribution	1,136.0	1,012.1

DISTRIBUTION	FY Dec 2020 RM' million	FY Dec 2021 RM' million
To Employees		
Employment cost	1,043.7	963.0
To Government/Approved Agencies		
Tax and zakat	6.0	5.2
Retained for reinvestment and future growth		
Depreciation, impairment and amortisation	394.3	305.8
Net reduction in retained profits	(308.0)	(261.9)
Total distributed	1,136.0	1,012.1

Financial Calendar

FY2021



25 MAY 2021

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2021.

.....

16 AUGUST 2021

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2021.

.....

16 NOVEMBER 2021

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2021.

.....

22 FEBRUARY 2022

Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2021.

.....

29 APRIL 2022

Issuance of the 30th AGM Notice and Circular to Shareholders.

.....

16 JUNE 2022

30th AGM of the Company.



B. PERFORMANCE REVIEW

Investor Relations Report

Pos Malaysia recognises the importance of maintaining a strong, trust-based relationship with our shareholders and the broader investment community. Maintaining a credible communication channel with the investment community is integral to our commitment towards corporate governance. Towards this end, we have an experienced Investor Relations (IR) team that manages a structured IR programme through which we engage with analysts, investors, and shareholders.

A key function of the IR team is to ensure timely and transparent disclosure of relevant and material information on the Company's developments to our investors to keep them updated of our strategies and performance, thus enhance their understanding of the Company for more informed investment decisions. While enabling us to disseminate important updates, these sessions also enable us to gather valuable feedback from the investment community.

In addition to key events such as quarterly results announcements and our Annual General Meetings (AGMs), the IR team also conducts one-on-one meetings and dialogue sessions with local institutions investors as well as analysts. As far as possible, the team will accommodate requests by analysts, the media or potential investors for information or a sharing session.

Further ensuring dissemination of relevant information on Pos Malaysia businesses and activities, we release media statements on corporate developments and achievements.

Annual Report and Corporate Governance Report were issued on 30 April 2021. At the AGM on 17 June 2021, our Directors, CEO of Postal Services, Group CFO and other members of the Management Team presented the Company's performance for the financial year 2020, and answered questions posed by shareholders. This AGM was held virtually due to the pandemic.

GCEO VIRTUAL ENGAGEMENT SESSION WITH ANALYSTS, 2 MARCH 2021

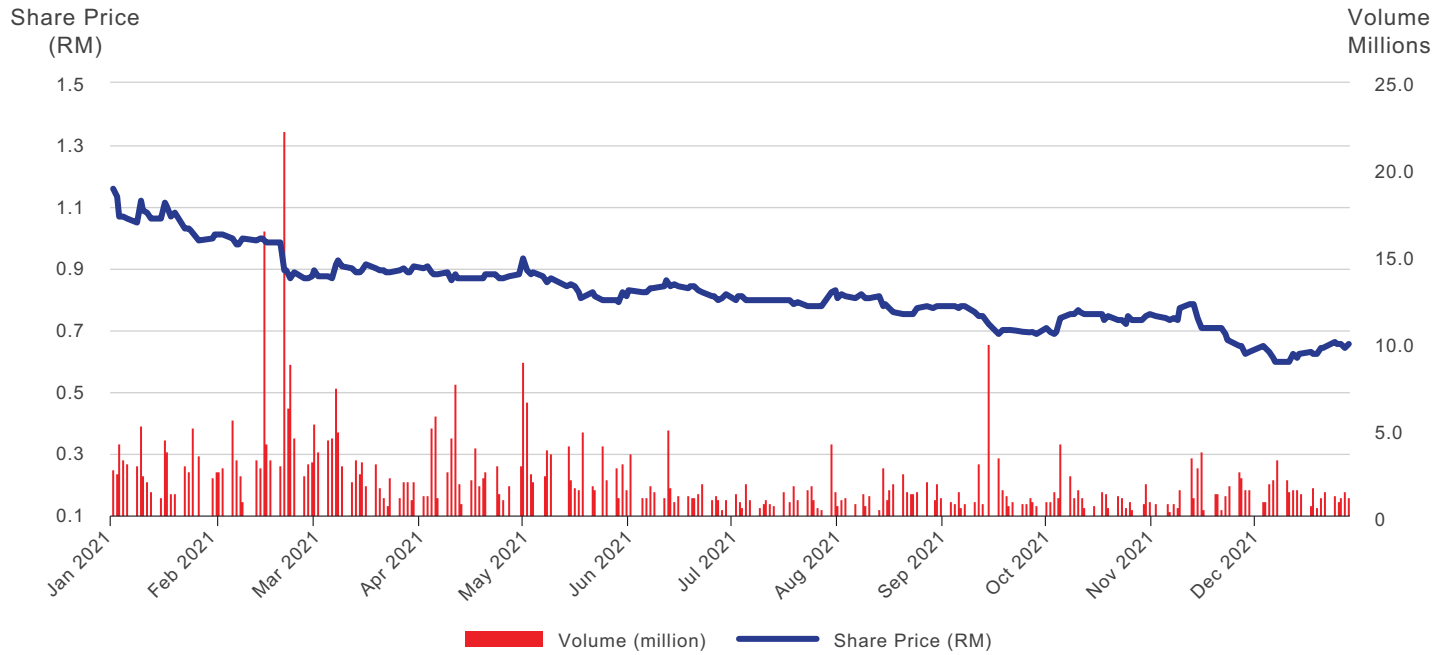
- Annual engagement session with analysts to share current performance, future plans, strategies and prospects of the Company
- Attended by 30 analysts

