

PANSAR BERHAD (Company No. 18904-M)

INTERIM FINANCIAL STATEMENTS
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

CONTENTS

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS.....	5
EXPLANATORY NOTES	
PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134	7
PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD	13

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 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.12.2018 RM'000	Preceding year corresponding quarter 31.12.2017 RM'000	Current year to date 31.12.2018 RM'000	Preceding year corresponding year to date 31.12.2017 RM'000
Revenue	88,613	93,111	283,166	280,513
Cost of sales	(77,068)	(80,362)	(247,325)	(244,356)
Gross profit	11,545	12,749	35,841	36,157
Other income	1,240	1,210	4,136	4,235
Selling and distribution expenses	(2,524)	(2,435)	(7,513)	(7,339)
Administrative expenses	(8,141)	(7,611)	(23,970)	(22,503)
Other operating expenses	(638)	(499)	(1,707)	(1,096)
Finance costs	(391)	(235)	(1,090)	(665)
Share of results in an associate	139	78	536	325
Profit before taxation	1,230	3,257	6,233	9,114
Income tax expense	(332)	(900)	(1,705)	(2,203)
Profit after taxation	898	2,357	4,528	6,911
Other comprehensive income				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Cash flow hedge	203	(35)	322	(109)
Foreign currency translation	29	(424)	530	(795)
Share of foreign currency translation differences of an associate	-	(4)	(48)	(4)
Total other comprehensive income	232	(463)	804	(908)
Total comprehensive income for the period	1,130	1,894	5,332	6,003
Profit after taxation attributable to owners of the Company	898	2,357	4,528	6,911
Total comprehensive income attributable to owners of the Company	1,130	1,894	5,332	6,003
Weighted average number of shares in issue ('000)	308,000	280,000	308,000	280,000
Earnings per ordinary share (sen):-				
-Basic	0.29	0.84	1.47	2.47
-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 31 DECEMBER 2018

	31.12.2018	31.03.2018
	RM'000	RM'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Investment in an associate	13,619	13,132
Property, plant and equipment	5,297	4,506
Investment properties	8,542	7,426
Intangible assets	270	271
Deferred tax assets	1,208	582
Goodwill	54	54
	<hr/>	<hr/>
	28,990	25,971
	<hr/>	<hr/>
Current assets		
Inventories	45,480	34,081
Trade and other receivables	150,124	163,629
Derivative assets	331	110
Current tax assets	3,265	2,886
Deposits, cash and bank balances	35,964	50,558
	<hr/>	<hr/>
	235,164	251,264
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TOTAL ASSETS	264,154	277,235
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PANSAR BERHAD (Company No. 18904-M)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2018

	31.12.2018	31.03.2018
	RM'000	RM'000
	(Unaudited)	(Audited)
EQUITY AND LIABILITIES		
Equity		
Share capital	151,956	151,956
Treasury shares	(2,313)	-
Reserves	31,030	30,314
Total equity attributable to owners of the Company	180,673	182,270
Non-current liabilities		
Deferred tax liabilities	-	17
	-	17
Current liabilities		
Trade and other payables	56,956	60,442
Derivative liabilities	-	13
Bank borrowings:-		
- bank overdrafts	8,102	20,569
- other borrowings	14,700	12,000
Provision for employee benefits	3,377	1,600
Current tax liabilities	346	324
	83,481	94,948
Total liabilities	83,481	94,965
TOTAL EQUITY AND LIABILITIES	264,154	277,235
Net assets per ordinary share (RM)	0.59	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 31 DECEMBER 2018

	< ----- Non-distributable ----- >					<-Distributable->	
	Share Capital RM'000	Treasury Shares 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 31.12.2018							
Balance at 1.4.2018	151,956	-	(116,732)	4,179	14	142,853	182,270
Treasury shares	-	(2,313)	-	-	-	-	(2,313)
Profit after taxation for the period	-	-	-	-	-	4,528	4,528
Other comprehensive income for the period, net of tax:-							
- Foreign currency translation	-	-	-	530	-	-	530
- Cash flow hedge	-	-	-	-	322	-	322
- Share of foreign currency translation differences of an associate	-	-	-	(48)	-	-	(48)
Total comprehensive income for the period	-	(2,313)	-	482	322	4,528	3,019
Contributions by and distributions to owners of the Company:-							
- Dividends	-	-	-	-	-	(4,616)	(4,616)
Balance at 31.12.2018	151,956	(2,313)	(116,732)	4,661	336	142,765	180,673

	< ----- Non-distributable ----- >					<-Distributable->	
	Share Capital RM'000	Treasury Shares 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

