



POS MALAYSIA BERHAD

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

Interim Financial Report for the Financial Period
Ended 30 June 2023

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

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 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Current Quarter 3 Months Ended | | Financial Period 6 Months Ended | |
|---|------|-----------------------------------|----------------------|------------------------------------|----------------------|
| | | 30.06.2023 RM'000 | 30.06.2022 RM'000 | 30.06.2023 RM'000 | 30.06.2022 RM'000 |
| Revenue | | 465,197 | 517,258 | 947,469 | 1,001,604 |
| Cost of sales and operating expenses | | (483,159) | (503,945) | (981,877) | (1,012,020) |
| Other income | | 12,150 | 3,612 | 18,609 | 9,544 |
| Other expenses | | (3,977) | (7,787) | (7,106) | (10,375) |
| (Loss)/Profit from operations | | (9,789) | 9,138 | (22,905) | (11,247) |
| Finance costs | | (10,906) | (8,199) | (21,834) | (17,478) |
| Share of result of associated company (net of tax) | | 240 | (463) | 321 | (421) |
| (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION | | (20,455) | 476 | (44,418) | (29,146) |
| Zakat | | (358) | (304) | (704) | (546) |
| (LOSS)/PROFIT BEFORE TAXATION | | (20,813) | 172 | (45,122) | (29,692) |
| Taxation | 18 | (6,195) | (5,422) | (9,550) | (5,930) |
| LOSS FOR THE QUARTER/ FINANCIAL PERIOD | | (27,008) | (5,250) | (54,672) | (35,622) |
| OTHER COMPREHENSIVE INCOME <u>Item that will be subsequently reclassified to profit or loss</u> | | | | | |
| Currency translation differences for foreign operations | | 2,491 | 3,217 | 2,273 | 3,218 |
| OTHER COMPREHENSIVE INCOME FOR THE QUARTER/ FINANCIAL PERIOD (NET OF TAX) | | 2,491 | 3,217 | 2,273 | 3,218 |
| TOTAL COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX) | | (24,517) | (2,033) | (52,399) | (32,404) |

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

| | Note | Current Quarter 3 Months Ended | | Financial Period 6 Months Ended | |
|---|------|-----------------------------------|----------------------|------------------------------------|----------------------|
| | | 30.06.2023 RM'000 | 30.06.2022 RM'000 | 30.06.2023 RM'000 | 30.06.2022 RM'000 |
| Loss for the quarter/financial period attributable to Owners of the Company | | (27,008) | (5,250) | (54,672) | (35,622) |
| Total comprehensive loss for the quarter/financial period attributable to Owners of the Company | | (24,517) | (2,033) | (52,399) | (32,404) |
| Basic and diluted loss per share (sen): | 23 | (3.45) | (0.67) | (6.98) | (4.55) |

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 2022 and the explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | Unaudited as at 30.06.2023 RM'000 | Audited as at 31.12.2022 RM'000 |
|---|------|--|--|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 701,450 | 737,026 |
| Investment properties | | 40,450 | 40,450 |
| Investments in associates | | 41,102 | 40,780 |
| Right-of-use assets | | 298,454 | 321,944 |
| Intangible assets | | 123,696 | 125,022 |
| Deferred tax assets | | 3,022 | 2,779 |
| Derivative financial asset | | 1,626 | 1,626 |
| Other investments | | 6,723 | 6,723 |
| | | 1,216,523 | 1,276,350 |
| CURRENT ASSETS | | | |
| Assets classified as held for sale | | 10,421 | 11,110 |
| Inventories | | 5,762 | 5,039 |
| Trade and other receivables | | 842,625 | 845,178 |
| Other investments | | 27,264 | 36,789 |
| Current tax assets | | 4,294 | 8,088 |
| Deposits placed with licensed banks | | 47,077 | 29,516 |
| Cash and bank balances | | 121,995 | 163,443 |
| | | 1,059,438 | 1,099,163 |
| TOTAL ASSETS | | 2,275,961 | 2,375,513 |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 1,071,392 | 1,071,392 |
| Reserves | | (477,532) | (425,133) |
| TOTAL EQUITY | | 593,860 | 646,259 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | 20 | 162,056 | 208,075 |
| Lease liabilities | | 76,144 | 86,898 |
| Post-employment benefit obligations | | 1,218 | 1,218 |
| Deferred tax liabilities | | 28,267 | 28,103 |
| | | 267,685 | 324,294 |
| CURRENT LIABILITIES | | | |
| Liabilities classified as held for sale | | 3,394 | 3,467 |
| Trade and other payables | | 939,922 | 875,133 |
| Loans and borrowings | 20 | 429,114 | 477,179 |
| Lease liabilities | | 39,249 | 47,301 |
| Current tax liabilities | | 2,737 | 1,880 |
| | | 1,414,416 | 1,404,960 |
| TOTAL LIABILITIES | | 1,682,101 | 1,729,254 |
| TOTAL EQUITY AND LIABILITIES | | 2,275,961 | 2,375,513 |
| NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY* (RM) | | 0.76 | 0.83 |

