

PANSAR BERHAD (Company No. 18904-M)

INTERIM FINANCIAL STATEMENTS
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

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PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.12.2017 RM'000	Preceding year corresponding quarter 31.12.2016 RM'000	Current year to date 31.12.2017 RM'000	Preceding year corresponding year to date 31.12.2016 RM'000
Revenue	93,111	85,889	280,513	269,343
Cost of sales	(80,362)	(74,047)	(244,356)	(233,558)
Gross profit	12,749	11,842	36,157	35,785
Other income	1,210	1,197	4,235	3,441
Selling and distribution expenses	(2,435)	(2,429)	(7,339)	(7,091)
Administrative expenses	(7,611)	(7,544)	(22,503)	(23,049)
Other operating expenses	(499)	(270)	(1,096)	(1,207)
Finance costs	(235)	(196)	(665)	(525)
Share of results in an associate	78	(279)	325	(640)
Profit before taxation	3,257	2,321	9,114	6,714
Income tax expense	(900)	(903)	(2,203)	(2,223)
Profit after taxation	2,357	1,418	6,911	4,491
Other comprehensive income				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Cash flow hedge	(35)	(14)	(109)	71
Foreign currency translation	(424)	117	(795)	860
Share of foreign currency translation differences of an associate	(4)	19	(4)	69
Total other comprehensive income	(463)	122	(908)	1,000
Total comprehensive income for the period	1,894	1,540	6,003	5,491
Profit after taxation attributable to owners of the Company	2,357	1,418	6,911	4,491
Total comprehensive income attributable to owners of the Company	1,894	1,540	6,003	5,491
Weighted average number of shares in issue ('000)	280,000	280,000	280,000	280,000
Earnings per ordinary share (sen):-				
-Basic	0.84	0.51	2.47	1.60
-Diluted	N/A	N/A	N/A	N/A

The condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017

	31.12.2017	31.03.2017
	RM'000	RM'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Investment in an associate	12,553	12,232
Property, plant and equipment	4,272	4,425
Investment properties	7,460	7,561
Intangible assets	278	294
Deferred tax assets	810	301
	<hr/> 25,373	<hr/> 24,813
Current assets		
Inventories	36,798	41,975
Trade and other receivables	150,365	130,305
Derivative assets	47	145
Current tax assets	1,741	1,244
Deposits, cash and bank balances	46,047	39,310
	<hr/> 234,998	<hr/> 212,979
TOTAL ASSETS	<hr/> 260,371	<hr/> 237,792

PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D) AT 31 DECEMBER 2017

	31.12.2017	31.03.2017
	RM'000	RM'000
	(Unaudited)	(Audited)
EQUITY AND LIABILITIES		
Equity		
Share capital	140,000	140,000
Reserves	28,914	25,711
Total equity attributable to owners of the Company	168,914	165,711
Current liabilities		
Trade and other payables	60,736	53,638
Derivative liabilities	43	11
Bank borrowings:-		
- bank overdrafts	16,837	2,288
- other borrowings	11,000	14,900
Provision for employee benefits	2,691	1,071
Current tax liabilities	150	173
Total liabilities	91,457	72,081
TOTAL EQUITY AND LIABILITIES	260,371	237,792
Net assets per ordinary share (RM)	0.60	0.59

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR TO DATE ENDED 31 DECEMBER 2017

	< ----- Non-distributable ----- >			<- Distributable- >		
	Share Capital RM'000	Reverse acquisition reserve RM'000	Foreign exchange translation reserve RM'000	Cash flow hedge reserve RM'000	Retained profits RM'000	Total equity RM'000
9-month period ended 31.12.2017						
Balance at 1.4.2017	140,000	(116,732)	5,473	61	136,909	165,711
Profit after taxation for the period	-	-	-	-	6,911	6,911
Other comprehensive income for the period, net of tax:-						
- Foreign currency translation	-	-	(795)	-	-	(795)
- Cash flow hedge	-	-	-	(109)	-	(109)
- Share of foreign currency translation differences of an associate	-	-	(4)	-	-	(4)
Total comprehensive income for the period	-	-	(799)	(109)	6,911	6,003
Contributions by and distributions to owners of the Company:-						
- Dividends	-	-	-	-	(2,800)	(2,800)
Balance at 31.12.2017	140,000	(116,732)	4,674	(48)	141,020	168,914