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 31 DECEMBER 2018

	Current year to date 31.12.2018 RM'000	Preceding year corresponding period 31.12.2017 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before taxation	6,233	9,114
Adjustments for:-		
Allowance for impairment losses on receivables	1,587	1,081
Allowance for impairment losses on receivables no longer required	(1,885)	(1,941)
Allowance for slow-moving inventories	119	-
Allowance for slow-moving inventories no longer required	(155)	-
Amortisation of intangible assets	6	7
Bad debts written off	1	15
Depreciation of property, plant and equipment	1,219	1,131
Depreciation of investment properties	114	101
Fair value loss on derivatives	40	68
Gain on disposal of property, plant and equipment	(58)	(208)
Interest expense	1,090	665
Interest income	(824)	(789)
Provision for employee benefits	1,774	1,624
Share of results in an associate	(536)	(325)
Unrealised loss/(gain) on foreign exchange	71	(11)
Operating profit before working capital changes	8,796	10,532
(Increase)/decrease in inventories	(11,314)	5,117
Decrease/(increase) in trade and other receivables	14,762	(23,429)
(Decrease)/increase in trade and other payables	(3,587)	10,929
CASH FROM OPERATIONS	8,657	3,149
Interest paid	(1,090)	(665)
Interest received	331	707
Income tax paid	(3,139)	(3,217)
Income tax refunded	371	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES / BALANCE CARRIED FORWARD	5,130	(26)

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 31 DECEMBER 2018

	Current year to date 31.12.2018 RM'000	Preceding year Corresponding Period 31.12.2017 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES / BALANCE CARRIED FORWARD	5,130	(26)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	214	231
Purchase of property, plant and equipment	(2,160)	(1,007)
Purchase of investment properties	(1,230)	-
Uplift/(placement) of fixed deposits with licensed banks	17,895	(640)
NET CASH FROM/(FOR) INVESTING ACTIVITIES	14,719	(1,416)
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividend paid	(4,616)	(2,800)
Proceeds from bankers' acceptance	12,900	7,000
Purchase of treasury shares	(2,313)	-
Repayment of bankers' acceptance	(10,200)	(10,900)
NET CASH FOR FINANCING ACTIVITIES	(4,229)	(6,700)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15,620	(8,142)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	149	(310)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	(12,400)	10,550
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,369	2,098
CASH AND CASH EQUIVALENTS COMPRISE:-		
Cash and bank balances	11,471	18,935
Bank overdrafts	(8,102)	(16,837)
	3,369	2,098

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 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 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.

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.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

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

A1 Basis of preparation (cont'd)

MFRS 9 Financial Instruments (cont'd)

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 cyclical nature 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 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 31.12.2018 RM'000
Revenue							
External revenue	56,298	113,390	24,011	19,930	14,115	55,422	283,166
Inter-segment revenue	61	193	-	637	18,954	3	19,848
	56,359	113,583	24,011	20,567	33,069	55,425	303,014
Adjustments and eliminations							(19,848)
Consolidated revenue							283,166
Results							
Segment results	8,647	7,188	2,060	1,026	2,240	2,420	23,581
Adjustments and eliminations	-	-	-	-	-	1,576	1,576
	8,647	7,188	2,060	1,026	2,240	3,996	25,157
Share of results in an associate							536
Unallocated income							835
Unallocated expenses							(20,295)
Consolidated profit before taxation							6,233
Assets							
Segment assets	47,616	55,739	21,305	13,571	12,818	57,806	208,855
Investment in an associate							13,619
Goodwill							54
Unallocated assets							40,418
Deferred tax assets							1,208
Consolidated total assets							264,154

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 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 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
	77,558	102,027	29,038	14,454	58,157	281,234
Adjustments and eliminations						(721)
Consolidated revenue						280,513
Results						
Segment results	11,060	7,875	2,708	1,397	2,118	25,158
Adjustments and eliminations	-	-	-	-	1,631	1,631
	11,060	7,875	2,708	1,397	3,749	26,789
Share of results in an associate						325
Unallocated income						952
Unallocated expenses						(18,952)
Consolidated profit before taxation						9,114
Assets						
Segment assets	57,508	52,404	20,771	13,020	73,879	217,582
Investment in an associate						12,553
Unallocated assets						29,426
Deferred tax assets						810
Consolidated total assets						260,371

(b) Geographical segments

	Year to date	
	31.12.2018 RM'000	31.12.2017 RM'000
Total revenue from external customers		
- Malaysia	274,598	271,544
- Singapore	8,568	8,969
	283,166	280,513

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 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 31 December 2018, the Group did not have any revalued assets.

A9 Subsequent events

There were no material subsequent events as at 11 February 2019.

