

PANSAR BERHAD (Company No. 18904-M)

INTERIM FINANCIAL STATEMENTS
FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.06.2018 RM'000	Preceding year corresponding quarter 30.06.2017 RM'000	Current year to date 30.06.2018 RM'000	Preceding year corresponding year to date 30.06.2017 RM'000
Revenue	97,145	90,346	97,145	90,346
Cost of sales	(84,693)	(78,967)	(84,693)	(78,967)
Gross profit	12,452	11,379	12,452	11,379
Other income	1,557	1,490	1,557	1,490
Selling and distribution expenses	(2,494)	(2,437)	(2,494)	(2,437)
Administrative expenses	(7,815)	(7,375)	(7,815)	(7,375)
Other operating expenses	(491)	(435)	(491)	(435)
Finance costs	(385)	(139)	(385)	(139)
Share of results in an associate	311	144	311	144
Profit before taxation	3,135	2,627	3,135	2,627
Income tax expense	(756)	(571)	(756)	(571)
Profit after taxation	2,379	2,056	2,379	2,056
Other comprehensive income				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Cash flow hedge	17	(87)	17	(87)
Foreign currency translation	65	(353)	65	(353)
Share of foreign currency translation differences of an associate	(49)	(1)	(49)	(1)
Total other comprehensive income	33	(441)	33	(441)
Total comprehensive income for the period	2,412	1,615	2,412	1,615
Profit after taxation attributable to owners of the Company	2,379	2,056	2,379	2,056
Total comprehensive income attributable to owners of the Company	2,412	1,615	2,412	1,615
Weighted average number of shares in issue ('000)	308,000	280,000	308,000	280,000
Earnings per ordinary share (sen):-				
-Basic	0.77	0.73	0.77	0.73
-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 2018 and the accompanying explanatory notes attached to the interim financial statements.

PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2018

	30.06.2018	31.03.2018
	RM'000	RM'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Investment in an associate	13,393	13,132
Property, plant and equipment	4,701	4,506
Investment properties	7,392	7,426
Intangible assets	269	271
Deferred tax assets	852	582
Goodwill	54	54
	<hr/>	<hr/>
	26,661	25,971
	<hr/>	<hr/>
Current assets		
Inventories	41,650	34,081
Trade and other receivables	184,207	163,629
Derivative assets	103	110
Current tax assets	2,691	2,886
Deposits, cash and bank balances	37,920	50,558
	<hr/>	<hr/>
	266,571	251,264
	<hr/>	<hr/>
TOTAL ASSETS	293,232	277,235
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PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)
AT 30 JUNE 2018

	30.06.2018	31.03.2018
	RM'000	RM'000
	(Unaudited)	(Audited)
EQUITY AND LIABILITIES		
Equity		
Share capital	151,956	151,956
Reserves	32,726	30,314
Total equity attributable to owners of the Company	184,682	182,270
Non-current liabilities		
Deferred tax liabilities	10	17
	10	17
Current liabilities		
Trade and other payables	67,179	60,442
Derivative liabilities	4	13
Bank borrowings:-		
- bank overdrafts	26,594	20,569
- other borrowings	12,100	12,000
Provision for employee benefits	2,191	1,600
Current tax liabilities	472	324
	108,540	94,948
Total liabilities	108,550	94,965
TOTAL EQUITY AND LIABILITIES	293,232	277,235
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 2018 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 30 JUNE 2018

	< ----- 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
3-month period ended 30.06.2018						
Balance at 1.4.2018	151,956	(116,732)	4,179	14	142,853	182,270
Profit after taxation for the period	-	-	-	-	2,379	2,379
Other comprehensive income for the period, net of tax:-						
- Foreign currency translation	-	-	65	-	-	65
- Cash flow hedge	-	-	-	17	-	17
- Share of foreign currency translation differences of an associate	-	-	(49)	-	-	(49)
Total comprehensive income for the period	-	-	16	17	2,379	2,412
Contributions by and distributions to owners of the Company:-						
- Dividends	-	-	-	-	-	-
Balance at 30.06.2018	151,956	(116,732)	4,195	31	145,232	184,682

