

# **PANSAR BERHAD** (Company No. 18904-M)

INTERIM FINANCIAL STATEMENTS  
FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

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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 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.12.2019 RM'000	Preceding year corresponding quarter 31.12.2018 RM'000	Current year to date 31.12.2019 RM'000	Preceding year corresponding year to date 31.12.2018 RM'000
Revenue	89,492	88,613	259,206	283,166
Cost of sales	(76,972)	(77,068)	(221,199)	(247,325)
<b>Gross profit</b>	12,520	11,545	38,007	35,841
Other income	2,931	1,240	7,737	4,136
Selling and distribution expenses	(2,533)	(2,524)	(7,420)	(7,513)
Administrative expenses	(8,308)	(8,141)	(24,350)	(23,970)
Other operating expenses	(840)	(638)	(4,235)	(1,707)
Finance costs	(201)	(391)	(693)	(1,090)
Share of results in an associate	279	139	1,457	536
<b>Profit before taxation</b>	3,848	1,230	10,503	6,233
Income tax expense	(1,011)	(332)	(2,625)	(1,705)
<b>Profit after taxation</b>	2,837	898	7,878	4,528
Other comprehensive income				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Cash flow hedge	(50)	203	(97)	322
Foreign currency translation	49	29	169	530
Share of foreign currency translation differences of an associate	-	-	-	(48)
<b>Total other comprehensive income</b>	(1)	232	72	804
<b>Total comprehensive income for the period</b>	2,836	1,130	7,950	5,332
<b>Profit after taxation attributable to owners of the Company</b>	2,837	898	7,878	4,528
<b>Total comprehensive income attributable to owners of the Company</b>	2,836	1,130	7,950	5,332
<b>Weighted average number of shares in issue ('000)</b>	457,977	457,977	457,977	460,212
<b>Earnings per ordinary share (sen):-</b>				
-Basic	0.62	0.20	1.72	0.98
-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 2019 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 2019

	<b>31.12.2019</b>	<b>31.03.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in an associate	16,236	14,779
Property, plant and equipment	5,162	5,759
Investment properties	8,908	8,859
Intangible assets	295	269
Deferred tax assets	3,395	3,080
Goodwill	54	54
	<hr/>	<hr/>
	34,050	32,800
	<hr/>	<hr/>
<b>Current assets</b>		
Inventories	44,389	50,517
Trade and other receivables	132,719	124,978
Derivative assets	6	251
Current tax assets	3,417	4,260
Deposits, cash and bank balances	43,416	42,705
	<hr/>	<hr/>
	223,947	222,711
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>257,997</b>	<b>255,511</b>
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# PANSAR BERHAD (Company No. 18904-M)

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D) AT 31 DECEMBER 2019

	31.12.2019	31.03.2019
	RM'000	RM'000
	(Unaudited)	(Audited)
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	151,956	151,956
Treasury shares	(2,313)	(2,313)
Reserves	28,459	25,089
<b>Total equity attributable to owners of the Company</b>	<b>178,102</b>	<b>174,732</b>
<b>Current liabilities</b>		
Trade and other payables	61,585	54,322
Derivative liabilities	9	14
Bank borrowings:-		
- bank overdrafts	5,200	14,065
- other borrowings	8,900	10,000
Provision for employee benefits	3,064	2,366
Current tax liabilities	1,137	12
<b>Total liabilities</b>	<b>79,895</b>	<b>80,779</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>257,997</b>	<b>255,511</b>
<b>Net assets per ordinary share (RM)</b>	<b>0.39</b>	<b>0.57</b>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019 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 2019

	< ----- 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
<b>9-month period ended 31.12.2019</b>							
Balance at 01.04.2019	151,956	(2,313)	(116,732)	4,496	93	137,232	174,732
Profit after taxation for the period	-	-	-	-	-	7,878	7,878
Other comprehensive income for the period, net of tax:-							
- Foreign currency translation	-	-	-	169	-	-	169
- Cash flow hedge	-	-	-	-	(97)	-	(97)
- Share of foreign currency translation differences of an associate	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	169	(97)	7,878	7,950
Contributions by and distributions to owners of the Company:-							
- Dividends	-	-	-	-	-	(4,580)	(4,580)
Balance at 31.12.2019	151,956	(2,313)	(116,732)	4,665	(4)	140,530	178,102

	< ----- 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
<b>9-month period ended 31.12.2018</b>							
Balance at 01.04.2018	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

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 2019 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 2019