	< ----- Non-distributable ----- >			<- Distributable- >		
	Share Capital RM'000	Reverse acquisition reserve RM'000	Foreign exchange translation reserve RM'000	Cash flow hedge reserve RM'000	Retained profits RM'000	Total equity RM'000
9-month period ended 31.12.2016						
Balance at 1.4.2016	140,000	(116,732)	3,989	(71)	137,630	164,816
Profit after taxation for the period	-	-	-	-	4,491	4,491
Other comprehensive income for the period, net of tax:-						
- Foreign currency translation	-	-	860	-	-	860
- Cash flow hedge	-	-	-	71	-	71
- Share of foreign currency translation differences of an associate	-	-	69	-	-	69
Total comprehensive income for the period	-	-	929	71	4,491	5,491
Contributions by and distributions to owners of the Company:-						
- Dividends	-	-	-	-	(5,600)	(5,600)
Balance at 31.12.2016	140,000	(116,732)	4,918	-	136,521	164,707

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR TO DATE ENDED 31 DECEMBER 2017

	Current year to date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	9,114	6,714
Adjustments for:-		
Allowance for impairment losses on receivables	1,081	1,205
Allowance for impairment losses on receivables no longer required	(1,941)	(861)
Allowance for slow-moving inventories no longer required	-	(3)
Amortisation of intangible assets	7	10
Bad debts written off	15	3
Depreciation of property, plant and equipment	1,131	1,180
Depreciation of investment properties	101	87
Fair value loss on derivatives	68	21
Gain on disposal of property, plant and equipment	(208)	(1)
Loss on disposal of non-current assets held for resale	-	10
Interest expense	665	525
Interest income	(789)	(813)
Provision for employee benefits	1,624	1,847
Share of results in an associate	(325)	640
Unrealised gain on foreign exchange	(11)	(59)
Operating profit before working capital changes	10,532	10,505
Decrease/(Increase) in inventories	5,117	(10,222)
Increase in trade and other receivables	(23,429)	(14,633)
Increase in trade and other payables	10,929	3,541
Employee benefits paid	-	(1,233)
CASH FROM/(FOR) OPERATIONS	3,149	(12,042)
Interest paid	(665)	(525)
Interest received	707	545
Income tax paid	(3,217)	(2,551)
Income tax refunded	-	17
NET CASH FOR OPERATING ACTIVITIES / BALANCE CARRIED FORWARD	(26)	(14,556)

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D) FOR THE YEAR TO DATE ENDED 31 DECEMBER 2017

	Current year to date 31.12.2017 RM'000	Preceding year Corresponding Period 31.12.2016 RM'000
NET CASH FOR OPERATING ACTIVITIES / BALANCE CARRIED FORWARD	(26)	(14,556)
CASH FLOWS FOR INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	231	10
Proceeds from disposal of non-current assets held for sales	-	170
Placement of fixed deposits with licensed banks	(640)	(3,612)
Purchase of property, plant and equipment	(1,007)	(359)
NET CASH FOR INVESTING ACTIVITIES	(1,416)	(3,791)
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividend paid	(2,800)	(5,600)
Proceeds from bankers' acceptance	7,000	8,500
Repayment of bankers' acceptance	(10,900)	(5,000)
NET CASH FOR FINANCING ACTIVITIES	(6,700)	(2,100)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,142)	(20,447)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(310)	212
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	10,550	5,894
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	2,098	(14,341)
CASH AND CASH EQUIVALENTS COMPRISE:-		
Cash and bank balances	18,935	6,046
Bank overdrafts	(16,837)	(20,387)
	2,098	(14,341)

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

The unaudited interim financial statements have been prepared in accordance with *MFRS 134: Interim Financial Reporting* issued by Malaysian Accounting Standards Board, *IAS 34: Interim Financial Reporting* issued by International Accounting Standards Board and *paragraph 9.22 of the Main Market Listing Requirements* of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2017.

The significant accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2017, except as follows:

On 1 April 2017, the Group adopted the following new and revised MFRSs, Amendments to MFRSs and IC Interpretations (including the consequential amendments) mandatory for annual financial periods beginning on or after 1 January 2017:-

- Amendments to *MFRS 107: Disclosure Initiative*
 - Amendments to *MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses*
- Annual Improvements to MFRS Standards 2014-2016 Cycles:-
- Amendments to *MFRS 12: Clarification of the Scope of Standard*

The adoption of the abovementioned MFRSs, Amendments to MFRSs and IC Interpretations (including the consequential amendments) did not have any material impact on the financial statements of the Group.