* 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 2022 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 | | | | 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 | Accumulated Losses RM'000 | |
| At 1 January 2023 | 782,777 | 1,071,392 | 1,144 | (1,225) | 4,497 | (429,549) | 646,259 |
| Loss for the financial period | - | - | - | - | - | (54,672) | (54,672) |
| Other comprehensive income for the financial period | - | - | - | - | 2,273 | - | 2,273 |
| Total comprehensive income/(loss) for the financial period | - | - | - | - | 2,273 | (54,672) | (52,399) |
| Transfer of a subsidiary company's reserve | - | - | - | (9) | - | 9 | - |
| At 30 June 2023 | 782,777 | 1,071,392 | 1,144 | (1,234) | 6,770 | (484,212) | 593,860 |

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | Issued and fully paid ordinary shares | | Non-distributable | | | | Total Equity RM'000 |
|--|--|------------------|-----------------------------------|--|---|--|---------------------------|
| | Number of shares '000 | Amount RM'000 | Revaluation Reserves RM'000 | Post- employment Benefit Reserves RM'000 | Currency Translation Reserves RM'000 | Retained Earnings/ (Accumulated Losses) RM'000 | |
| At 1 January 2022 | 782,777 | 1,071,392 | 1,144 | (1,225) | 2,177 | (261,879) | 811,609 |
| Loss for the financial period | - | - | - | - | - | (35,622) | (35,622) |
| Other comprehensive income for the financial period | - | - | - | - | 3,218 | - | 3,218 |
| Total comprehensive income/(loss) for the financial period | - | - | - | - | 3,218 | (35,622) | (32,404) |
| At 30 June 2022 | 782,777 | 1,071,392 | 1,144 | (1,225) | 5,395 | (297,501) | 779,205 |

