



PAOS HOLDINGS BERHAD (Company No. 452536-W)
UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER
ENDED 29 FEBRUARY 2016

Part A – Explanatory Notes Pursuant To Malaysian Financial Reporting Standard (MFRS) 134 “Interim Financial Reporting”

A1. Basis Of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Listing Requirements.

The interim financial report has been prepared on a condensed basis and as such it should be read in conjunction with the audited annual financial statements for the financial year ended 31 May 2015.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual period beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)**
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)**
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions**
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)**
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*



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MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)***
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations***
- MFRS 14, *Regulatory Deferral Accounts***

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants***
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements***
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)***

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*



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The Group and Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 June 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for those marked “*” which are not applicable to the Company.
- from the annual period beginning on 1 June 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for those marked “**” which are not applicable to the Company.
- from the annual period beginning on 1 June 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 June 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

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

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.



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MFRS 15, Revenue from Contracts with Customer

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact of adopting MFRS 15.

A2. Auditors' Report On Preceding Annual Financial Statements

The audit report in respect of the financial statements of the Group for the preceding year was not subject to any qualification.

A3. Seasonal Or Cyclical Factors

The Group's results were not materially affected by any major seasonal or cyclical factors in the current quarter.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income Or Cash Flows

There were no unusual nature and amount of items affecting assets, liabilities, equity, net income or cash flow of the Group during the quarter under review.

A5. Changes in Estimates

There were no material changes in estimates during the quarter under review.

A6. Issuance and Repayment of Debt and Equity Securities

There were no new debts and equity security issued during the current quarter.

A7. Dividends Paid

No dividends were paid during the quarter under review.



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A8. Operating segments

	Manufacturing RM'000	Trading RM'000	Intergrated hotel Operation and Property investment RM'000	Current Quarter Ended 29.02.2016 Total RM'000
Segment profit	1,077	(152)	112	1,037
Included in the measure of Segment profit are: -				
Revenue from External customers	11,521	1,475	1,595	14,591
Depreciation and amortisation	330	59	423	812

Reconciliation of reportable segment profit: -

	Current Quarter ended 29.02.2016 RM'000
Profit	
Total profit for reportable segments	1,037
Finance costs	(18)
Unallocated expenses	(114)
Unallocated income	<u>224</u>
Consolidated profit before tax	<u><u>1,129</u></u>

A9. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the previous financial year.



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A10. Capital Commitments

Authorised capital expenditure for property, plant and equipment not provided for in the financial statements were as follows:-

	As at 29 February 2016 RM'000	As at 31 May 2015 RM'000
Property, plant and equipment		
- contracted	22	55
- not contracted	<u>780</u>	<u>185</u>
Total	<u>802</u>	<u>240</u>

A11. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the current reporting period until the date of this report, which are expected to have a material operational or financial impact on the Group.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

A13. Changes in Contingent Liabilities Or Contingent Assets

	As at 29 February 2016 RM'000	As at 31 May 2015 RM'000
Bank guarantees in favour of third parties for utilities	<u>640</u>	<u>640</u>



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Part B – Explanatory Notes Pursuant to Paragraph 9.22 of the Bursa Malaysia Securities Exchange Listing Requirements

B1. Review Of Performance

	Individual quarter		Cumulative quarter	
	29.02.2016	28.02.2015	29.02.2016	28.02.2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	11,521	10,776	32,995	29,915
Trading	1,475	2,449	6,358	6,410
Integrated hotel operation and property investment	<u>1,595</u>	<u>1,525</u>	<u>4,596</u>	<u>4,598</u>
Group	<u>14,591</u>	<u>14,750</u>	<u>43,949</u>	<u>40,923</u>
	=====	=====	=====	=====
Segment profit				
Manufacturing	1,077	610	4,025	849
Trading	(152)	(270)	(737)	(765)
Integrated hotel operation and property investment	<u>112</u>	<u>17</u>	<u>218</u>	<u>205</u>
Group	<u>1,037</u>	<u>357</u>	<u>3,506</u>	<u>289</u>
	=====	=====	=====	=====

Quarterly Performance Review

Revenue of the Group for the third financial quarter ended 29 February 2016 of RM14.59 million was 1.08% lower than the preceding corresponding financial quarter of RM14.75 million.