	< ----- 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
3-month period ended 30.06.2017						
Balance at 1.4.2017	140,000	(116,732)	5,473	61	136,909	165,711
Profit after taxation for the period	-	-	-	-	2,056	2,056
Other comprehensive income for the period, net of tax:-						
- Foreign currency translation	-	-	(353)	-	-	(353)
- Cash flow hedge	-	-	-	(87)	-	(87)
- Share of foreign currency translation differences of an associate	-	-	(1)	-	-	(1)
Total comprehensive income for the period	-	-	(354)	(87)	2,056	1,615
Contributions by and distributions to owners of the Company:-						
- Dividends	-	-	-	-	-	-
Balance at 30.06.2017	140,000	(116,732)	5,119	(26)	138,965	167,326

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 2018 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 30 JUNE 2018

	Current year to date 30.06.2018 RM'000	Preceding year corresponding period 30.06.2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	3,135	2,627
Adjustments for:-		
Allowance for impairment losses on receivables	429	435
Allowance for impairment losses on receivables no longer required	(793)	(490)
Allowance for slow-moving inventories	55	-
Allowance for slow-moving inventories no longer required	(51)	-
Amortisation of intangible assets	2	2
Depreciation of property, plant and equipment	389	379
Depreciation of investment properties	34	34
Fair value loss on derivatives	20	20
Gain on disposal of property, plant and equipment	(9)	(16)
Interest expense	385	139
Interest income	(295)	(234)
Provision for employee benefits	591	542
Share of results in an associate	(311)	(144)
Unrealised loss/(gain) on foreign exchange	83	(30)
Operating profit before working capital changes	3,664	3,264
(Increase)/decrease in inventories	(7,565)	4,177
Increase in trade and other receivables	(21,199)	(14,379)
Increase in trade and other payables	7,585	276
CASH FOR OPERATIONS	(17,515)	(6,662)
Interest paid	(385)	(139)
Interest received	406	277
Income tax paid	(1,065)	(1,300)
Income tax refunded	370	-
NET CASH FOR OPERATING ACTIVITIES / BALANCE CARRIED FORWARD	(18,189)	(7,824)

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2018 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 30 JUNE 2018

	Current year to date 30.06.2018 RM'000	Preceding year Corresponding Period 30.06.2017 RM'000
NET CASH FOR OPERATING ACTIVITIES / BALANCE CARRIED FORWARD	(18,189)	(7,824)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	10	17
Uplift/(placement) of fixed deposits with licensed banks	11,725	(268)
Purchase of property, plant and equipment	(584)	(452)
NET CASH FROM/(FOR) INVESTING ACTIVITIES	11,151	(703)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Proceeds from bankers' acceptance	3,100	-
Repayment of bankers' acceptance	(3,000)	(7,900)
NET CASH FROM/(FOR) FINANCING ACTIVITIES	100	(7,900)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,938)	(16,427)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	1	(123)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	(12,400)	10,550
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	(19,337)	(6,000)
CASH AND CASH EQUIVALENTS COMPRISE:-		
Cash and bank balances	7,257	11,731
Bank overdrafts	(26,594)	(17,731)
	(19,337)	(6,000)

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2018 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 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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 2018. 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 2018.

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 2018, except as follows:

On 1 April 2018, 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 2018:-

- *MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014)*
 - *MFRS 15: Revenue from Contracts with Customers*
 - *IC Interpretation 22 Foreign Currency Transactions and Advance Consideration*
 - *Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions*
 - *Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
 - *Amendments to MFRS 15: Effective Date of MFRS 15*
 - *Amendments to MFRS 15: Clarification to MFRS 15 Revenue from Contracts with Customers*
 - *Amendments to MFRS 140: Transfers of Investment Property*
- Annual Improvements to MFRS Standards 2014-2016 Cycles:-
- *Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value*

MFRS 15 Revenue from Contract with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective.

Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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

A1 Basis of preparation (cont'd)

MFRS 9 Financial Instruments

The Group adopted MFRS 9: Financial Instruments on 1 April 2018. MFRS 9 replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. The new standard contains 3 principal classification categories for financial assets (measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale financial assets.