All corporate communications, including our quarterly and annual results as well as announcements to Bursa Malaysia are updated on our corporate website at www.pos.com.my.

Moving into the new financial year, Pos Malaysia will continue to enhance our IR efforts and strive to communicate accurately and consistently material information on a timely basis, in line with IR best practices and Bursa Malaysia's Listing Requirements.

Share Price Movement

Share Price Performance Jan – Dec 2021



2021												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Monthly Volume	53,880,500	95,544,200	66,134,600	52,556,900	57,765,400	32,446,900	18,893,300	27,914,000	31,786,100	21,490,200	28,031,800	29,104,100
Monthly End Closing (RM)	0.99	0.89	0.885	0.875	0.795	0.8	0.775	0.78	0.695	0.735	0.65	0.655

Share Price vs KLCI



C. BUSINESS REVIEW

Postal Segment



Our Postal Segment encompasses the delivery of domestic and international mail, courier services as well as various retail services from money transfers to bill payments, insurance and renewal of driving licences as well as road tax.



Postal Segment – Mail

WHO WE ARE

Our Mail business provides domestic mail delivery services nationwide. We are the sole licensee for Universal Postal Services (USO) in the country and we deliver standard mail, registered mail, Advertising Mail (AdMail) and others to 10 million addresses across Malaysia.

BUSINESS ENVIRONMENT

Majority of mail items delivered today are from businesses, but the COVID-19 pandemic has accelerated the structural decline in mail volumes, as more and more businesses move to digital means of communications. Additionally, 2021 offered additional challenges as many industries that use our Mail services were deemed non-essential and were required to close during the MCO, including bulkmailing companies that print monthly statements and bills for telecommunications and financial industries, among others.