A2 Comments about seasonality or cyclicity of operations

The business of the Group is not subject to seasonal or cyclical fluctuations.

A3 Unusual items due to their nature, size and incidence

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows due to their nature, size or incidence during the current quarter under review.

A4 Changes in estimates

There were no changes in the estimates that have had a material effect in the current quarter under review.

A5 Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter.

A6 Dividend paid

There was no dividend paid by the Company during the quarter under review.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A7 Segmental information

The following is an analysis of the Group's revenue and results by reportable segments:-

(a) Business segments

	Marine & Industrial RM'000	Building Products RM'000	Agro Engineering RM'000	Electrical & Office Automation RM'000	Mechanical & Electrical RM'000	Year to date 31.12.2017 RM'000
Revenue						
External revenue	77,456	102,014	29,038	13,856	58,149	280,513
Inter-segment revenue	102	13	-	598	8	721
	<u>77,558</u>	<u>102,027</u>	<u>29,038</u>	<u>14,454</u>	<u>58,157</u>	<u>281,234</u>
Adjustments and eliminations						(721)
Consolidated revenue						<u>280,513</u>
Results						
Segment results	11,060	7,875	2,708	1,397	2,118	25,158
Adjustments and eliminations	-	-	-	-	1,631	1,631
	<u>11,060</u>	<u>7,875</u>	<u>2,708</u>	<u>1,397</u>	<u>3,749</u>	<u>26,789</u>
Share of results in an associate						325
Unallocated income						952
Unallocated expenses						(18,952)
Consolidated profit before taxation						<u>9,114</u>
Assets						
Segment assets	<u>57,508</u>	<u>52,404</u>	<u>20,771</u>	<u>13,020</u>	<u>73,879</u>	<u>217,582</u>
Investment in an associate						12,553
Unallocated assets						29,426
Deferred tax assets						810
Consolidated total assets						<u>260,371</u>

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A7 Segmental information (cont'd)

(a) Business segments (cont'd)

	Marine & Industrial RM'000	Building Products RM'000	Agro Engineering RM'000	Electrical & Office Automation RM'000	Mechanical & Electrical RM'000	Year to date 31.12.2016 RM'000
Revenue						
External revenue	66,630	114,058	28,869	17,599	42,187	269,343
Inter-segment revenue	18	204	-	392	-	614
	66,648	114,262	28,869	17,991	42,187	269,957
Adjustments and eliminations						(614)
Consolidated revenue						269,343
Results						
Segment results	9,087	8,674	2,903	1,642	2,763	25,069
Adjustments and eliminations	-	-	-	-	1,144	1,144
	9,087	8,674	2,903	1,642	3,907	26,213
Share of results in an associate						(640)
Unallocated income						612
Unallocated expenses						(19,471)
Consolidated profit before taxation						6,714
Assets						
Segment assets	58,814	61,525	20,398	19,234	56,014	215,985
Investment in an associate						13,284
Unallocated assets						24,302
Deferred tax assets						626
Consolidated total assets						254,197

(b) Geographical segments

	Year to date	
	31.12.2017 RM'000	31.12.2016 RM'000
Total revenue from external customers		
- Malaysia	271,544	258,420
- Singapore	8,969	10,923
	280,513	269,343

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A8 Property, plant and equipment

(a) Acquisition and disposal of property, plant and equipment

There was no material acquisition or disposal of property, plant and equipment since the end of last financial year.

(b) Impairment losses

Neither loss from impairment of property, plant and equipment nor reversal of such impairment losses was recognised since the end of last financial year.

(c) Valuation

As at 31 December 2017, the Group did not have any revalued assets.

A9 Subsequent events

On 8 January 2018, the Company has acquired 100% equity interest in Pansar Heavy Equipment Sdn Bhd (“PHE”) from Pan Sarawak Holdings Sdn Bhd, the holding company of Pansar Berhad for a purchase cash consideration of RM25,000.00.

PHE is a company incorporated in Malaysia under the name of Shorepack Freight Services (M) Sdn Bhd as a private limited company on 3 November 1988 and assumed its present name since 17 October 2017. The issued and paid-up ordinary share capital of PHE comprises of 25,000 ordinary shares at RM1.00 each. PHE is involved in the business of selling and distribution of construction equipment which includes backhoe loaders, heavy excavators, compact excavator and telehandlers.