Whereas, cost of sales of the Group for the current quarter have reduced by 5.97% to RM12.44 million from RM13.23 million in the preceding corresponding quarter mainly due to the difference in contracted soap chip prices.

Also, during the current quarter, the Group reported a forex gain of RM0.57 million in comparison to RM0.82 million in the preceding corresponding quarter.

Overall, the Group reported a profit before taxation for the current quarter of RM1.13 million as compared to a profit before taxation of RM0.78 million in the preceding corresponding quarter.



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Financial Year Performance Review

Manufacturing segment

For the nine months ended 29 February 2016, revenue increased by 10.30% from RM29.91 million to RM32.99 million mainly due to higher sales volume during the current period. Segment profit increased from RM0.85 million to RM4.03 million mainly due to currency exchange gain and difference in contracted soap chip prices.

Trading segment

For the nine months ended 29 February 2016, revenue decreased by 0.78% from RM6.41 million to RM6.36 million. The segment loss of RM0.74 million was mainly due to sharing of operating expenses.

Integrated hotel operation and property investment segment

For the nine months ended 29 February 2016, the performance of the integrated hotel operation and property investment segment remain quite consistent with that of the preceding year corresponding period in 2015. Revenue remained at RM4.60 million for both periods while segment profit increased from RM0.21 million in the preceding corresponding period to RM0.22 million in the current period.

B2. Variation Of Current Quarter Results Compared With The Preceding Quarter

Revenue for the current quarter was RM14.59 million compared to RM14.18 million recorded in the immediate preceding quarter.

The Group's profit before taxation for the current quarter was RM1.13 million compared to the profit before taxation of RM1.47 million for the preceding quarter.

B3. Current Year Prospects

Current economic situation presents challenging business conditions for the Group. However, the Group will keep pursuing its initiatives to further optimize its operations.

The Board of Directors believes that the performance of the Group for the remaining financial year 2015/2016 will remain challenging in the current business conditions.

B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee

Not applicable to the Group as there was no profit forecast or profit guarantee.



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B5 Taxation

	Current Year		Preceding Year	
	Quarter ended 29.02.2016 RM'000	Year To Date ended 29.02.2016 RM'000	Quarter ended 28.02.2015 RM'000	Year-To-Date ended 28.02.2015 RM'000
Income tax - current year	564	1,382	221	578
Total	564	1,382	221	578

B6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

B7. Borrowings and Debt Securities

Details of the Group's borrowings as at 29 February 2016 are as follows:

	RM'000
Short term borrowings: - Bank overdraft (unsecured)	635
Total borrowings	635

B8. Material Litigation

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

B9. Dividends

The Board of Directors has declared a second interim single tier dividend of 1.25 sen per ordinary share of RM0.50 totalling RM1,509,700 in respect of the financial year ending 31 May 2016 and payable on 27 May 2016 to Depositors registered in the Record of Depositors at the close business on 16 May 2016.



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B10. Realised and Unrealised Profits / Losses

	As at 29 February 2016	As at 31 May 2015
	RM'000	RM'000
Total retained profits		
Realised	55,493	55,347
Unrealised	(127)	(460)
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	55,366	54,887
Less: Consolidation adjustments	(29,931)	(29,931)
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Total group retained profits as per consolidated accounts	<u>25,435</u>	<u>24,956</u>

B11. Earnings Per Share

	Quarter Ended		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Quarter	Year	Year To	Year
	Ended	Corresponding	Date	Corresponding
	29.02.2016	Quarter Ended	Ended	Year To Date Ended
	29.02.2016	28.02.2015	29.02.2016	28.02.2015
Basic Earnings				
Per Share:				
Net profit for the period (RM'000)	565	560	1,988	480
Weighted average number of ordinary shares ('000)	120,776	120,776	120,776	120,776
Basic Earnings Per Share (Sen)	<u>0.47</u>	<u>0.46</u>	<u>1.65</u>	<u>0.40</u>