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 2022 and the explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | 6 Months Ended 30.06.2023 RM'000 | 6 Months Ended 30.06.2022 RM'000 |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax for the financial period | (45,122) | (29,692) |
| Adjustments: | | |
| - Depreciation of property, plant and equipment | 52,570 | 60,722 |
| - Depreciation of right-of-use assets | 31,265 | 39,801 |
| - Amortisation of intangible assets | 1,326 | 1,326 |
| - Amortisation of government grant | (462) | (783) |
| - Net fair value gain of other investments: | | |
| Financial assets at fair value through profit or loss | (475) | (168) |
| - Finance costs | 18,641 | 13,375 |
| - Interest on lease liabilities | 3,193 | 4,103 |
| - Derecognition of right-of-use assets | 338 | 22 |
| - Finance income | (1,303) | (914) |
| - Unrealised foreign exchange differences | (42) | 2,954 |
| - Net (reversal)/loss on impairment of receivables | (4,842) | 1,641 |
| - Loss/(Gain) on disposal of property, plant and equipment | (1,180) | 12 |
| - Impairment loss on property, plant and equipment | - | 47 |
| - Property, plant and equipment written off | 55 | 243 |
| - Inventories (written back)/written down | 1 | (1,856) |
| - Zakat | 704 | 546 |
| - Share of result of an equity accounted associate, net of tax | (321) | 421 |
| - Others | 38 | 41 |
| Operating profit before changes in working capital | 54,384 | 91,841 |
| Changes in working capital: | | |
| Change in current assets | 6,878 | 17,397 |
| Change in current liabilities | 75,577 | (150,890) |
| Cash generated from/(used in) operations | 136,839 | (41,652) |
| Tax paid | (5,434) | (4,833) |
| Tax refund | - | 26 |
| Interest paid | (3,193) | (4,103) |
| Zakat paid | (628) | (276) |
| Defined benefits paid | (38) | (75) |
| Net cash from/(used in) operating activities | 127,546 | (50,913) |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| | 6 Months Ended 30.06.2023 RM'000 | 6 Months Ended 30.06.2022 RM'000 |
|--|--|--|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 1,303 | 914 |
| Acquisition of property, plant and equipment | (9,052) | (14,436) |
| Proceeds from disposal of property, plant and equipment | 1,762 | 62 |
| Net proceeds from redemption of other investments | 10,000 | 4,973 |
| Increase in deposit pledged | (10) | (9) |
| Net cash from/(used in) investing activities | 4,003 | (8,496) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown on borrowings | 49,553 | 101,435 |
| Finance costs paid | (18,641) | (13,376) |
| Repayment of borrowings | (145,922) | (45,261) |
| Repayment of hire purchase liabilities | (525) | (494) |
| Repayment of lease liabilities | (26,805) | (39,262) |
| Movement in restricted cash | (29,390) | 1,324 |
| Net cash (used in)/from financing activities | (171,730) | 4,366 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (40,181) | (55,043) |
| Effects of foreign currency translation | (3,269) | (1,166) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD | 168,973 | 238,207 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD | 125,523 | 181,998 |
| Cash and cash equivalents included in the statement of cash flow comprise the following statements of financial positions amounts: | | |
| Cash and bank balances | 121,995 | 141,514 |
| Deposits placed with licensed banks | 47,077 | 57,547 |
| Cash attributable to assets classified as held for sale | 816 | 1,843 |
| Bank overdrafts | (900) | (661) |
| | 168,988 | 200,243 |
| Less: Collections on behalf of agency payables and money order payables** | (7,075) | (11,126) |
| Less: Deposits pledged | (548) | (538) |
| Less: Restricted cash | (35,842) | (6,581) |
| | 125,523 | 181,998 |

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 2022 and the explanatory notes attached to the interim financial report.

** The amount of cash held on behalf of agency payables and money order payables are included under Trade and Other Payables in the Consolidated Statement of Financial Position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities:

| | Lease liabilities RM'000 | Hire purchase RM'000 | Islamic term loans RM'000 | Revolving credits RM'000 | Invoice financing RM'000 | Total RM'000 |
|--|-------------------------------------|---------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|-------------------------|
| At beginning of the financial period | 134,199 | 2,124 | 372,275 | 286,800 | 23,093 | 818,491 |
| Net changes from financing cash flows: | | | | | | |
| Acquisition of new leases | 3,932 | - | - | - | - | 3,932 |
| Remeasurement of lease liabilities | 5,998 | - | - | - | - | 5,998 |
| Termination of leases | (1,816) | - | - | - | - | (1,816) |
| Drawdown | - | - | - | - | 49,553 | 49,553 |
| Repayment | (26,805) | (525) | (93,681) | (4,500) | (47,741) | (173,252) |
| Reclassified to liabilities held for sale | (115) | - | - | - | - | (115) |
| Effects of foreign currency translation | - | - | 2,872 | - | - | 2,872 |
| Total net changes from financing cash flows | (18,806) | (525) | (90,809) | (4,500) | 1,812 | (112,828) |
| At end of the financial period | 115,393 | 1,599 | 281,466 | 282,300 | 24,905 | 705,663 |
| | | | | | | |

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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 2022 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 2023 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, the ability to roll over the revolving credit facilities of the Group and financial support from key stakeholders.

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 its operations and to meet its 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 year ended 31 December 2022 except for the adoption of the following new accounting standards, amendments and interpretations which are applicable to the Group effective 1 January 2023:

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

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 2023.

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 2023.