A10 Changes in the composition of the Group

There were no changes in the composition of the Group for the period ended 31 December 2017.

A11 Contingent liabilities

On 30 May 2017, the Company was served with a Notice of Additional Assessment from the Inland Revenue Board of Malaysia (“IRBM”) for additional tax (inclusive of penalty of 45%) of RM2,529,655.14 in respect of the year of assessment (“YA”) 2011.

The said notice of assessment was raised principally pursuant to the Profit Guarantee Amount of RM6,978,359 received from Pan Sarawak Holdings Sdn Bhd in YA 2011 as part of the restructuring exercise. The Profit Guarantee Amount was recorded as “miscellaneous income” in the books of account and was treated by the Company as a capital transaction which was not assessable to tax in YA 2011.

However, the IRBM has taken the view that the Profit Guarantee Amount received by the Company in YA 2011 is of revenue nature which is subject to income tax.

The Company together with the tax consultant do not agree with the IRBM. No provision for income tax and tax penalty have been made by the Company in respect of the above amount as the Company is of the view that there is a good ground of appeal.

The Company had on 28 June 2017 filed Form Q for official appeal against the additional assessment. As at to date, it is still pending before the Dispute Resolution Department of the IRBM.

A12 Capital commitment

There were no commitments in respect of the Group since the last annual reporting date to the date of this report.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd)

A13 Significant related party transactions

	Quarterly ended		Year to date	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Transactions with holding company	633	589	1,819	1,772
Transactions with other related parties	11,927	21,164	34,016	55,614

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of performance

For the period ended 31 December 2017, the Group achieved an overall revenue of RM280.5 million which was a 4.1% or RM11.2 million increase from revenue of RM269.3 million in the financial period ended 31 December 2016. The increase stemmed from higher recognition of revenue from both M & E and M & I businesses.

The Group turned in a higher net profit of RM6.9 million for YTD 3QFY18, a 53.9% increase from last year's net profit of RM4.5 million. The higher net profit for the current period under review was mainly attributed to higher achievement of gross profit, better share of results from associated company, higher foreign exchange translation gain as well as higher write back of impairment on receivables.

Marine & Industrial Segment

Quarterly results

Amidst a challenging economic and business conditions affecting the marine, oil & gas industries, Marine & Industrial segment recorded a growth in revenue of RM6.0 million to RM22.1 million in 3QFY18. This was up from RM16.2 million in 3QFY17, backed largely by the stronger sales volume from marine engines.

With higher gross profits achieved during 3QFY18, PBT for the quarter of RM3.8 million was up 59.8% q-o-q.

Financial year-to-date

Marine & Industrial segment posted a higher PBT of RM11.1 million for YTD 3QFY18, up from RM9.1 million a year ago. Revenue increased by RM10.8 million year-on-year as a result of higher demand largely for marine engines.

Building Products Segment

Quarterly results

Building Products segment achieved revenue and PBT for the current quarter of RM36.6 million and RM2.7 million respectively. This represents a 16.4% and a 25.2% decrease in revenue and PBT over the previous corresponding quarter.

Financial year-to-date

Revenue for building products reduced from RM114.1 million in YTD 3QFY17 to RM102.0 million in YTD 3QFY18 and accounted for 36.4% of the Group's revenue. The decrease in revenue corresponded with the lower demand for roofing products and building structural products.

In line with the decrease in revenue, PBT was down by RM0.8 million over the previous corresponding period.

Agro Engineering Segment

Quarterly results

For 3QFY18, Agro Engineering segment's revenue increased by 14.6% to RM9.8 million on the back of higher sales volume mainly from fertilizers, sanding belts and saw doctoring products.

In tandem with the increase in revenue, PBT for the quarter was up by 6.4%.

Financial year-to-date

On a y-o-y comparison, revenue for Agro Engineering products was relatively stable with RM28.9 million in YTD 3QFY17 and RM29.0 million in YTD 3QFY18.

PBT for YTD 3QFY18 however was down by RM0.2 million to RM2.7 million as a result of different sales mix which comprised lower margin products.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B1 Review of performance (cont'd)

Electrical & Office Automation Segment

Quarterly results

The Electrical & Office Automation segment, on the other hand, saw a decrease in revenue of RM0.8 million to RM4.7 million in 3QFY18, versus RM5.6 million in 3QFY17. This decrease was largely due to lower sales from air conditioners and lightings products.

PBT for the quarter was also down by RM0.2 million to RM0.4 million as compared to 3QFY17.

