



**PAOS HOLDINGS BERHAD (Company No. 452536-W)**  
**UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE FIRST QUARTER**  
**ENDED 31 AUGUST 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 2016.

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 periods beginning on or after 1 January 2016**

- MFRS 14, Regulatory Deferral Accounts\*
- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operation (Annual Improvements 2012-2014 Cycle) \*
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- 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 Interest in Joint Operations\*
- 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)



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*A1. Basis Of Preparation (con't): -*

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

- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

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

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, Leases

**MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

- 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 Group and the Company.
- from the annual period beginning on 1 June 2017 for those amendments 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 that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 June 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.



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**A1. Basis Of Preparation (con't): -**

The initial application of the applicable 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:

**(i) MFRS 15, Revenue from Contracts with Customers**

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 will assess the financial impact that may arise from the adoption of MFRS 15.

**(ii) 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 will assess the financial impact that may arise from the adoption of MFRS 9.

**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.



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**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.

**A8. Operating segments**

|   | Manufacturing<br>RM'000 | Trading<br>RM'000 | Intergrated<br>hotel<br>Operation and<br>Property<br>investment<br>RM'000 | Current Quarter<br>Ended<br>31/08/2016<br>Total<br>RM'000 |
|---|-------------------------|-------------------|---|---|
| Segment profit                                      | 604                     | 407               | 172   | 1,183   |
| Included in the measure of<br>Segment profit are: - |                         |                   |   |   |
| Revenue from<br>External customers                  | 9,958                   | 38,675            | 1,682   | 50,315  |
| Depreciation and amortisation                       | 316                     | 59                | 425   | 800   |

**Reconciliation of reportable segment profit: -**

|                                      | <b>Current Quarter<br/>ended 31/08/2016<br/>RM'000</b> |
|--------------------------------------|--|
| <b>Profit</b>                        |  |
| Total profit for reportable segments | 1,183  |
| Finance costs                        | (4)  |
| Unallocated expenses                 | (80)   |
| Unallocated income                   | <u>161</u>   |
| Consolidated profit before tax       | <u><u>1,260</u></u>                                    |



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**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.

**A10. Capital Commitments**

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

|                               | As at 31 August 2016<br>RM'000 | As at 31 May 2016<br>RM'000 |
|-------------------------------|--------------------------------|-----------------------------|
| Property, plant and equipment |                                |                             |
| - contracted                  | 34                             | 18                          |
| - not contracted              | <u>977</u>                     | <u>753</u>                  |
| Total                         | <u>1,011</u>                   | <u>771</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 31 August 2016<br>RM'000 | As at 31 May 2016<br>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   |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 31.08.2016<br>RM'000 | 31.08.2015<br>RM'000 | 31.08.2016<br>RM'000 | 31.08.2015<br>RM'000 |
| <b>Revenue</b>  |                      |                      |                      |                      |
| Manufacturing   | 9,958                | 11,167               | 9,958                | 11,167               |
| Trading   | 38,675               | 2,448                | 38,675               | 2,448                |
| Integrated hotel operation<br>and property investment | <u>1,682</u>         | <u>1,564</u>         | <u>1,682</u>         | <u>1,564</u>         |
| <b>Group</b>  | <u>50,315</u>        | <u>15,179</u>        | <u>50,315</u>        | <u>15,179</u>        |
|   | =====                | =====                | =====                | =====                |
| <b>Segment profit</b>                                 |                      |                      |                      |                      |
| Manufacturing   | 604                  | 1,057                | 604                  | 1,057                |
| Trading   | 407                  | (269)                | 407                  | (269)                |
| Integrated hotel operation<br>and property investment | <u>172</u>           | <u>105</u>           | <u>172</u>           | <u>105</u>           |
| <b>Group</b>  | <u>1,183</u>         | <u>893</u>           | <u>1,183</u>         | <u>893</u>           |
|   | =====                | =====                | =====                | =====                |

**Quarterly Performance Review**

Revenue of the Group for the first financial quarter ended 31 August 2016 increased to RM50.32 million from RM15.18 million reported in the preceding corresponding financial quarter mainly due to trading of fuel oil.

In tandem with the increase in trading sales, cost of sales of the Group for the current quarter have also increased to RM47.40 million from RM13.61 million in the preceding corresponding quarter.

Overall, the Group reported a profit before taxation for the current quarter of RM1.26 million as compared to a profit before taxation of RM0.77 million in the preceding corresponding quarter.



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***B1. Review Of Performance (con't): -***

**Segment Performance Review**

**Manufacturing segment**

For the three months ended 31 August 2016, revenue decreased by 10.83% from RM11.17 million to RM9.96 million while segment profit decreased from RM1.06 million to RM0.60 million mainly due to lower sales volume during the current quarter.