7. DIVIDENDS PAID

There was no dividend paid for the current financial period ended 30 June 2023.

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. |

8. SEGMENTAL INFORMATION (CONTINUED)

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

Information regarding the operations of each reportable segment is shown below. Performance is measured based on segment results. Segment results 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 2023 is as follows:

| Financial period ended 30 June 2023 | Postal RM'000 | Aviation RM'000 | Logistics RM'000 | Others RM'000 | Elimination RM'000 | POS Group RM'000 |
|---|------------------|--------------------|---------------------|------------------|-----------------------|---------------------|
| Total external revenue | 548,603 | 141,409 | 169,417 | 88,040 | - | 947,469 |
| Intersegment revenue | 1,261 | 234 | 197 | 26,524 | (28,216) | - |
| Total revenue for reportable segments | 549,864 | 141,643 | 169,614 | 114,564 | (28,216) | 947,469 |
| Reportable segment results | (75,217) | 4,204 | 2,248 | 24,648 | | (44,117) |
| Share of results of associated company | - | - | - | 321 | - | 321 |
| Amortisation of intangible assets | - | (1,326) | - | - | - | (1,326) |
| Reportable segment results before taxation | (75,217) | 2,878 | 2,248 | 24,969 | - | (45,122) |
| Taxation | | | | | | (9,550) |
| Reportable segment results after taxation | | | | | | (54,672) |
| Attributable to: | | | | | | |
| Owners of the Company | | | | | | (54,672) |

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.

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

There is no change in the composition of the Group during the financial period ended 30 June 2023.

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.

13. LOSS BEFORE TAXATION

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

| | 3 Months Ended | | 6 Months Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 30.06.2023 RM'000 | 30.06.2022 RM'000 | 30.06.2023 RM'000 | 30.06.2022 RM'000 |
| Amortisation of intangible assets | 663 | 663 | 1,326 | 1,326 |
| Amortisation of government grant | (225) | (345) | (462) | (783) |
| Depreciation of property, plant and equipment | 25,200 | 30,069 | 52,570 | 60,722 |
| Depreciation of right-of-use assets | 15,864 | 20,071 | 31,265 | 39,801 |
| Fair value gain of investment securities: Financial assets at fair value through profit or loss | (206) | (78) | (475) | (168) |
| Net (reversal)/loss on impairment of receivables | (6,023) | 1,470 | (4,842) | 1,641 |
| Finance costs | 9,376 | 6,274 | 18,641 | 13,375 |
| Interest on lease liabilities | 1,530 | 1,925 | 3,193 | 4,103 |
| Impairment loss of property, plant and equipment | - | 47 | - | 47 |
| Property, plant and equipment written off/(written back) | 30 | (7) | 55 | 243 |
| (Gain)/Loss on disposal of property, plant and equipment | (1,180) | 16 | (1,180) | 12 |
| Derecognition of right-of-use assets | 238 | (18) | 338 | 22 |
| Inventories written down/(written back) | 8 | (9) | 1 | (1,856) |
| Finance income of financial assets calculated using the effective interest method that are at amortised cost | (635) | (428) | (1,303) | (914) |
| Net foreign exchange differences | 3,304 | 4,823 | 2,329 | 5,853 |
| Defined benefits obligation | 22 | 19 | 39 | 38 |

14. REVIEW OF GROUP PERFORMANCE

Group performance for the financial period ended 30 June 2023

The Group recorded a revenue of RM947.5 million and loss before tax of RM45.1 million for the financial period ended 30 June 2023.

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

| | Revenue 6 months ended | | (Loss)/Profit before tax 6 months ended | |
|-----------|---------------------------|----------------------|--|----------------------|
| | 30.06.2023 RM'000 | 30.06.2022 RM'000 | 30.06.2023 RM'000 | 30.06.2022 RM'000 |
| Postal | 548,603 | 656,815 | (75,217) | (43,300) |
| Logistics | 169,417 | 158,633 | 2,248 | (11,671) |
| Aviation | 141,409 | 121,013 | 2,878 | 8,379 |
| Others | 88,040 | 65,143 | 24,969 | 16,900 |
| Total | 947,469 | 1,001,604 | (45,122) | (29,692) |

(i) **Postal**

Decrease of revenue in postal segment by 16% primarily contributed by the drop in courier business following the decrease in overall parcel volume especially from contract customers. In addition, major e-commerce players leveraged on their insourced delivery capabilities while international players pursue penetration strategies to capture higher market share in courier business.