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes. This new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

Under MFRS 9, the requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

The application of MFRS 9 does not have a material effect on the Group's financial statements.

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

As at 20 August 2018, there were no issuances, repurchases and repayments of debt and equity securities, except as disclosed below:

On 8 August 2018, 9 August 2018, 10 August 2018, 13 August 2018, 14 August 2018, 15 August 2018, and 17 August 2018, the Company has repurchased a total of 282,100 ordinary shares from the open market at an average price of RM0.84 per share.

As at 20 August 2018, the number of treasury shares stood at 282,100.

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 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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	Heavy Equipment RM'000	Mechanical Electrical RM'000	Year to 30.06.2018 RM'000
Revenue							
External revenue	18,053	38,264	7,746	6,761	6,279	20,042	97,145
Inter-segment revenue	50	15	-	188	7,608	-	7,861
	18,103	38,279	7,746	6,949	13,887	20,042	105,006
Adjustments and eliminations							(7,861)
Consolidated revenue							97,145
Results							
Segment results	3,030	2,716	615	386	1,106	710	8,563
Adjustments and eliminations	-	-	-	-	-	582	582
	3,030	2,716	615	386	1,106	1,292	9,145
Share of results in an associate							311
Unallocated income							264
Unallocated expenses							(6,585)
Consolidated profit before taxation							3,135
Assets							
Segment assets	53,026	57,526	21,297	15,126	10,453	82,753	240,181
Investment in an associate							13,393
Goodwill							54
Unallocated assets							38,752
Deferred tax assets							852
Consolidated total assets							293,232

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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 30.06.2017 RM'000
Revenue						
External revenue	29,804	30,528	9,696	4,360	15,958	90,346
Inter-segment revenue	5	-	-	52	-	57
	29,809	30,528	9,696	4,412	15,598	90,403
Adjustments and eliminations						(57)
Consolidated revenue						90,346
Results						
Segment results	3,296	2,560	1,040	604	348	7,848
Adjustments and eliminations	-	-	-	-	421	421
	3,296	2,560	1,040	604	769	8,269
Share of results in an associate						144
Unallocated income						353
Unallocated expenses						(6,139)
Consolidated profit before taxation						2,627
Assets						
Segment assets	59,734	46,497	21,624	12,423	65,214	205,492
Investment in an associate						12,375
Unallocated assets						25,711
Deferred tax assets						541
Consolidated total assets						244,119

(b) Geographical segments

	Year to date 30.06.2018 RM'000	30.06.2017 RM'000
Total revenue from external customers		
- Malaysia	94,541	87,176
- Singapore	2,604	3,170
	97,145	90,346

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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 30 June 2018, the Group did not have any revalued assets.

A9 **Subsequent events**

There were no material subsequent events as at 20 August 2018.

A10 **Changes in the composition of the Group**

There were no changes in the composition of the Group for the period ended 30 June 2018.

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.

IRBM vide its letter dated 25 May 2018 notifying the Company that Form Q has been forwarded to the Special Commissioners of Income Tax, Putrajaya.

On 27 July 2018, the Company received a letter from Special Commissioners of Income Tax informing that the tax case has been scheduled to be mentioned at Mahkamah Kuching on 5 September 2018.

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 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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

A13 Significant related party transactions

	Quarterly ended		Year to date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Transactions with holding company	598	594	598	594
Transactions with other related parties	20,737	9,265	20,737	9,265

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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

B1 Review of performance

The Group registered 15.7% growth in net profit to RM2.4 million for the first quarter ended 30 June 2018 compared to RM2.1 million a year ago. This was on the back of 7.5% higher revenue mainly attributed to the Group's Building Products and Heavy Equipment divisions, partially offset by the lacklustre sales performance from Marine & Industrial division.

Despite an overall y-o-y increase in operating expenses by RM0.8 million, the higher net profit recorded was mainly attributed to the higher achievement of gross profit coupled with better share of results from associated company in the current financial quarter.

Marine & Industrial Segment

On a q-o-q comparison, Marine & Industrial segment's revenue decreased by 39.4% to RM18.1 million in 1QFY19, with PBT fell by 8.1% to RM3.0 million compared with RM3.3 million in 1QFY18.