A10 Changes in the composition of the Group

There were no changes in the composition of the Group for the period ended 31 December 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 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

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

A13 Significant related party transactions

	Quarterly ended		Year to date	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Transactions with holding company	702	633	1,898	1,819
Transactions with other related parties	5,720	11,927	44,184	34,016

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

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

B1 Review of performance

For the nine months ended 31 December 2018, the Group registered a revenue of RM283.2 million which was an increase of RM2.7 million or 0.9% from the previous corresponding period. Other than the revenue contribution from the new heavy equipment business, both Building Products and Electrical & Office Automation divisions also recorded higher revenue. The increase was however partially offset by the lacklustre sales performance from Marine & Industrial, Agro Engineering and Mechanical & Electrical divisions.

The Group saw its net profit for the period ended 31 December 2018 fall 34.5% to RM4.5 million year-on-year on the back of lower gross margin and higher operating expenses. The lower profit was partially mitigated by higher profit contribution from associate company.

Marine & Industrial Segment

Quarterly results

Marine & Industrial segment's PBT for its 3QFY19 fell 12.0% to RM3.3 million from RM3.8 million in 3QFY18, weighed down by lower revenue which decreased by 8.6% to RM20.2 million from RM22.1 million in the previous corresponding quarter.

Financial year-to-date

The segment saw its PBT for the nine months ended 31 December 2018 drop 21.8% to RM8.6 million from RM11.1 million in the previous corresponding period, while revenue dropped by 27.3% to RM56.3 million from RM77.5 million a year earlier.

The lower performance was primarily due to higher doubtful debt provision and weaker sales largely from marine engines.

Building products Segment

Quarterly results

Building Products segment achieved a PBT of RM1.8 million for the quarter under review versus RM2.7 million previously, representing a decrease of 31.2%.

The reduced PBT came on the back of revenue which decreased by a marginal 0.8% to RM36.3 million. PBT for the current quarter was impacted by margin compression as a result of competitive pricing especially from building structural products.

Financial year-to-date

For YTD 3QFY19, Building Products segment registered a 11.2% revenue rise year on year driven by higher sales volume largely from roofing products and building structural products.

PBT for YTD 3QFY19 however fell to RM7.2 million from RM7.9 million recorded in the same period last year attributed to profit margin compression coupled with higher operating expenses arising largely from higher finance costs and doubtful debt provision.

Agro Engineering Segment

Quarterly results

Agro Engineering segment's PBT for 3QFY19 dropped 30.0% to RM0.6 million on the back of 23.8% drop in revenue to RM7.4 million mainly from fertilizers, steel wire ropes and strapping products.

Financial year-to-date

On a y-o-y comparison, Agro Engineering segment's revenue decreased by 17.3% to RM24.0 million in YTD 3QFY19, with PBT also down by 23.9% to RM2.1 million.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

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)

Agro Engineering Segment (Cont'd)

Financial year-to-date

The lower PBT was mainly attributed to lower overall gross profit coupled with higher operating expenses in the current financial period.

Electrical & Office Automation Segment

Quarterly results

Electrical & Office Automation segment's PBT for the third quarter fell 26.5% to RM0.3 million from RM0.4 million recorded in the same period last year.

Revenue, however, rose to RM5.3 million from RM4.7 million registered previously, largely underpinned by higher sales from its consumer electronic products.

Despite higher revenue quarter-on-quarter, the decrease in PBT for the current quarter was largely attributed to lower contributions from air conditioning and lighting products resulting from competitive pricing.

Financial year-to-date

For the current financial period, the segment recorded a 43.8% revenue rise to RM19.9 million on higher sales largely from consumer electronic products, lighting and air conditioning products.

On a current year to date comparison, the segment recorded a lower PBT against previous corresponding period by 26.6% to RM1.0 million, affected mainly by the margin compression resulting from competitive operating environment.

Heavy Equipment Segment

Quarterly results

There are no comparative figures available for the previous corresponding quarter as this new heavy equipment business segment only came in during the 4th quarter of previous financial year.

For the quarter under review, the segment posted a PBT of RM0.6 million on the back of revenue of RM4.1 million.

Financial year-to-date

For YTD 3QFY19, the segment posted a PBT of RM2.2 million on revenue of RM14.1 million, largely driven by contributions from backhoe loaders, excavators and the heavy equipment related parts and accessories.

Mechanical & Electrical Segment

Quarterly results

Compared with the same quarter last year, Mechanical & Electrical segment's PBT for 3QFY19 came in 32.0% lower at RM1.0 million on the back of revenue that declined 23.6% to RM15.2 million.