KEY FOCUS AREAS

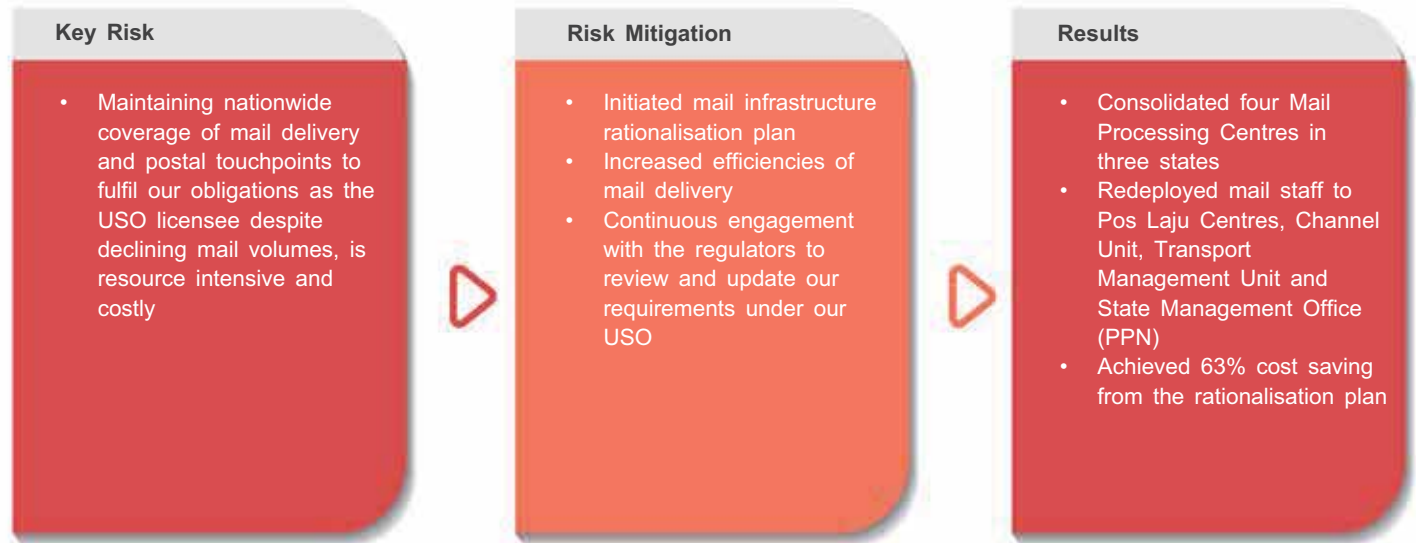
Simplify and standardise product offerings



KEY INITIATIVES AND OUTCOMES

Initiatives	Outcomes
Re-purpose and merge overlapping products and revamp SKUs	Merged FlexiPrepaid and Pos Express into Economy Prepaid

KEY RISKS AND MITIGATIONS



OUTLOOK



We will continue to see structural decline in mail as more and more businesses digitalise. Our focus will be to increase yield in deregulated products while we improve customer awareness of other services we offer in this segment. Pos Malaysia will continue our rationalisation exercise to improve efficiencies and ensure sustainability.

PERFORMANCE IN 2021

	FY2020	FY2021	Variance (%)
Mail Business Revenue (RM' million)	581	515	-11%
Total Mail Volume (million)	457	365	-20%

C. BUSINESS REVIEW

Postal Segment
– Courier

WHO WE ARE

Our Courier business, which operates under the Pos Laju brand, offers express parcel delivery service across the country. We serve a diverse customer base of individuals, small and medium enterprises (SMEs) and large businesses through our post offices, Pusat Pos Laju, our SendParcel online shipping portal and through dedicated account managers. Our extensive courier network, which includes two fully-automated Integrated Parcel Centres, nationwide Delivery Centres and robust logistic network, helps us meet customers' expectation for on-time delivery.

BUSINESS ENVIRONMENT

More and more Malaysians have become more accustomed to shopping online and our Courier business continue to be the beneficiary of this behaviour. However, the growth in the industry also resulted in aggressive competition to bid for a bigger share of the market, while shopping platforms themselves grew their in-house logistics delivery service. With the opening up of the economy and easing of movement restrictions, consumers have a choice to continue to shop online or physically in stores, which resulted in a softening of the e-commerce market in the later part of the year.



KEY FOCUS AREAS/KEY INITIATIVES AND OUTCOMES

Key Focus Areas	Initiatives	Outcomes
<p>Commercial Priorities</p> <ul style="list-style-type: none"> Build a world-class sales organisation and put in place metrics and performance measurements that are fully aligned to the strategy Focus on customer segments which provide better yield Consolidate and streamline our product offerings 	<ul style="list-style-type: none"> Developed recruitment canvas Developed sales training programmes Developed detailed sales benchmarks and targets, with appropriate incentive plan Review product portfolio to see opportunities for simplification 	<ul style="list-style-type: none"> Hired several key talents from the industry to rebuild the sales organisation Created a simplified range of mail and courier product offerings Delivery levels improved up to standard Pick-up success rate and transport on-time performance have improved Better customer experience as providing identity card is no longer required
<p>Operational Priorities</p> <ul style="list-style-type: none"> Improving our delivery service levels Improving pick-up performance Improving transport performance 	<p>We took substantial steps to improve delivery times under our SLAs:</p> <ul style="list-style-type: none"> Reviewed land and air transportation network Implemented clear floor policy to ensure all items are delivered on time Implemented milk runs for delivery at heavy load and rural areas 	
<p>Technical & Digital Priorities</p> <ul style="list-style-type: none"> Improve turnaround time for item processing Simplify delivery process 	<ul style="list-style-type: none"> Installation of semi-auto conveyor at 13 Pos Laju Service Centres Proof of Delivery (POD) using photo 	