**Trading segment**

For the three months ended 31 August 2016, revenue increased from RM2.45 million to RM38.68 million and the segment profit for this quarter reported RM0.41 million due to fuel oil trading.

**Integrated hotel operation and property investment segment**

For the three months ended 31 August 2016, revenue for the current quarter increased to RM1.68 million from RM1.56 million in the preceding corresponding quarter, while segment profit increased to RM0.17 million from RM0.10 million mainly due to increase in occupancy rate of the hotel.

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

Revenue for the current quarter was RM50.32 million compared to RM30.15 million recorded in the immediate preceding quarter.

The Group's profit before taxation for the current quarter was RM1.26 million compared to the profit before taxation of RM2.03 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 2016/2017 will remain competitive despite the challenging 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<br>31.08.2016 | Year To Date<br>ended<br>31.08.2016 | Quarter<br>ended<br>31.08.2015 | Year-To-Date<br>ended<br>31.08.2015 |
|                              | RM'000                      | RM'000                              | RM'000                         | RM'000                              |
| Income tax<br>- current year | 393                         | 393                                 | 319                            | 319                                 |
| <b>Total</b>                 | <b>393</b>                  | <b>393</b>                          | <b>319</b>                     | <b>319</b>                          |

**B6. Status of Corporate Proposals**

On 9 September 2016, Paos Holdings Berhad (“Paos” or the “Company”) announced that the Company proposed to undertake the following Proposals: -

- i) proposed bonus issue of 60,388,000 new ordinary shares of RM0.50 each in Paos Holdings Berhad (“Paos Share”) (“Bonus Shares”) on the basis of one (1) Bonus Share for every two (2) existing Paos Shares held at an entitlement date to be determined later (“Proposed Bonus Issue of Shares”);
- ii) proposed issue of 90,582,000 free warrants (“Warrants”) on the basis of (1) Warrant for every two (2) Paos Shares held after the Proposed Bonus Issue of Shares (“Proposed Free Warrants Issue”);
- iii) proposed increase in the authorised share capital of Paos from RM100,000,000 comprising 200,000,000 Paos Shares to RM200,000,000 comprising 400,000,000 Paos Shares (“Proposed Increase in the Authorised Share Capital”); and
- iv) proposed amendment to the Company’s memorandum of association to facilitate the proposed increased in the authorised share capital (“Proposed Amendment”).





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**B6. Status of Corporate Proposals (con't): -**

The Proposals are subject to and conditional upon the following approvals being obtained:-

- i) Bursa Securities, of which approval had been obtained on 4 October 2016, for the following:
  - a) listing and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
  - b) listing of and quotation for the new Paos Shares to be issued pursuant to the exercise of the Warrants;
  - c) admission to the Official List and listing of and quotation for the Warrants to the Official List; and
- ii) shareholders of the Company at an Extraordinary General Meeting to be convened for the Proposals on 25 November 2016.

**B7. Borrowings and Debt Securities**

There is no borrowing for the Group as at the end of the current quarter.

**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 an 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 2017 and payable on 28 November 2016 to Depositors registered in the Record of Depositors at the close business on 14 November 2016.



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**B10. Realised and Unrealised Profits / Losses**

|   | As at 31 August 2016<br>RM'000 | As at 31 May 2016<br>RM'000 |
|---|--------------------------------|-----------------------------|
| Total retained profits                                    |                                |                             |
| Realised  | 56,490                         | 56,388                      |
| Unrealised  | (298)                          | (1,063)                     |
|   | -----                          | -----                       |
|   | 56,192                         | 55,325                      |
| Less: Consolidation adjustments                           | (29,931)                       | (29,931)                    |
|   | -----                          | -----                       |
| Total group retained profits as per consolidated accounts | <u>26,261</u>                  | <u>25,394</u>               |

**B11. Earnings Per Share**

|   | Quarter Ended |               | Cumulative Quarter |                    |
|---|---------------|---------------|--------------------|--------------------|
|   | Current       | Preceding     | Current            | Preceding          |
|   | Quarter       | Year          | Year To            | Year               |
|   | Ended         | Corresponding | Date               | Corresponding      |
|   | 31.08.16      | Quarter Ended | Ended              | Year To Date Ended |
|   | 31.08.16      | 31.08.15      | 31.08.16           | 31.08.15           |
| <b>Basic Earnings Per Share:</b>                  |               |               |                    |                    |
| Net profit for the period (RM'000)                | 867           | 450           | 867                | 450                |
| Weighted average number of ordinary shares ('000) | 120,776       | 120,776       | 120,776            | 120,776            |
| Basic Earnings Per Share (Sen)                    | <u>0.72</u>   | <u>0.37</u>   | <u>0.72</u>        | <u>0.37</u>        |