



PAOS HOLDINGS BERHAD (Company No. 452536-W)
UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER
ENDED 30 NOVEMBER 2018

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 2018.

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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- *Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- *Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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*



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The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations in the respective financial years when the above accounting standards, amendments and interpretations become effective, where applicable.

The initial application of the accounting standards, interpretation and amendments are not expected to have any material financial impacts to the current period and prior period financial statement of the Group and the Company:

(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 has assessed and does not expect the initial application of MFRS 15 to have any significant impact to the financial statements of the Group.

(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 has assessed and does not expect the initial application of MFRS 9 to have any significant impact to the financial statements of the Group.

(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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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



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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 2019 was paid on 28 November 2018.



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A8. Operating segments

| | Manufacturing RM'000 | Trading RM'000 | Intergrated hotel Operation and Property investment RM'000 | Current Quarter Ended 30/11/2018 Total RM'000 |
|---|-------------------------|-------------------|---|---|
| Segment profit | 542 | 486 | 31 | 1,059 |
| Included in the measure of Segment profit are: - | | | | |
| Revenue from External customers | 10,652 | 91,101 | 1,576 | 103,329 |
| Depreciation and amortisation | 294 | 59 | 450 | 803 |

Reconciliation of reportable segment profit: -

| | Current Quarter ended 30.11.2018 RM'000 |
|--------------------------------------|--|
| Profit | |
| Total profit for reportable segments | 1,059 |
| Unallocated expenses | (168) |
| Unallocated income | 28 |
| Interest expenses | (5) |
| Interest income | <u>28</u> |
| Consolidated profit before tax | <u>942</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 2018 RM'000 | As at 31 May 2018 RM'000 |
|-------------------------------|----------------------------------|-----------------------------|
| Property, plant and equipment | | |
| - contracted | 25 | 25 |
| - not contracted | <u>422</u> | <u>507</u> |
| Total | <u>447</u> | <u>532</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 2018 RM'000 | As at 31 May 2018 RM'000 |
|--|----------------------------------|-----------------------------|
| Bank guarantees in favour of third parties for utilities | <u>659</u> | <u>659</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 | |
|---|--------------------|---------------|--------------------|----------------|
| | 30.11.2018 | 30.11.2017 | 30.11.2018 | 30.11.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | |
| Manufacturing | 10,652 | 12,330 | 24,057 | 25,668 |
| Trading | 91,101 | 54,236 | 168,428 | 102,112 |
| Integrated hotel operation and property investment | 1,576 | 1,736 | 3,396 | 3,524 |
| Group | <u>103,329</u> | <u>68,302</u> | <u>195,881</u> | <u>131,304</u> |
| | ===== | ===== | ===== | ===== |
| Segment profit | | | | |
| Manufacturing | 542 | (36) | 747 | 236 |
| Trading | 486 | 405 | 937 | 764 |
| Integrated hotel operation and property investment | 31 | 193 | 277 | 389 |
| Group | <u>1,059</u> | <u>562</u> | <u>1,961</u> | <u>1,389</u> |
| | ===== | ===== | ===== | ===== |

Quarterly Performance Review

Revenue of the Group for the second financial quarter ended 30 November 2018 increased to RM103.33 million from RM68.30 million reported in the preceding corresponding financial quarter mainly due to increase in fuel oil trading.

In tandem with the increase in fuel oil trading, cost of sales of the Group for the current quarter have also increased to RM100.91 million from RM65.71 million in the preceding corresponding quarter.

Also, during the current quarter, the Group reported a forex gain of RM0.48 million in comparison to a forex loss of RM0.16 million in the preceding corresponding quarter.

Overall, the Group reported a profit before taxation for the current quarter of RM0.94 million as compared to a profit before taxation of RM0.45 million in the preceding corresponding quarter.



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

Financial Year Performance Review

Manufacturing segment

For the six months ended 30 November 2018, revenue decreased by 6.27% from RM25.67 million to RM24.06 million while segment profit increased from RM0.24 million to RM0.75 million mainly due to foreign exchange gain.

Trading segment

For the six months ended 30 November 2018, revenue increased by 64.95% from RM102.11 million to RM168.43 million mainly due to higher fuel oil price. Segment profit increased from RM0.76 million to RM0.94 million due to higher fuel oil volume.

Integrated hotel operation and property investment segment

For the six months ended 30 November 2018, revenue decreased by 3.41% to RM3.40 million from RM3.52 million in the preceding corresponding period, and correspondingly segment profit decreased to RM0.28 million from RM0.39 million.

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

Revenue for the current quarter was RM103.33 million compared to RM92.55 million recorded in the immediate preceding quarter.

The Group's profit before taxation for the current quarter was RM0.94 million compared to the profit before taxation of RM0.84 million for the preceding quarter.

B3. Current Year Prospects

Current economic situation continues to present challenging business conditions for the Group. Higher operational costs in terms of rising cost of wages, utilities, other operational expenses and also fluctuations in foreign currency exchange rates remain as main challenges for the Group.

Efforts will continuously be made in improving the performance of the respective segments.

The Board of Directors believes that the performance of the Group for the financial year 2018/2019 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 30.11.2018 | Year To Date 30.11.2018 | Quarter 30.11.2017 | Year To Date 30.11.2017 |
| | '000 | '000 | '000 | '000 |
| Income tax | | | | |
| - current year | 360 | 722 | 279 | 594 |
| Total | <u>360</u> | <u>722</u> | <u>279</u> | <u>594</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 30 November 2018 are as follows:

| | RM'000 |
|----------------------------|------------|
| Short term borrowings: - | |
| Bank overdraft (unsecured) | <u>655</u> |
| Total borrowings | <u>655</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. Earnings Per Share

| | Current Quarter Ended 30.11.2018 | Quarter Ended Preceding Year Corresponding Quarter Ended 30.11.2017 | Cumulative Quarter Current Year To Date Ended 30.11.2018 | Preceding Year Corresponding Year To Date Ended 30.11.2017 |
|---|---|--|---|--|
| Basic Earnings Per Share: | | | | |
| Net profit for the period (RM'000) | 582 | 173 | 1,056 | 684 |
| Weighted average number of ordinary shares ('000) | 181,164 | 181,164 | 181,164 | 181,164 |
| Basic Earnings Per Share (Sen) | <u>0.32</u> | <u>0.10</u> | <u>0.58</u> | <u>0.38</u> |

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.