



PAOS HOLDINGS BERHAD (Company No. 452536-W)
UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER
ENDED 31 MAY 2019

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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*



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A1. Basis of preparation (con't)

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 plans to apply the abovementioned accounting standards, amendments and interpretations: -

- from the annual period beginning on 1 June 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MRFS 11, Amendments to MFRS 123 and Amendments to MRFS 128 which are not applicable to the Group and the Company; and
- from the annual period beginning on 1 June 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual period beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and 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 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 and the Company have assessed that the initial application of MFRS 16 will not have any significant impact on the financial statements of the Group and of the Company.



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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*

A first interim single tier dividend of 0.80 sen per ordinary share totaling RM1,449,312 in respect of the financial year ending 31 May 2019 was paid on 28 November 2018.

A second interim single tier dividend of 0.80 sen per ordinary share totaling RM1,449,312 in respect of the financial year ending 31 May 2019 was paid on 31 May 2019.



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A8. Operating segments

	Manufacturing RM'000	Trading RM'000	Intergrated hotel Operation and Property investment RM'000	Current Quarter Ended 31.05.2019 Total RM'000
Segment profit	(466)	185	(44)	(325)
Included in the measure of Segment profit are: -				
Revenue from External customers	16,135	35,917	1,529	53,581
Depreciation and amortisation	303	59	443	805

Reconciliation of reportable segment profit: -

	Current Quarter ended 31.05.2019 RM'000
Profit	
Total profit for reportable segments	(325)
Unallocated expenses	(98)
Unallocated income	56
Interest expenses	(6)
Interest income	<u>11</u>
Consolidated profit before tax	<u>(362)</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 2019 RM'000	As at 31 May 2018 RM'000
Property, plant and equipment		
- contracted	57	25
- not contracted	<u>5,229</u>	<u>507</u>
Total	<u>5,286</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 31 May 2019 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	
	31.05.2019 RM'000	31.05.2018 RM'000	31.05.2019 RM'000	31.05.2018 RM'000
Revenue				
Manufacturing	16,135	11,547	48,825	47,837
Trading	35,917	61,978	271,260	224,707
Integrated hotel operation and property investment	<u>1,529</u>	<u>1,672</u>	<u>6,615</u>	<u>6,985</u>
Group	<u>53,581</u>	<u>75,197</u>	<u>326,700</u>	<u>279,529</u>
Segment profit				
Manufacturing	(466)	(297)	176	(536)
Trading	185	405	1,467	1,575
Integrated hotel operation and property investment	<u>(44)</u>	<u>96</u>	<u>276</u>	<u>632</u>
Group	<u>(325)</u>	<u>204</u>	<u>1,919</u>	<u>1,671</u>

Quarterly Performance Review

Revenue of the Group for the fourth financial quarter ended 31 May 2019 decreased to RM53.58 million from RM75.20 million reported in the preceding corresponding financial quarter mainly due to lower fuel oil volume.

In tandem with the lower fuel oil volume, cost of sales of the Group for the current quarter have also decreased to RM52.27 million from RM73.13 million in the preceding corresponding quarter.

Overall, the Group reported a loss before taxation for the current quarter of RM0.36 million as compared to a profit before taxation of RM0.18 million in the preceding corresponding quarter mainly due to lower fuel oil volume and higher manufacturing cost.



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

Financial Year Performance Review

Manufacturing segment

For the twelve months ended 31 May 2019, revenue increased by 2.07% from RM47.84 million to RM48.83 million while segment profit increased from loss of RM0.54 million to profit of RM0.18 million mainly due to foreign exchange gain.

Trading segment

For the twelve months ended 31 May 2019, revenue increased by 20.72% from RM224.71 million to RM271.26 million mainly due to higher fuel oil price, while segment profit decreased from RM1.58 million to RM1.47 million due to lower fuel oil volume.

Integrated hotel operation and property investment segment

For the twelve months ended 31 May 2019, revenue decreased by 5.30% to RM6.61 million from RM6.98 million in the preceding corresponding period, and correspondingly segment profit decreased to RM0.28 million from RM0.63 million.

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

Revenue for the current quarter was RM53.58 million compared to RM77.24 million recorded in the immediate preceding quarter.

The Group's loss before taxation for the current quarter was RM0.36 million compared to the profit before taxation of RM0.22 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 forthcoming financial year 2019/2020 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	Year To Date	Quarter	Year To Date
	31.05.2019	31.05.2019	31.05.2018	31.05.2018
	'000	'000	'000	'000
Income tax				
- current year	206	1,113	327	1,137
- over provision in prior year	(65)	(65)	(16)	(101)
	<u>141</u>	<u>1,048</u>	<u>311</u>	<u>1,036</u>
Deferred tax				
- current year	(154)	(154)	(180)	(180)
- over provision in prior year	-	-	(225)	(225)
	<u>(154)</u>	<u>(154)</u>	<u>(405)</u>	<u>(405)</u>
Total	<u>(13)</u>	<u>894</u>	<u>(94)</u>	<u>631</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

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 does not recommend any dividend for the current quarter.



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B10. Earnings Per Share

	Current Quarter Ended 31.05.2019	Quarter Ended Preceding Year Corresponding Quarter Ended 31.05.2018	Cumulative Quarter Current Year To Date Ended 31.05.2019	Preceding Year Corresponding Year To Date Ended 31.05.2018
Basic Earnings Per Share:				
Net profit for the period (RM'000)	(349)	278	743	855
Weighted average number of ordinary shares ('000)	181,164	181,164	181,164	181,164
Basic Earnings Per Share (Sen)	<u>(0.19)</u>	<u>0.15</u>	<u>0.41</u>	<u>0.47</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.