



**PAOS HOLDINGS BERHAD (Company No. 452536-W)**  
**UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE FIRST QUARTER**  
**ENDED 31 AUGUST 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 2020.

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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020***

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*



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***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, Insurance Contracts
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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

- from the annual period beginning on 1 June 2020 for the amendments that are effective for annual periods beginning on or after 1 January 2020 and 1 June 2020;
- from the annual period beginning on 1 June 2022 for the accounting standard that is effective for annual periods beginning on or after 1 January 2022, except for Amendments to MFRS 141 which is not applicable to the Group and the Company; and
- from the annual period beginning on 1 June 2023 for the accounting standard and amendment that are effective for annual periods beginning on or after 1 January 2023 except for MFRS 17 which is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations and amendments is not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

**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.



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**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.

**A8. Operating segments**

	Manufacturing RM'000	Trading RM'000	Integrated hotel Operations and Property investment RM'000	Current Quarter Ended 31.08.2020 Total RM'000
Segment profit/(loss)	(649)	512	(368)	(505)
Included in the measure of Segment profit are: -				
Revenue from External customers	6,040	52,363	646	59,049
Depreciation and amortisation	253	32	362	647

**Reconciliation of reportable segment profit: -**

**Current Quarter  
ended 31.08.2020  
RM'000**

**Profit**

Total profit/(loss) for reportable segments	(505)
Unallocated expenses	(153)
Unallocated income	132
Interest expenses	(5)
Interest income	<u>15</u>
Consolidated profit/(loss) before tax	<u>(516)</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 2020 RM'000	As at 31 May 2020 RM'000
Property, plant and equipment		
- contracted	1,862	719
- not contracted	<u>465</u>	<u>2,276</u>
Total	<u>2,327</u>	<u>2,995</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 2020 RM'000	As at 31 May 2020 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	
	31.08.2020 RM'000	31.08.2019 RM'000	31.08.2020 RM'000	31.08.2019 RM'000
<b>Revenue</b>				
Manufacturing	6,040	9,581	6,040	9,581
Trading	52,363	47,174	52,363	47,174
Integrated hotel operations and property investment	646	1,711	646	1,711
	<u>59,049</u>	<u>58,466</u>	<u>59,049</u>	<u>58,466</u>
<b>Segment profit/(loss)</b>				
Manufacturing	(649)	(525)	(649)	(525)
Trading	512	244	512	244
Integrated hotel operations and property investment	(368)	144	(368)	144
	<u>(505)</u>	<u>(167)</u>	<u>(505)</u>	<u>(167)</u>
<b>Profit/(loss) before tax</b>				
Unallocated expenses	(153)	(119)	(153)	(119)
Unallocated income	132	26	132	26
Interest expenses	(5)	(3)	(5)	(3)
Interest income	15	38	15	38
	<u>(516)</u>	<u>(225)</u>	<u>(516)</u>	<u>(225)</u>

**Quarterly Performance Review**

Revenue of the Group for the first financial quarter ended 31 August 2020 increased to RM59.05 million from RM58.47 million reported in the preceding corresponding financial quarter mainly due to higher volume on fuel oil.

In tandem with the higher fuel oil volume, cost of sales of the Group for the current quarter increased to RM57.97 million from RM56.81 million in the preceding corresponding quarter.

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

Overall, the Group reported a loss before taxation for the current quarter of RM0.52 million as compared to a loss before taxation of RM0.23 million in the preceding corresponding quarter mainly due to lower soap and tolling volume and also the impact of Covid-19.



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

**Segment Performance Review**

**Manufacturing segment**

For the three months ended 31 August 2020, revenue decreased by 36.95% from RM9.58 million to RM6.04 million while segment loss increased from RM0.53 million to RM0.65 million mainly due to lower soap volume and higher manufacturing cost.

**Trading segment**

For the three months ended 31 August 2020, revenue increased by 11.00% from RM47.17 million to RM52.36 million while segment profit increased from RM0.24 million to RM0.51 million mainly due to higher fuel oil volume.

**Integrated hotel operations and property investment segment**

For the three months ended 31 August 2020, revenue decreased by 61.99% to RM0.65 million from RM1.71 million, and correspondingly segment profit decreased to loss of RM0.37 million from profit of RM0.14 million mainly due to Covid-19 impact.

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

Revenue for the current quarter was RM59.05 million compared to RM87.80 million recorded in the immediate preceding quarter.

The Group's loss before taxation for the current quarter was RM0.52 million compared to the loss before taxation of RM0.54 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 2020/2021 will be uncertain in view of the current economic conditions.

Notwithstanding the above, the Group will remain resilient and vigilant in addressing these uncertainties in its' business activities moving forward.



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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 31.08.2020	Year To Date 31.08.2020	Quarter 31.08.2019	Year To Date 31.08.2019
	'000	'000	'000	'000
Income tax				
- current year	62	62	129	129
Total	62	62	129	129

**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 2020 are as follows:

	RM'000
Short term borrowings: -	
Bank overdraft	436
Hire purchase	<u>111</u>
	547
Long term borrowings:-	
Hire purchase	<u>343</u>
Total borrowings	<u>890</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 31.08.2020	Quarter Ended Preceding Year Corresponding Quarter Ended 31.08.2019	Cumulative Quarter Current Year To Date Ended 31.08.2020	Preceding Year Corresponding Year To Date Ended 31.08.2019
<b>Basic Earnings Per Share:</b>				
Net profit/(loss) for the period (RM'000)	(578)	(354)	(578)	(354)
Weighted average number of ordinary shares ('000)	181,164	181,164	181,164	181,164
Basic Earnings/(Loss) Per Share (Sen)	<u>(0.32)</u>	<u>(0.20)</u>	<u>(0.32)</u>	<u>(0.20)</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.