The loss before tax increased consequent to the drop in revenue as explained above.

(ii) **Logistics**

Logistics segment registered higher revenue by 7% at RM169.4 million during the period. The increase is mainly contributed by freight management business (especially from freight forwarding) and automotive logistics.

Logistics segment turned to black registering profit before tax of RM2.2 million compared to loss before tax of RM11.7 million during last financial period due to higher revenue while the cost was maintained.

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14. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Group performance for the financial period ended 30 June 2023 (continued)

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

(iii) Aviation

Aviation segment contributed higher revenue to RM141.4 million mainly from higher in-flight catering and ground handling businesses. This is due to increased number of meals uplifted for commercial and umrah related flights. In addition, increased number of flights handled contributed positively to the ground handling revenue. However, profit before tax reduced to RM2.9 million from higher cost incurred to support the surge in transactions.

(iv) Others

Other segment which consists mainly of printing and insertion, digital certificates and Ar-Rahnu, registered RM88.0 million revenue during the period, an increase of 35% compared to last year mainly contributed by Ar-Rahnu.

All businesses registered profit before tax with the largest contributor being Ar-Rahnu business.

(b) Group Loss Before Tax

For the financial period ended 30 June 2023, the Group registered a higher loss before tax to RM45.1 million compared to RM29.7 million in the comparative period in 2022 mainly due to lower revenue by RM54.1 million. This is offset with the lower cost of sales and operating expenses by RM30.1 million from lower outsourced last mile delivery cost and transportation cost.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded a slightly lower loss before tax of RM20.8 million in the current quarter ended 30 June 2023 compared to RM24.3 million in the preceding quarter ended 31 March 2023 despite lower revenue registered by RM17.1 million mainly due to lower cost of sales and operating expenses by RM15.6 million and higher other income by RM5.7 million.

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16. FUTURE PROSPECTS

Second quarter

Against the first quarter 2023, the Group recorded revenue of RM465.2 million, a decrease of 3.5% whilst, loss before tax of RM20.8 million recorded an improvement of 14.4%.

Overall, the industry will continue to face challenges, including rising competition, escalating operating costs and cybersecurity threats.

Pos Malaysia maintains a cautious yet optimistic outlook, anticipating improved results for the Group in 2023. The Group is fully committed to improving its financial performance by embracing digital technology, enhancing the customer journey, and championing sustainability for a greener and cleaner future. Our unwavering focus is on creating a business model that prioritises the welfare of our employees, customers, and the environment.

The key factors contributing to the future prospect are as depicted in the segmental analysis below:

Postal

Parcel volume growth for Pos Malaysia and the industry continues to face pressures primarily due to increased competition, insourcing and "masking" by the large e-commerce platforms. Mail volume is expected to perform more positively than previously anticipated, driven by government-related projects.

Aviation

As the demand for air travel maintains its positive momentum, we anticipate a corresponding increase in demand for both in-flight catering and ground handling services for Pos Aviation.

Logistics

Pos Logistics continues to focus on the automotive segment while simultaneously implementing strategic initiatives to broaden its market share and penetrate new sectors.

Others

Pos Malaysia's other business segments have shown positive performance, and we expect this trend to continue.

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.

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18. TAXATION

Taxation comprises the following:

| | 3 Months Ended | | 6 Months Ended | |
|-------------------|----------------------|----------------------|----------------------|----------------------|
| | 30.06.2023 RM'000 | 30.06.2022 RM'000 | 30.06.2023 RM'000 | 30.06.2022 RM'000 |
| Current taxation | 6,252 | 4,185 | 9,794 | 6,685 |
| Deferred taxation | (57) | 1,237 | (244) | (755) |
| Total | 6,195 | 5,422 | 9,550 | 5,930 |

For the financial period ended 30 June 2023, 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.