The decline in revenue and profit was attributable to lower work progress from the group's various projects coupled with several new projects with limited contribution during their initial stage of completion.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

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)

Mechanical & Electrical Segment (Cont'd)

Financial year-to-date

Mechanical & Electrical segment's PBT grew 6.6% to RM4.0 million in YTD 3QFY19 from RM3.7 million recorded in the same period a year ago, despite a decline in revenue of 4.7% to RM55.4 million over the same period.

The higher PBT in the current financial period was attributable to improved project margin as opposed to last year's.

B2 Material changes in profit before tax for the quarter

For the current quarter under review, the Group achieved profit before tax (PBT) of RM1.2 million on the back of revenue of RM88.6 million as compared to PBT of RM1.9 million and revenue of RM97.4 million in the immediate preceding quarter.

Against the immediate preceding quarter, the lower net profit in the current quarter was largely attributed to lower gross profit coupled with higher operating expenses, despite an improved gross profit margin led by favourable product mix.

B3 Commentary on prospects

Global trade tensions continue to be present, while there has been stabilization in the ringgit, crude oil and palm oil prices. The Sarawak state government's thrust of infrastructure development would give an impetus to the economy. Renewed shipbuilding activity is expected to have a positive impact on our company.

B4 Profit forecast and profit guarantee

Not applicable as no profit forecast was announced.

B5 Income tax expense

	Quarter ended		Year to date	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Income tax:-				
- Malaysian tax	536	1,134	2,423	2,725
- Foreign tax	4	4	8	14
	540	1,138	2,431	2,739
Over provision in the previous financial year:-				
- Malaysian tax	(13)	(33)	(13)	(33)
- Foreign tax	-	(7)	(7)	(7)
	527	1,098	2,411	2,699
Deferred tax:-				
- Origination and reversal of temporary differences	(195)	(199)	(706)	(497)
- Over provision in the previous financial year	-	1	-	1
	(195)	(198)	(706)	(496)
	332	900	1,705	2,203

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 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 11 February 2019, 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	956	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	7,336	

B7 Short-term borrowings

The Group's borrowings as at 31 December 2018 were as follows:-

	RM'000
Bank overdrafts, secured	55
Bank overdrafts, unsecured	8,047
Bankers' acceptance, unsecured	7,700
Revolving credit, secured	6,000
Revolving credit, unsecured	1,000
	<hr/>
	22,802
	<hr/>

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

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

B8 Derivative financial instruments

The outstanding foreign currency forward contracts as at 31 December 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	1,646	39	-
<u>Derivative designated as hedging instruments:-</u>			
Forward foreign currency contracts			
- Less than 1 year	11,842	292	-
	13,488	331	-

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.

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	-	13

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

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

B10 Breakdown of realised and unrealised profits

The breakdown of retained profits of the Group as at 31 December 2018 into realised and unrealised profits are presented as follows:-

	RM'000
Total retained profits of the Company and its subsidiaries:-	
- Realised	136,528
- Unrealised	1,105
	<hr/> 137,633
Total share of retained profits of associate:-	
- Realised	1,644
- Unrealised	(6)
	<hr/> 1,638
Add: Consolidation adjustments	3,494
	<hr/> 142,765
At 31 December 2018	<hr/> <hr/>

B11 Changes in material litigation

As at 11 February 2019, there was no material litigation against the Group.

B12 Dividend payable

No interim dividend has been declared for the financial period ended 31 December 2018.

B13 Earnings per share

(a) Basic earnings per share

	Quarter ended		Year to date	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to the owners of the Company (RM'000)	898	2,357	4,528	6,911
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)	0.29	0.84	1.47	2.47

(b) Diluted earnings per share

Not applicable as at 31 December 2018.

PANSAR BERHAD (Company No. 18904-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2018

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

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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Allowance for slow-moving inventories	53	-	119	-
Allowance for slow-moving inventories no longer required	(95)	-	(155)	-
Bad debts written off	-	15	1	15
Collective impairment losses on receivables	196	484	1,115	778
Collective impairment losses on receivables no longer required	(45)	(62)	(401)	(307)
Depreciation and amortisation	464	404	1,339	1,239
Individual impairment losses on receivables	389	-	472	303
Individual impairment losses on receivables no longer required	(317)	(446)	(1,484)	(1,634)
Interest expense	391	236	1,090	665
Interest income	(292)	(271)	(824)	(789)
Loss on forward foreign currency contracts	2	13	10	82
Loss/(gain) on disposal of property, plant and equipment	27	(137)	(58)	(208)
Realised gain on foreign exchange	(124)	(209)	(173)	(957)
Realised loss on derivatives	-	-	79	53
Unrealised loss/(gain) on foreign exchange	26	(44)	71	(11)
Unrealised (gain)/loss on derivatives	(5)	9	(39)	15

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 2018.