Financial year-to-date

Electrical & Office Automation segment's revenue eased 21.3% to RM13.9 million in the current financial period from RM17.6 million recorded in YTD 3QFY17. This decrease was largely due to lower sales from air conditioners and lighting products as a result of stiff competition and weak market demand.

In line with the decrease in revenue, the segment registered a lower PBT of RM1.4 million as compared to RM1.6 million a year ago.

Mechanical & Electrical Segment

Quarterly results

Compared to previous corresponding quarter, the segment's 3QFY18 revenue increased by RM8.0 million on account of higher work performed from the new and on-going projects.

PBT however only increased slightly by RM0.1 million to RM1.5 million in the current quarter, mainly attributed to lower margins realised from few major projects.

Financial year-to-date

PBT for YTD 3QFY18 was 4.0% lower at RM3.7 million compared with the same period last year, on the back of revenue that rose 37.8% to RM58.1 million.

Compared to previous corresponding period, PBT was impacted by lower project margins as well as lower write back of impairment losses on trade receivables.

B2 Material changes in profit before tax for the quarter

For the current quarter under review, the Group achieved profit before tax (PBT) of RM3.3 million on the back of revenue of RM93.1 million. Despite a RM3.9 million decrease in revenue as compared to the immediate preceding quarter, the Group registered a flat PBT in 3QFY18 largely supported by better gross profit margins across all the business divisions.

B3 Commentary on prospects

The Ringgit appears to have stabilised albeit at a lower level than previous years, which is important for our gross margin. We believe we are rightly placed to take advantage of growing domestic demand. Recovery is ongoing in the Marine and Industrial segment, while other business segments are cautiously optimistic with opportunities from government and related infrastructure works. Risk factors we are monitoring include the high level of debt tied to property market imbalances, the currency, and fluctuating commodity prices. A focus on key products and on product mix, continued efficiency gains, and a close watch on collection are our priorities.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B4 Profit forecast and profit guarantee

Not applicable as no profit forecast was announced.

B5 Income tax expense

	Quarter ended		Year to date	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Income tax:-				
- Malaysian tax	1,134	612	2,725	2,203
- Foreign tax	4	43	14	33
	<u>1,138</u>	<u>655</u>	<u>2,739</u>	<u>2,236</u>
Under/(over) provision in the previous financial year:-				
- Malaysian tax	(33)	154	(33)	154
- Foreign tax	(7)	-	(7)	-
	<u>1,098</u>	<u>809</u>	<u>2,699</u>	<u>2,390</u>
Deferred tax:-				
- Origination and reversal of temporary differences	(199)	99	(497)	(162)
- Over provision in the previous financial year	1	(5)	1	(5)
	<u>(198)</u>	<u>94</u>	<u>(496)</u>	<u>(167)</u>
	<u>900</u>	<u>903</u>	<u>2,203</u>	<u>2,223</u>

B6 Corporate proposals

On 26 January 2018, the Company has proposed to undertake a private placement of 28,000,000 new ordinary shares in Pansar, representing up to 10% of the Company's total number of issued shares. Bursa Securities had vide its letter dated 7 February 2018, approved the listing and quotation of up to 28,000,000 new Pansar Shares to be issued pursuant to the Proposed Private Placement.

The Private Placement will be implemented in accordance with the general mandate pursuant to Section 75 of the Companies Act, 2016 which was obtained from the shareholders of the Company at its Annual General Meeting ("AGM") on 28 July 2017, whereby the Board had been authorised to allot and issue new Pansar Shares of up to 10% of the Company's issued share capital. The Private Placement is expected to be implemented in multiple tranches within 6 months from the date of the approval of Bursa Securities.

The Board of Directors has decided to pursue the Private Placement to raise funds expeditiously and cost effectively in addition to savings on finance cost. The proposed Private Placement to be implemented will also serve to improve the liquidity and financial flexibility of the Group by strengthening its financial position.

The Private Placement is not expected to have any material effect on the earnings of Pansar Group for the financial year ending 31 March 2018. However, the Placement Shares may result in a corresponding dilution in the Group's EPS due to the increase in the number of Shares in issue. Nevertheless, barring unforeseen circumstances, the utilisation of the proceeds to be raised from the Proposed Private Placement is expected to contribute positively to the future earnings of the Group when the benefits of utilisation of proceeds are realised.

