



PAOS HOLDINGS BERHAD (Company No. 452536-W)
UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER
ENDED 29 FEBRUARY 2020

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 29.02.2020 Total RM'000
Segment profit	(388)	360	16	(12)
Included in the measure of Segment profit are: -				
Revenue from External customers	6,896	68,539	1,574	77,009
Depreciation and amortisation	270	22	415	707

Reconciliation of reportable segment profit: -

	Current Quarter ended 29.02.2020 RM'000
Profit	
Total profit/(loss) for reportable segments	(12)
Unallocated expenses	(84)
Unallocated income	24
Interest expenses	(6)
Interest income	<u>39</u>
Consolidated profit/(loss) before tax	<u>(39)</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 29 February 2020 RM'000	As at 31 May 2019 RM'000
Property, plant and equipment		
- contracted	5,171	57
- not contracted	<u>750</u>	<u>5,229</u>
Total	<u>5,921</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 other than as follows: -

The impact of Covid-19 pandemic on the travel and tourism industry in Malaysia and globally has materially disrupted the Group's integrated hotel operation and property investment segment activities.

While this is expected to have an impact on the performance of this segment for the coming periods, the Group will continue to pay close attention to the development of Covid-19 outbreak and mitigate against the impact on the financial performance of this segment moving forward.

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 29 February 2020 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	
	29.02.2020	28.02.2019	29.02.2020	28.02.2019
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	6,896	8,633	23,330	32,690
Trading	68,539	66,915	166,841	235,343
Integrated hotel operation and property investment	1,574	1,690	4,878	5,086
	<u>77,009</u>	<u>77,238</u>	<u>195,049</u>	<u>273,119</u>
Segment profit/(loss)				
Manufacturing	(388)	(105)	(1,412)	641
Trading	360	345	913	1,282
Integrated hotel operation and property investment	16	43	188	320
	<u>(12)</u>	<u>283</u>	<u>(311)</u>	<u>2,243</u>
Profit/(loss) before tax				
Unallocated expenses	(84)	(106)	(387)	(388)
Unallocated income	24	44	77	99
Interest expenses	(6)	(4)	(14)	(17)
Interest income	39	4	116	62
	<u>(39)</u>	<u>221</u>	<u>(519)</u>	<u>1,999</u>

Quarterly Performance Review

Revenue of the Group for the third financial quarter ended 29 February 2020 decreased to RM77.01 million from RM77.24 million reported in the preceding corresponding financial quarter mainly due to lower volume on soap and toll manufacturing.

Cost of sales of the Group for the current quarter increased slightly to RM75.33 million from RM75.18 million in the preceding corresponding quarter.

Overall, the Group reported a loss before taxation for the current quarter of RM0.04 million as compared to a profit before taxation of RM0.22 million in the preceding corresponding quarter mainly due to lower soap and tolling volume.



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

Financial Year Performance Review

Manufacturing segment

For the nine months ended 29 February 2020, revenue decreased by 28.63% from RM32.69 million to RM23.33 million while segment profit decreased from profit of RM0.64 million to loss of RM1.41 million mainly due to lower soap and tolling volume and higher manufacturing cost.

Trading segment

For the nine months ended 29 February 2020, revenue decreased by 29.11% from RM235.34 million to RM166.84 million and correspondingly segment profit decreased from RM1.28 million to RM0.91 million mainly due to lower fuel oil volume.

Integrated hotel operation and property investment segment

For the nine months ended 29 February 2020, revenue decreased by 4.13% to RM4.88 million from RM5.09 million, and correspondingly segment profit decreased to RM0.19 million from RM0.32 million mainly due to lower occupancy rate of our hotel operation.

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

Revenue for the current quarter was RM77.01 million compared to RM59.57 million recorded in the immediate preceding quarter.

The Group's loss before taxation for the current quarter was RM0.04 million compared to the loss before taxation of RM0.26 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 Covid-19 pandemic has resulted in significant levels of uncertainty across the Malaysian as well as the global economy. The Group will continue to monitor the development of Covid-19 pandemic and mitigate against any potential impact on the financial position and operating results of the Group.

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.



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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.

B5. Taxation

	Current Year		Preceding Year	
	Quarter 29.02.2020	Year To Date 29.02.2020	Quarter 28.02.2019	Year To Date 28.02.2019
	'000	'000	'000	'000
Income tax				
- current year	81	317	185	907
Total	81	317	185	907

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 has declared a second interim single tier dividend of 0.80 sen per ordinary share in respect of the financial year ended 31 May 2020 and payable on 15 July 2020 to Depositors registered in the Record of Depositors at the close business on 29 June 2020.

In addition to the first interim single tier dividend of 0.80 sen per share which was paid on 28 November 2019, the total dividend for the financial year ended 31 May 2020 would be 1.60 sen per share.



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B10. Earnings Per Share

	Current Quarter Ended 29.02.2020	Quarter Ended Preceding Year Corresponding Quarter Ended 28.02.2019	Cumulative Quarter Current Year To Date Ended 29.02.2020	Preceding Year Corresponding Year To Date Ended 28.02.2019
Basic Earnings Per Share:				
Net profit/(loss) for the period (RM'000)	(120)	36	(836)	1,092
Weighted average number of ordinary shares ('000)	181,164	181,164	181,164	181,164
Basic Earnings/(Loss) Per Share (Sen)	<u>(0.07)</u>	<u>0.02</u>	<u>(0.46)</u>	<u>0.60</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.