KEY RISKS AND MITIGATIONS



OUTLOOK



The Courier business has a clear strategy to fuel future growth through focus on B2B, B2C and C2C e-commerce segments. To service these targeted segments, we will introduce simplified on-boarding of customers, improved and more intuitive digital and cashless applications, introduce new product offerings, including Cash on Delivery and Multi Parcel Shipments, and working to improve consistency in speed and efficiency of delivery.

PERFORMANCE IN 2021

	FY2020	FY2021	Variance (%)
Courier Business Revenue (RM' million)	792	724	-9%
Total Courier Volume (million)	111	87	-22%

C. BUSINESS REVIEW

Postal Segment
– Retail

WHO WE ARE

Our Retail business offers a wide range of postal-related financial services such as money transfer, as well as non-postal services such as bill payment, motor vehicle insurance, driving licence renewal, road tax renewals, life insurance and financial services. The Retail business manages Pos Malaysia’s nationwide customer touchpoints, namely our Post Offices, Pos Mini, agents and automated machines, such as parcel lockers as well as Pos Automated Machines. Our Mail and Courier businesses also leverage on these touchpoints as points of sale (stamps, mail services, domestic and international postage etc).

BUSINESS ENVIRONMENT

The Retail business was severely impacted by the COVID-19 pandemic due to the movement restrictions during the MCO and EMCO, which resulted in a drop in footfall. The reduction in mobility, however, saw growth in the usage of our app as consumers moved to online transactions. To serve our clients better and capture the rebound in volume, we introduced extended operating hours at our touchpoints, as well as seven days a week operations at selected locations, following the easing of domestic travel restrictions.

KEY FOCUS AREAS

- Provide ease of access to customers through extended operating hours and seven days operations
- Shorten customers’ waiting time at our outlets
- Pos App that allows consumers to access our services anywhere, anytime
- Improving customers’ experience when engaging with our customer service
- Reach expansion via Pos Mini and agents



KEY INITIATIVES AND OUTCOMES

Initiatives

Outcomes

Extended the business hours of our outlets to allow for customers to access our services beyond normal working hours

67 outlets are operating seven days a week, with extended hours

Aligned products across post offices and Pos Laju outlets

All mail products are available in Pos Laju outlets

Introduced express counters to improve the experience of our repeat customers

Our regular customers with repeated shipments no longer need to wait in line

KEY RISKS AND MITIGATIONS



OUTLOOK



Retail maintains our drive to improve efficiency and enhance customers’ access and experience, either physically or via our app. We will continue to focus on rationalising, enhancing, and rebranding our touchpoints, including increasing the number of retail touchpoints through our agents, where demand for our services is strong. As part of our growth strategy and wider obligation, we aim to be closer to our customers and ensuring ease of accessing our services.

PERFORMANCE IN 2021

	FY2020	FY2021	Variance (%)
Retail Business Revenue (RM’ million)	150	138	-8%
Total Retail Transactions (million)	50	43	-14%

C. BUSINESS REVIEW

Postal Segment
– International

WHO WE ARE

Pos Malaysia provides International mail and parcel delivery, as well as cross-border e-commerce delivery solutions through our international gateway in Kuala Lumpur International Airport (KLIA) and via our global postal network. Pos Malaysia is also an active member of the Asian Pacific Postal Union, Asia Pacific Post Cooperative and ASEAN Post.

BUSINESS ENVIRONMENT

Our International business is heavily reliant on the commercial aviation industry. Decline in commercial passenger air travel since the beginning of the pandemic has caused disruption to our international postal network, which impacted mail delivery and cross-border shipments. The operating environment improved later in the year, and our Express Mail Service (EMS) operations was restored to 56 countries, leading to a pick-up in revenue in our International business.