Despite the significant decrease in revenue, PBT for the current quarter was aided by greater contribution from sales of marine engines and spare parts due to higher average selling prices, which strengthened profit margins.

Building Products Segment

For the quarter under review, Building Products segment remained our largest revenue driver, constituting 39.4% of our Group's revenue. Against the previous corresponding quarter, Building products segment saw an increase in revenue from RM30.5 million in 1QFY18 to RM38.3 million in 1QFY19. The increase in revenue corresponded with the higher demand for roofing products and building structural products.

Due to the markedly lower margins from sales of building structural products resulting from stiff competition, PBT only rose slightly to RM2.7 million in the first quarter ended 30 June 2018, from RM2.6 million recorded in the same period last year.

Agro Engineering Segment

Agro Engineering segment's revenue on q-o-q basis came in 20.1% lower to RM7.7 million on the back of lower sales volume mainly from fertilisers, wood bandsaw and steel products.

In tandem with the decrease in revenue, PBT for the quarter decreased 40.9% to RM0.6 million.

Electrical & Office Automation Segment

For the current quarter, Electrical & Office Automation segment posted a PBT of RM0.4 million on the back of revenue of RM6.8 million for 1QFY19 as compared to previous corresponding quarter's PBT of RM0.6 million on revenue of RM4.4 million. The lower PBT was broadly a result of the margin compression due to stiff competition and a lower write back of impairment loss on receivables recorded in the current financial quarter.

Heavy Equipment Segment

Comparative figures against the previous corresponding quarter were not available as this new business segment only came in during the 4th quarter of previous financial year.

For the quarter under review, the segment posted a PBT of RM1.1 million on the back of revenue of RM6.3 million.

Mechanical & Electrical Segment

Mechanical & Electrical segment's revenue increased by 25.6% to RM20.0 million in 1QFY19 from RM16.0 million in 1QFY18 on account of higher work performed from on-going projects. Higher revenue and its better margins contributed to the improved performance.

PBT was up by 68.2% to RM1.3 million from RM0.8 million in the previous corresponding quarter.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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

B2 Material changes in profit before tax for the quarter

For the current quarter under review, the Group achieved a profit before taxation (PBT) of RM3.1 million on the back of revenue of RM97.1 million as compared to PBT of RM2.5 million and revenue of RM106.0 million in the immediate preceding quarter. Compared to the immediate preceding quarter, the PBT was achieved against markedly lower overall operating expenses, which decreased RM3.0 million due largely to lower impairment loss on receivables and slow moving inventories. This decrease in operating expenses was partially offset by the lower other operating income and gross profit from operations in the current financial quarter.

B3 Commentary on prospects

Malaysia's economy is generally growing slower, so we are more focused on collections and in giving credit. Building products is expected to perform well, supported by infrastructure and rural projects. Heavy Equipment is also expected to do well this quarter as it is the peak period for palm oil production, and our entry into new sectors. Other business segments are expected to be stable. However, we expect slowdown in Marine & Industrial segment due to projects being delayed. Overall, performance is expected to be stable but weighed down by lower commodity prices, weaker ringgit and government policy changes.

B4 Profit forecast and profit guarantee

Not applicable as no profit forecast was announced.

B5 Income tax expense

	Quarter ended		Year to date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Income tax:-				
- Malaysian tax	1,042	782	1,042	782
- Foreign tax	2	2	2	2
	1,044	784	1,044	784
Over provision in the previous financial year:-				
- Foreign tax	(6)	-	(6)	-
	1,038	784	1,038	784
Deferred tax:-				
- Origination and reversal of temporary differences	(282)	(213)	(282)	(213)
	(282)	(213)	(282)	(213)
	756	571	756	571

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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

B6 Corporate proposals

Private Placement

As at 20 August 2018, the status of the utilisation of the proceeds raised from the Private Placement are as follows:-

Purposes	Proposed utilisation RM'000	Actual utilisation RM'000	Estimated time frame for utilisation
Potential expansion and capital expenditure	5,576	745	Within 18 months
Working capital for the business operation expenditures of the Group	6,278	6,278	
Defraying expenses relating to the Proposed Private Placement	102	102	Within 6 months
Total	11,956	7,125	

Proposed Free Warrant Issue

On 18 April 2018, the application in relation to the Proposed Free Warrants Issue has been submitted to Bursa Securities.

