



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

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 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*

***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 in the respective financial years when the above accounting standards, amendments and interpretations become effective, where applicable.

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.



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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***

No dividends were paid during the quarter under review.



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**A8. Operating segments**

	Manufacturing RM'000	Trading RM'000	Integrated hotel Operation and Property investment RM'000	Current Quarter Ended 31.08.2019 Total RM'000
Segment profit	(525)	244	114	(167)
Included in the measure of Segment profit are: -				
Revenue from External customers	9,581	47,174	1,711	58,466
Depreciation and amortisation	252	0	308	560

**Reconciliation of reportable segment profit: -**

	<b>Current Quarter ended 31.08.2019 RM'000</b>
<b>Profit</b>	
Total profit for reportable segments	(167)
Unallocated expenses	(119)
Unallocated income	26
Interest expenses	(3)
Interest income	<u>38</u>
Consolidated profit before tax	<u>(225)</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 August 2019 RM'000	As at 31 May 2019 RM'000
Property, plant and equipment		
- contracted	3,944	57
- not contracted	<u>1,995</u>	<u>5,229</u>
Total	<u>5,939</u>	<u>5,286</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 August 2019 RM'000	As at 31 May 2019 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	
	31.08.2019	31.08.2018	31.08.2019	31.08.2018
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Manufacturing	9,581	13,405	9,581	13,405
Trading	47,174	77,327	47,174	77,327
Integrated hotel operation and property investment	1,711	1,820	1,711	1,820
	<u>58,466</u>	<u>92,552</u>	<u>58,466</u>	<u>92,552</u>
<b>Segment profit</b>				
Manufacturing	(525)	204	(525)	204
Trading	244	451	244	451
Integrated hotel operation And property operation	114	246	114	246
	<u>(167)</u>	<u>901</u>	<u>(167)</u>	<u>901</u>
<b>Profit before tax</b>				
Unallocated expenses	(119)	(114)	(119)	(114)
Unallocated income	26	27	26	27
Interest expenses	(3)	(8)	(3)	(8)
Interest income	38	30	38	30
	<u>(225)</u>	<u>836</u>	<u>(225)</u>	<u>836</u>

**Quarterly Performance Review**

Revenue of the Group for the first financial quarter ended 31 August 2019 decreased to RM58.47 million from RM92.55 million reported in the preceding corresponding financial quarter mainly due to lower volume on fuel oil and soap manufacturing.

In tandem with the lower fuel oil and soap volume, cost of sales of the Group for the current quarter have also decreased to RM56.81 million from RM89.68 million in the preceding corresponding quarter.

Overall, the Group reported a loss before taxation for the current quarter of RM0.23 million as compared to a profit before taxation of RM0.84 million in the preceding corresponding quarter mainly due to lower fuel oil and soap volume and higher manufacturing cost.



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

**Financial Year Performance Review**

**Manufacturing segment**

For the three months ended 31 August 2019, revenue decreased by 28.51% from RM13.40 million to RM9.58 million while segment profit decreased from profit of RM0.20 million to loss of RM0.53 million mainly due to lower soap volume and higher manufacturing cost.

**Trading segment**

For the three months ended 31 August 2019, revenue decreased by 39.00% from RM77.33 million to RM47.17 million, and correspondingly segment profit decreased from RM0.45 million to RM0.24 million mainly due to lower fuel oil volume.

**Integrated hotel operation and property investment segment**

For the three months ended 31 August 2019, revenue decreased by 6.04% to RM1.71 million from RM1.82 million in the preceding corresponding period, and correspondingly segment profit decreased to RM0.11 million from RM0.25 million.

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

Revenue for the current quarter was RM58.47 million compared to RM53.58 million recorded in the immediate preceding quarter.

The Group's loss before taxation for the current quarter was RM0.23 million compared to the loss before taxation of RM0.36 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 2019/2020 will be challenging in view of the current economic 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 31.08.2019	Year To Date 31.08.2019	Quarter 31.08.2018	Year To Date 31.08.2018
	'000	'000	'000	'000
Income tax				
- current year	129	129	362	362
Total	129	129	362	362

**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 August 2019 are as follows: -

	RM'000
Short term borrowings: -	
Bank overdraft (unsecured)	402
Total borrowings	402

**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 0.80 sen per ordinary share in respect of the financial year ending 31 May 2020 and payable on 28 November 2019 to Depositors registered in the Record of Depositors at the close business on 12 November 2019.



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**B10. Earnings Per Share**

	Quarter Ended		Cumulative Quarter	
	Current Quarter Ended 31.08.2019	Preceding Year Corresponding Quarter Ended 31.08.2018	Current Year To Date Ended 31.08.2019	Preceding Year Corresponding Year To Date Ended 31.08.2018
<b>Basic Earnings Per Share:</b>				
Net profit for the period (RM'000)	(354)	474	(354)	474
Weighted average number of ordinary shares ('000)	181,164	181,164	181,164	181,164
Basic Earnings Per Share (Sen)	<u>(0.20)</u>	<u>0.26</u>	<u>(0.20)</u>	<u>0.26</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.