KEY FOCUS AREAS

- Resumption of international products and services
- Improving customer experience in sending and receiving international mail and parcels



KEY INITIATIVES AND OUTCOMES

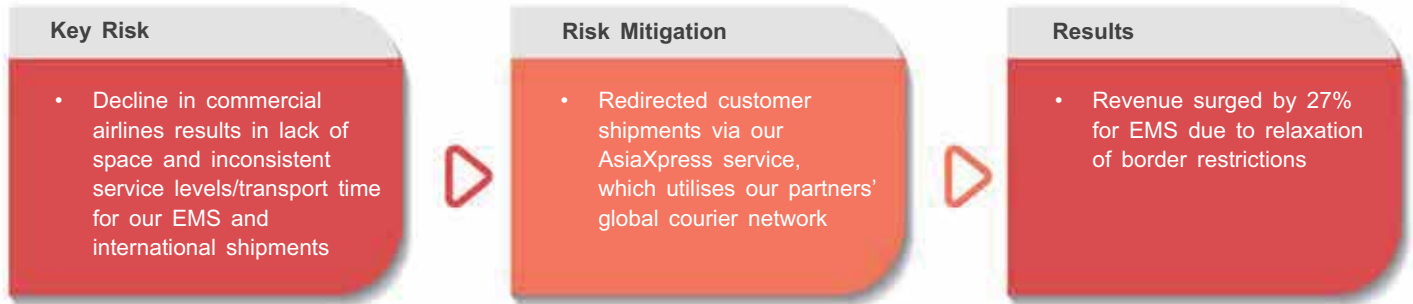
Initiatives

- Resumed international outbound services for Mail, Parcel and EMS to more destination countries as international connectivity restored

Outcomes

- Customers are able to send to 145 destination countries beginning from the third quarter of 2021

KEY RISKS AND MITIGATIONS



OUTLOOK



As borders reopen and with resumption of commercial airline flights, we will be able to provide more consistent and improved service levels for our customers, which will ultimately improve our international business.

PERFORMANCE IN 2021

	FY2020	FY2021	Variance (%)
International Business Revenue (RM' million)	214	144	-33%

C. BUSINESS REVIEW

Logistics Segment



Pos Logistics Berhad (Pos Logistics) provides end-to-end logistics services for the business-to-business (B2B) segment and multiple logistics services which includes freight forwarding, customs clearance, haulage, warehousing, distribution and more.



C. BUSINESS REVIEW

Logistics Segment

WHO WE ARE

Pos Logistics complements and completes the logistics supply chain for Pos Malaysia by providing end-to-end supply chain logistics, including freight management, forwarding, customs clearance, haulage, warehousing and distribution. Pos Logistics operates in Peninsular Malaysia's central, northern and southern regions in the Automotive, Freight Management, Project Logistics and Marine Logistics sectors.

BUSINESS ENVIRONMENT

The challenges from the pandemic in 2020 was carried over into 2021, which continued to impact businesses. Labour shortages, inflation and rising logistics costs were the major factors that affected the logistics sector directly. The challenging operating environment had its biggest impact on the automotive segment. Throughout the MCO, average revenue for the months of June to August was nearly 60% lower than average revenue recorded in the subsequent non-MCO months of September to December. Overall performance for the year was helped by the strong automotive market and the economic rebound in the later part of 2021, which supported demand for logistics.

KEY FOCUS AREAS

Pos Logistics remains focused on delivering operational excellence and business expansion across all business units, by implementing targeted strategies and measures as follows:

- **Commercial Units:** Pos Logistics aims to continue driving growth at both Automotive and Freight Management units. In Automotive, a priority for the year has been on plugging the leakages on loss-making projects. At the Freight Management unit, Pos Logistics is actively pursuing expansion to drive growth
- **Operations Management:** Pos Logistics is focused on improving efficiency across its production and general warehouses, as well as in its transportation operations. To deliver on this, Pos Logistics is improving communications and exploring new technologies
- **Regional:** Its regional operations are rapidly adopting solutions to the particular challenges and opportunities in their operating areas. To strengthen performance, the company is investing in new ICT systems, improving process flows, expanding capacity where needed and maintaining cost discipline



KEY INITIATIVES AND OUTCOMES

Initiatives

Pos Logistics continues to execute its four-phase turnaround and transformation programme, which was launched in June 2020. The first two phases focused on enabling Pos Logistics to weather the MCO and plugging leakages have now been completed. In 2021, our focus shifted to phase 3: Operational Excellence and Rebuilding Trust; and to Phase 4: Strategic Direction and Expansion. To deliver on those aims, the company undertook the following initiatives:

- Continuously improving the quality and reliability of its services and focusing on strengthening its public image
- Enhancing and expanding its offerings to provide integrated, end-to-end logistics services
- Implementing advanced Logistics Management Systems, Technologies & Automation
- Leveraging on the Pos Malaysia Group's strengths to capitalise on opportunities
- Gearing its human capital system and policies towards building a high-performance culture

Outcomes

The effective implementation of initiatives saw a major turnaround in financial performance, with Pos Logistics returning to profit in FY2021.