On 30 April 2018, Bursa Securities had, vide its letter dated 27 April 2018, approved the following:

- Admission to the Official List and listing and quotation of 154,000,000 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and
- Listing and quotation of up to 154,000,000 new Pansar Shares to be issued arising from the exercise of Warrants.

The approval of Bursa Securities for the Proposed Free Warrants Issue is subject to conditions set out in its letter.

Subsequently, a Notice of Extraordinary General Meeting and the Circular in relation to the Proposed Free Warrants Issue were issued on 3 May 2018 and 4 May 2018 respectively.

The above corporate proposal was approved by shareholders at the Extraordinary General Meeting on 21 May 2018.

On 21 May 2018, the Company has resolved to fix the exercise price of the Warrants at RM0.95 each, represents a premium of RM0.0216 or 2.33% to the 5-day VWAMP up to and including 18 May 2018 (being the last trading date immediately preceding the price fixing date) of RM0.9284.

The Proposed Free Warrant Issue of 154,000,000 Warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 14 June 2018, marking the completion of the warrant issue.

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

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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 30 June 2018 were as follows:-

	RM'000
Bank overdrafts, secured	4,821
Bank overdrafts, unsecured	21,773
Bankers' acceptance, unsecured	5,100
Revolving credit, secured	6,000
Revolving credit, unsecured	1,000
	<hr/>
	38,694
	<hr/>

B8 Derivative financial instruments

The outstanding foreign currency forward contracts as at 30 June 2018 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	3,006	63	(4)
<u>Derivative designated as hedging instruments:-</u>			
Forward foreign currency contracts			
- Less than 1 year	2,630	40	-
	<hr/> 5,636	<hr/> 103	<hr/> (4)
		<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 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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 gain RM'000	Year to date gain RM'000
Foreign currency forward contracts	9	9

B10 Breakdown of realised and unrealised profits

The breakdown of retained profits of the Group as at 30 June 2018 into realised and unrealised profits are presented as follows:-

	RM'000
Total retained profits of the Company and its subsidiaries:-	
- Realised	139,516
- Unrealised	809
	<hr/> 140,325
Total share of retained profits of associate:-	
- Realised	1,419
- Unrealised	(6)
	<hr/> 1,413
Add: Consolidation adjustments	3,494
	<hr/> 145,232
At 30 June 2018	<hr/> <hr/> 145,232

B11 Changes in material litigation

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

B12 Dividend payable

No interim dividend has been declared for the financial period ended 30 June 2018.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER AND YEAR TO DATE ENDED 30 JUNE 2018

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

B13 Earnings per share

(a) Basic earnings per share

	Quarter ended		Year to date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to the owners of the Company (RM'000)	2,379	2,056	2,379	2,056
Weight average number of ordinary shares in issue ('000)	308,000	280,000	308,000	280,000
Basic earnings per share based on weighted average number of shares in issue (sen)	0.77	0.73	0.77	0.73

(b) Diluted earnings per share

Not applicable as at 30 June 2018.

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 2018 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	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Allowance for slow-moving inventories	55	-	55	-
Allowance for slow-moving inventories no longer required	(51)	-	(51)	-
Collective impairment losses on receivables	429	435	429	435
Collective impairment losses on receivables no longer required	(271)	(68)	(271)	(68)
Depreciation and amortisation	425	415	425	415
Individual impairment losses on receivables no longer required	(522)	(422)	(522)	(422)
Interest expense	385	139	385	139
Interest income	(295)	(234)	(295)	(234)
Loss on forward foreign currency contracts	6	67	6	67
Gain on disposal of property, plant and equipment	(9)	(16)	(9)	(16)
Realised gain on foreign exchange	(166)	(265)	(166)	(265)
Realised loss on derivatives	79	53	79	53
Unrealised loss/(gain) on foreign exchange	83	(30)	83	(30)
Unrealised gain on derivatives	(59)	(33)	(59)	(33)

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 30 June 2018.