



PAOS HOLDINGS BERHAD (Company No. 452536-W)
UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER
ENDED 31 MAY 2017

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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AI. 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.

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:



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

(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.

A5. Changes in Estimates

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



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A6. *Issuance and Repayment of Debt and Equity Securities*

Pursuant to the issuance of the Bonus Shares, the paid up share capital of the Company had increased from RM60,388,000 to RM90,582,000 with effect from 9 December 2016. Consequently, the share premium and retained profits of the Company had also reduced accordingly.

Other than the above, there were no new debts and equity security issued during the current quarter.

A7. *Dividends Paid*

The first interim single tier dividend of 1.25 sen per ordinary share, totalling RM1,509,700 in respect of the financial year ending 31 May 2017 was paid on 28 November 2016.

The second interim single tier dividend of 0.80 sen per ordinary share, totalling RM1,449,312 in respect of the financial year ending 31 May 2017 was paid on 31 May 2017.



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A8. Operating segments

	Manufacturing RM'000	Trading RM'000	Intergrated hotel Operation and Property investment RM'000	Current Quarter Ended 31/05/2017 Total RM'000
Segment profit	(223)	484	126	387
Included in the measure of Segment profit are: -				
Revenue from External customers	10,096	45,850	1,671	57,617
Depreciation and amortisation	338	60	435	833

Reconciliation of reportable segment profit: -

	Current Quarter ended 31.05.2017 RM'000
Profit	
Total profit for reportable segments	387
Unallocated expenses	(112)
Unallocated income	265
Interest Income	<u>154</u>
Consolidated profit before tax	<u><u>694</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 31 May 2017 RM'000	As at 31 May 2016 RM'000
Property, plant and equipment		
- contracted	-	18
- not contracted	<u>642</u>	<u>753</u>
Total	<u>642</u>	<u>771</u>

A11. 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 May 2017 RM'000	As at 31 May 2016 RM'000
Bank guarantees in favour of third parties for utilities	<u>650</u>	<u>650</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	
	31.05.2017 RM'000	31.05.2016 RM'000	31.05.2017 RM'000	31.05.2016 RM'000
Revenue				
Manufacturing	10,096	12,759	37,381	45,754
Trading	45,850	15,823	193,401	22,181
Integrated hotel operation and property investment	<u>1,671</u>	<u>1,571</u>	<u>6,665</u>	<u>6,167</u>
Group	<u>57,617</u>	<u>30,153</u>	<u>237,447</u>	<u>74,102</u>
Segment profit				
Manufacturing	(223)	752	373	4,777
Trading	484	1,132	1,705	395
Integrated hotel operation and property investment	<u>126</u>	<u>97</u>	<u>483</u>	<u>315</u>
Group	<u>387</u>	<u>1,981</u>	<u>2,561</u>	<u>5,487</u>

Quarterly Performance Review

Revenue of the Group for the fourth financial quarter ended 31 May 2017 increased to RM57.62 million from RM30.15 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 RM55.64 million from RM27.81 million in the preceding corresponding quarter.

Also, during the current quarter, the Group reported a forex gain of RM0.26 million in comparison to RM1.28 million in the preceding corresponding quarter.

Overall, the Group reported a profit before taxation for the current quarter of RM0.69 million as compared to a profit before taxation of RM2.03 million in the preceding corresponding quarter.



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

Financial Year Performance Review

Manufacturing segment

For the twelve months ended 31 May 2017, revenue decreased by 18.29% from RM45.75 million to RM37.38 million while segment profit decreased from RM4.78 million to RM0.37 million mainly due to lower sales volume and currency exchange gain during the current period.

Trading segment

For the twelve months ended 31 May 2017, revenue increased from RM22.18 million to RM193.40 million while segment profit increased from RM0.39 million to a profit of RM1.70 million due to fuel oil trading.

Integrated hotel operation and property investment segment

For the twelve months ended 31 May 2017, revenue increased by 8.10% to RM6.67 million from RM6.17 million in the preceding corresponding period, while segment profit increased to RM0.48 million from RM0.31 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 RM57.62 million compared to RM68.21 million recorded in the immediate preceding quarter.

The Group's profit before taxation for the current quarter was RM0.69 million compared to the profit before taxation of RM0.20 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 forthcoming financial year 2017/2018 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 31.05.2017	Year To Date 31.05.2017	Quarter 31.05.2016	Year To Date 31.05.2016
	'000	'000	'000	'000
Income tax				
- current year	413	1,303	1,073	2,455
- under/(over) provision	-	(435)	140	140
	<u>413</u>	<u>868</u>	<u>1,213</u>	<u>2,595</u>
Deferred tax				
- current year	(62)	(62)	(372)	(372)
- over provision	(71)	(71)	(277)	(277)
	<u>(133)</u>	<u>(133)</u>	<u>(649)</u>	<u>(649)</u>
Total	<u>280</u>	<u>735</u>	<u>564</u>	<u>1,946</u>

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 31 May 2017 are as follows:

	RM'000
Short term borrowings: -	
Bank overdraft (unsecured)	<u>285</u>
Total borrowings	<u>285</u>

B8. Material Litigation

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

B9. Dividends

The Board of Directors does not recommend any dividend for the current quarter.



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B10. Realised and Unrealised Profits / Losses

	As at 31 May 2017 RM'000	As at 31 May 2016 RM'000
Total retained profits		
Realised	39,986	56,388
Unrealised	<u>(1,090)</u>	<u>(1,063)</u>
	38,896	55,325
Less: Consolidation adjustments	<u>(29,931)</u>	<u>(29,931)</u>
Total group retained profit as per consolidated accounts	<u><u>8,965</u></u>	<u><u>25,394</u></u>

B11. Earnings Per Share

	Quarter Ended		Cumulative Quarter	
	Current Quarter Ended 31.05.2017	Preceding Year Corresponding Quarter Ended 31.05.2016	Current Year To Date Ended 31.05.2017	Preceding Year Corresponding Year To Date Ended 31.05.2016
Basic Earnings Per Share:				
Net profit for the period (RM'000)	414	1,468	1,853	3,457
Weighted average number of ordinary shares ('000) **	181,164	181,164	181,164	181,164
Basic Earnings Per Share (Sen)	<u>0.23</u>	<u>0.81</u>	<u>1.02</u>	<u>1.91</u>

** Adjusted due to bonus issue of shares

Diluted Earnings Per Share:

The diluted earnings per share is not disclosed as the exercise price is above the market price of the Company's warrants and therefore the effect is anti-dilutive.