



PAOS HOLDINGS BERHAD (Company No. 452536-W)
UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER
ENDED 30 NOVEMBER 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 2017.

The following are accounting standards, amendments and interpretations 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 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)**
- 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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)**
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions**
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts**
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)**
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments**



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A1. Basis of preparation (con't): -

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- 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*

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

- 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, except for those marked with “*” which are not applicable to the Group and the Company.
- from the annual period beginning on 1 June 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for those marked as “*” which are not applicable to the Group and the Company.
- from the annual period beginning on 1 June 2019 for the accounting standard and interpretation that are effective for annual periods beginning on or after 1 January 2019.

The accounting standard that is effective for annual periods beginning on or after 1 January 2021 is not applicable to the Group and the Company.

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*.



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A1. Basis of preparation (con't): -

(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.

(iii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15, MFRS 9 and MFRS 16.

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

An interim single tier dividend of 0.80 sen per ordinary share totalling RM1,449,312 in respect of the financial year ending 31 May 2018 was paid on 28 November 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 30/11/2017 Total RM'000
Segment profit	(36)	405	193	562
Included in the measure of Segment profit are: -				
Revenue from External customers	12,330	54,236	1,736	68,302
Depreciation and amortisation	314	59	442	815

Reconciliation of reportable segment profit: -

	Current Quarter ended 30.11.2017 RM'000
Profit	
Total profit for reportable segments	562
Unallocated expenses	(176)
Unallocated income	27
Interest expenses	(13)
Interest Income	<u>52</u>
Consolidated profit before tax	<u>452</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 30 November 2017 RM'000	As at 31 May 2017 RM'000
Property, plant and equipment		
- contracted	46	-
- not contracted	<u>514</u>	<u>642</u>
Total	<u>560</u>	<u>642</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 30 November 2017 RM'000	As at 31 May 2017 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	
	30.11.2017 RM'000	30.11.2016 RM'000	30.11.2017 RM'000	30.11.2016 RM'000
Revenue				
Manufacturing	12,330	8,321	25,668	18,279
Trading	54,236	51,391	102,112	90,066
Integrated hotel operation and property investment	<u>1,736</u>	<u>1,591</u>	<u>3,524</u>	<u>3,273</u>
Group	<u>68,302</u>	<u>61,303</u>	<u>131,304</u>	<u>111,618</u>
Segment profit				
Manufacturing	(36)	241	236	845
Trading	405	480	764	887
Integrated hotel operation and property investment	<u>193</u>	<u>65</u>	<u>389</u>	<u>237</u>
Group	<u>562</u>	<u>786</u>	<u>1,389</u>	<u>1,969</u>

Quarterly Performance Review

Revenue of the Group for the second financial quarter ended 30 November 2017 increased to RM68.30 million from RM61.30 million reported in the preceding corresponding financial quarter mainly due to trading of fuel oil and manufacturing of animal feed and bar soap.

In tandem with the increase in revenue, cost of sales of the Group for the current quarter have also increased to RM65.71 million from RM59.20 million in the preceding corresponding quarter.

Overall, the Group reported a profit before taxation for the current quarter of RM0.45 million as compared to a profit before taxation of RM0.44 million in the preceding corresponding quarter mainly due to higher operating costs.



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

Financial Year Performance Review

Manufacturing segment

For the six months ended 30 November 2017, revenue increased by 40.43% from RM18.28 million to RM25.67 million while segment profit decreased from RM0.85 million to RM0.24 million mainly due to higher operating costs.

Trading segment

For the six months ended 30 November 2017, revenue increased by 13.37% from RM90.07 million to RM102.11 million mainly due to higher fuel oil price. However, segment profit decreased from RM0.89 million to RM0.76 million due to slightly lower sales volume.

Integrated hotel operation and property investment segment

For the six months ended 30 November 2017, revenue increased by 7.65% to RM3.52 million from RM3.27 million in the preceding corresponding period, while segment profit increased to RM0.39 million from RM0.24 million mainly due to increase in occupancy rate of the hotel and office space.

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

Revenue for the current quarter was RM68.30 million compared to RM63.00 million recorded in the immediate preceding quarter.

The Group's profit before taxation for the current quarter was RM0.45 million compared to the profit before taxation of RM0.83 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 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 30.11.2017	Year To Date 30.11.2017	Quarter 30.11.2016	Year To Date 30.11.2016
	'000	'000	'000	'000
Income tax				
- current year	279	594	296	689
Total	279	594	296	689

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 30 November 2017 are as follows:

	RM'000
Short term borrowings: -	
Bank overdraft (unsecured)	731
Total borrowings	731

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.

B10. Realised and Unrealised Profits / Losses

	As at 30 November 2017 RM'000	As at 31 May 2017 RM'000
Total retained profits		
Realised	38,215	39,986
Unrealised	(85)	(1,090)
	38,130	38,896
Less: Consolidation adjustments	(29,931)	(29,931)
Total group retained profit as per consolidated accounts	8,199	8,965



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B11. Earnings Per Share

	Current Quarter Ended 30.11.2017	Quarter Ended Preceding Year Corresponding Quarter Ended 30.11.2016	Cumulative Quarter Current Year To Date Ended 30.11.2017	Preceding Year Corresponding Year To Date Ended 30.11.2016
Basic Earnings Per Share:				
Net profit for the period (RM'000)	173	140	684	1,007
Weighted average number of ordinary shares ('000) **	181,164	181,164	181,164	181,164
Basic Earnings Per Share (Sen)	0.10	0.08	0.38	0.56
	=====	=====	=====	=====

** restated 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.