The proposed divestment has been completed on 10 August 2023 with a final cash consideration of RM4.0 million, in accordance with the terms and conditions of the SPA dated 13 February 2020.

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20. GROUP BORROWINGS

Total Group borrowings are as follows:

| | Unaudited as at 30.06.2023 RM'000 |
|--------------------------------------|--|
| Long Term Borrowings | |
| <u>Secured:</u> | |
| Islamic term loans | 161,551 |
| Hire purchase liabilities | 1,599 |
| - portion repayable within 12 months | (1,094) |
| Total Long Term Borrowings | 162,056 |
| Short Term Borrowings | |
| <u>Secured:</u> | |
| Bank overdraft | 900 |
| Revolving credit | 281,000 |
| Islamic term loans | 119,915 |
| Hire purchase liabilities | |
| - portion repayable within 12 months | 1,094 |
| Invoice financing | 24,905 |
| | 427,814 |
| <u>Unsecured:</u> | |
| Revolving credit | 1,300 |
| | 1,300 |
| Total Short Term Borrowings | 429,114 |
| Total Group Borrowings | 591,170 |

Apart from the following Ringgit Malaysia ("RM") equivalent of foreign currency borrowing, the rest of the borrowings are denominated in RM.

| Secured | Foreign currency | Foreign '000 | RM '000 |
|-------------------------------|-----------------------------|-------------------------|--------------------|
| Long term Islamic term loans | USD | 5,914 | 27,551 |
| Short term Islamic term loans | USD | 4,060 | 18,915 |
| Invoice financing | USD | 1,141 | 5,315 |
| Total | | 11,115 | 51,781 |

21. MATERIAL LITIGATIONS

Save as disclosed in the last audited financial statements, there is no other material litigation as at the date of this report.

22. DIVIDEND

No interim dividend has been declared for the financial period ended 30 June 2023.

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 | |
|---|----------------|---------------|----------------|---------------|
| | 30.06.2023 | 30.06.2022 | 30.06.2023 | 30.06.2022 |
| Net loss attributable to Owners of the Company (RM'000) | (27,008) | (5,250) | (54,672) | (35,622) |
| Number of ordinary shares in issue ('000) | 782,777 | 782,777 | 782,777 | 782,777 |
| Basic and diluted loss per share (sen) | (3.45) | (0.67) | (6.98) | (4.55) |

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 | | |
| Financial assets | | | | | | | | | | |
| Other investments | 27,264 | - | 6,723 | 33,987 | - | - | - | - | 33,987 | 33,987 |
| Derivative asset | - | - | 1,626 | 1,626 | - | - | - | - | 1,626 | 1,626 |
| Financial liabilities | | | | | | | | | | |
| Islamic term loans | - | - | - | - | - | - | 281,123 | 281,123 | 281,123 | 281,466 |
| Hire purchase liabilities | - | - | - | - | - | - | 1,627 | 1,627 | 1,627 | 1,599 |

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

| | As at 30.06.2023 RM'000 | As at 30.06.2022 RM'000 |
|--------------------------------------|----------------------------|----------------------------|
| Property, plant and equipment | | |
| Contracted but not provided for | 4,471 | 5,264 |

26. RELATED PARTIES TRANSACTIONS

| | 6 Months Ended | |
|---|----------------------|----------------------|
| | 30.06.2023 RM'000 | 30.06.2022 RM'000 |
| Related companies: | | |
| Sales of services | 82,158 | 69,954 |
| Rental income | 7 | 90 |
| Purchase of services | (4,711) | (4,767) |
| Payment of lease liabilities | (7,730) | (11,310) |
| Associates: | | |
| Sales of services | 2,707 | 2,126 |
| Transportation cost | (44,010) | (54,828) |
| Companies subject to common significant influence: | | |
| Sales of services | 20,332 | 19,019 |
| Purchase of services | (6,086) | (3,786) |
| Rental expense | (168) | (290) |

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) SSM PC No. 201908001661
NGIAN YOKE FUNG (MAICSA 7049093) SSM PC No. 201908002393
COMPANY SECRETARIES

Kuala Lumpur
23 August 2023