Except as disclosed, there is no corporate proposal announced but not completed as at 20 February 2018.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B7 Short-term borrowings

The Group's borrowings as at 31 December 2017 were as follows:-

	RM'000
Bank overdrafts, secured	135
Bank overdrafts, unsecured	16,702
Bankers' acceptance, unsecured	6,000
Revolving credit, secured	4,000
Revolving credit, unsecured	1,000
	<hr/>
	27,837
	<hr/>

B8 Derivative financial instruments

The outstanding foreign currency forward contracts as at 31 December 2017 were as follows:-

	Contract / notional amount RM'000	Assets RM'000	Liabilities RM'000
<u>Derivative not designated as hedging instruments:-</u>			
Forward foreign currency contracts			
- Less than 1 year	4,460	29	(43)
<u>Derivative designated as hedging instruments:-</u>			
Forward foreign currency contracts			
- Less than 1 year	1,628	18	-
	<hr/> 6,088	<hr/> 47	<hr/> (43)
			<hr/>

The Group enters into foreign currency forward contracts to hedge against the Group's exposure to foreign currency risks as a result of purchases denominated in currencies other than its functional currency for which firm commitments existed at the end of the reporting period.

There were no cash requirements for these derivatives and they are not subject to significant credit risk, market risk and liquidity risk.

In line with the Group's foreign currency hedging policy, hedging is only considered for firm commitments. These derivatives and their underlying exposures will be monitored on an on-going basis.

With respect to derivatives not designated as hedging instruments, they are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. These fair value changes are attributable to changes in foreign exchange spot and forward rates.

For those derivatives designated as hedging instruments (cash flow hedge), the effective portion of changes in fair value of those derivatives is recognised in other comprehensive income. The gain or loss in relation to ineffective portion is recognised immediately in profit or loss.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B9 Gain / (loss) arising from fair value changes in financial liabilities

	Current quarter loss RM'000	Year to date loss RM'000
Foreign currency forward contracts	(9)	(32)

B10 Breakdown of realised and unrealised profits

The breakdown of retained profits of the Group as at 31 December 2017 into realised and unrealised profits are presented as follows:-

	RM'000
Total retained profits of the Company and its subsidiaries:-	
- Realised	136,136
- Unrealised	817
	<hr/> 136,953
Total share of retained profits of associate:-	
- Realised	579
- Unrealised	(6)
	<hr/> 573
Add: Consolidation adjustments	3,494
	<hr/> 141,020
At 31 December 2017	<hr/> <hr/> 141,020

B11 Changes in material litigation

As at 20 February 2018, there was no material litigation against the Group.

B12 Dividend payable

No interim dividend has been declared for the financial period ended 31 December 2017.

B13 Earnings per share

(a) Basic earnings per share

	Quarter ended		Year to date	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to the owners of the Company (RM'000)	2,357	1,418	6,911	4,491
Weight average number of ordinary shares of RM0.50 each in issue ('000)	280,000	280,000	280,000	280,000
Basic earnings per share based on weighted average number of shares in issue (sen)	0.84	0.51	2.47	1.60

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Cont'd)

B13 Earnings per share

(b) Diluted earnings per share

Not applicable as at 31 December 2017.

B14 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the Company and its subsidiaries for the financial year ended 31 March 2017 was not subject to any qualification.

B15 Profit for the year

Profit before taxation is arrived at after charging / (crediting):-

	Quarter ended		Year to date	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Allowance for slow-moving inventories no longer required	-	-	-	(3)
Bad debts written off	15	-	15	3
Collective impairment losses on receivables	484	280	778	538
Collective impairment losses on receivables no longer required	(62)	(147)	(307)	(676)
Depreciation and amortisation	404	422	1,239	1,276
Individual impairment losses on receivables	-	(10)	303	667
Individual impairment losses on receivables no longer required	(446)	(23)	(1,634)	(185)
Interest expense	236	196	665	525
Interest income	(271)	(298)	(789)	(813)
Loss/(Gain) on forward foreign currency contracts	13	(9)	82	(84)
Gain on disposal of property, plant and equipment	(137)	-	(208)	(1)
Realised (gain)/loss on foreign exchange	(209)	(422)	(957)	103
Realised loss/(gain) on derivatives	-	-	53	(72)
Unrealised gain on foreign exchange	(44)	(189)	(11)	(59)
Unrealised loss on derivatives	9	242	15	93

Other than the above, there were no gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, and exceptional items for the current quarter and financial period ended 31 December 2017.