KEY RISKS AND MITIGATIONS

Key Risk	Risk Mitigation	Results
<p>Safety, Health and Environment (SHE) Risk in the course of operations</p>	<ul style="list-style-type: none"> Conducted Safety Driver Training and Safety Awareness Training for all staff Continuous monitoring and enhancing of new norm SOPs due to the COVID-19 pandemic Counselling sessions by Safety, Health and Environment (SHE) counsellors and Driver Trainers to facilitate incident investigations 	<p>Total Reportable Cases (TRC) declined by 24% in 2021 to 56 cases as compared to 74 cases in 2020</p>
<p>Financial Risk from constraint in cash flow due to rising receivables</p>	<ul style="list-style-type: none"> Continuously liaising with DRB-HICOM's group of companies, as a key debtor Dedicated task force to monitor the collection of all debt above 90 days 	<p>Total outstanding monthly average declined by 7.1% in RM terms, with the number of days sales outstanding (DSO) improving by 7.9% to 93 days in 2021</p>
<p>Service quality and delivery performance risk</p>	<ul style="list-style-type: none"> Implementation of new KPI Control Enhance our PILARS integrated IT system to provide better fleet management Truck Restoration Plan to improve truck availability Maximise internal truck utilisation based on daily order 	<p>Fleet availability rate for all regions remains at above 80%</p>
<p>Sustainability and competition risk: Several divisions incurred losses due to unfavourable business arrangement and reduced margins due to price-based competition</p>	<ul style="list-style-type: none"> Project logistics division pursued other government infrastructure, power renewable energy and oil gas projects Haulage & Forwarding division is expanding its scope of logistics services to explore the specialised haulage business and is targeting premium customers, in order to diversify the customer base Logistics, Distribution & Warehousing (LDW) - To seek additional businesses via outsourced model (Lean asset-light concept) Automotive division focused on capturing increased demand in automotive products by deepening cooperation with Proton, improving its service capacity and cross-selling products and services with partners 	<p>Pos Logistics achieved a profit of RM8.5 million in FY2021, a major improvement from the RM53.6 million loss incurred in FY2020</p>

C. BUSINESS REVIEW

Logistics Segment

OUTLOOK



Pos Logistics Berhad is confident in its prospects as it moves forward, both because of the effectiveness of its internal turnaround process and by virtue of the sector in which it operates. While the ongoing pandemic has resulted in some areas of the economy still remaining subdued, the broad consensus is for a continued rebound in economic and business activity in 2022, with the resulting demand in logistics services being supportive of stronger performance. While Pos Logistics remains cautious about the risks from a resurgence in COVID-19 cases, the experience over the last two years has shown that there will still be growth opportunities from servicing the logistics needs of essential industries.

Internally, Pos Logistics' turnaround strategy has strengthened resilience and shown positive growth results, by the business performance numbers and to profitability in 2021. The company now aims to further improve its internal efficiency, operational costs and cash flow management. By building on core strengths, Pos Logistics began to secure bigger business clients in 2021 and with the transformation plan continuing to deliver strong results, Pos Logistics anticipates an even stronger performance in 2022.

PERFORMANCE IN 2021

Pos Logistics recorded revenue of RM345.9 million for FY2021. Profit Before Zakat and Tax (PBZT) for the year stands at RM8.5 million, marking a sharp improvement from the loss of RM53.6 million in FY2020. The return to positive PBZT was largely attributable to stronger performance from TNBF Project, Freight Forwarding (FFD) Air Central, Depot Central, Project Logistics and RORO business units.

	FY2020	FY2021	Variance (%)
Pos Logistics Revenue (RM' million)	313.9	345.9	10.2%
Stock-Keeping Units Handled (M ³)	1,308,632	1,736,522	33%
Total tonnage of coal shipment (MT)	2,588,769	2,206,695	-14.7%