	Current year to date 31.12.2019 RM'000	Preceding year corresponding period 31.12.2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,503	6,233
<b>Adjustments for:-</b>		
Allowance for impairment losses on receivables	3,831	1,587
Allowance for impairment losses on receivables no longer required	(4,341)	(1,885)
Allowance for slow-moving inventories	393	119
Allowance for slow-moving inventories no longer required	(210)	(155)
Amortisation of intangible assets	5	6
Bad debts written off	12	1
Depreciation of property, plant and equipment	1,313	1,219
Depreciation of investment properties	120	114
Fair value loss on derivatives	45	40
Loss/(Gain) on disposal of property, plant and equipment	4	(58)
Interest expense	693	1,090
Interest income	(1,690)	(824)
Provision for employee benefits	1,505	1,774
Share of results in an associate	(1,457)	(536)
Unrealised (gain)/loss on foreign exchange	(108)	71
Operating profit before working capital changes	10,618	8,796
Decrease/(Increase) in inventories	5,960	(11,314)
(Increase)/Decrease in trade and other receivables	(7,998)	14,762
Increase/(Decrease) in trade and other payables	8,706	(3,587)
Employee benefits paid	(808)	-
<b>CASH FROM OPERATIONS</b>	16,478	8,657
Interest paid	(693)	(1,090)
Interest received	1,339	331
Income tax paid	(1,986)	(3,139)
Income tax refunded	1,062	371
<b>NET CASH FROM OPERATING ACTIVITIES / BALANCE CARRIED FORWARD</b>	16,200	5,130

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019 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 2019

	<b>Current year to date 31.12.2019 RM'000</b>	<b>Preceding year Corresponding Period 31.12.2018 RM'000</b>
NET CASH FROM OPERATING ACTIVITIES / BALANCE CARRIED FORWARD	16,200	5,130
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	6	214
Purchase of property, plant and equipment	(724)	(2,160)
Purchase of intangible assets	(29)	-
Purchase of investment properties	(168)	(1,230)
Uplift of fixed deposits with licensed banks	6,185	20,895
NET CASH FROM INVESTING ACTIVITIES	5,270	17,719
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Dividend paid	(4,580)	(4,616)
Net of (repayment)/drawdown of bankers' acceptance	(2,100)	2,700
Net of drawdown of revolving credit	1,000	-
Purchase of treasury shares	-	(2,313)
NET CASH FOR FINANCING ACTIVITIES	(5,680)	(4,229)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,790	18,620
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(30)	149
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	6,381	(12,400)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	22,141	6,369
<b>CASH AND CASH EQUIVALENTS COMPRISE:-</b>		
Cash and bank balances	23,973	11,471
Fixed deposits with licensed banks	19,443	24,493
Bank overdrafts	(5,200)	(8,102)
	38,216	27,862
Less: Fixed deposits with tenure more than 3 months	(16,075)	(21,493)
	22,141	6,369

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019 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 2019

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### 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 2019. 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 2019.

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 2019, except as follows:

On 1 April 2019, 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 2019:-

- *MFRS 16: Leases*
- *IC Interpretation 23 Uncertainty Over Income Tax Treatments*
- *Amendments to MFRS 9: Prepayment Features with Negative Compensation*
- *Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement*
- *Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to MFRS Standards 2015 – 2017 Cycles*

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 for the current quarter under review.

#### 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 2019

### 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 31.12.2019 RM'000
<b>Revenue</b>							
External revenue	81,484	92,363	19,707	16,393	9,170	40,089	259,206
Inter-segment revenue	92	180	-	154	7,486	3	7,915
	81,576	92,543	19,707	16,547	16,656	40,092	267,121
Adjustments and eliminations							(7,915)
Consolidated revenue							259,206
<b>Results</b>							
Segment results	15,960	6,564	1,176	831	227	1,700	26,458
Adjustments and eliminations	-	-	-	-	219	1,088	1,307
	15,960	6,564	1,176	831	446	2,788	27,765
Share of results in an associate							1,457
Unallocated income							415
Unallocated expenses							(19,134)
Consolidated profit before taxation							10,503
<b>Assets</b>							
Segment assets	42,484	49,761	16,519	11,109	14,216	57,042	191,131
Investment in an associate							16,236
Goodwill							54
Unallocated assets							47,181
Deferred tax assets							3,395
Consolidated total assets							257,997

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

### 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	Heavy Equipment RM'000	Mechanical & Electrical RM'000	Year to 31.12.2018 RM'000
<b>Revenue</b>							
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
<b>Results</b>							
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
<b>Assets</b>							
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

##### (b) Geographical segments

	Year to date	
	31.12.2019 RM'000	31.12.2018 RM'000
Total revenue from external customers		
- Malaysia	248,072	274,598
- Singapore	11,134	8,568
	259,206	283,166

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

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### 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 2019, the Group did not have any revalued assets.

#### A9 **Subsequent events**

There were no material subsequent events as at 13 February 2020.

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

There were no changes in the composition of the Group for the period ended 31 December 2019.

#### 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.

During the mention on 5 September 2018, the Court has fixed 6 March 2019 for the next mention which was subsequently rescheduled to 5 March 2019 by the Special Commissioners of Income Tax. During the mention on 5 March 2019, the Court has fixed the next mention date on 8 July 2019. The next hearing of the case was fixed on 12-13 September 2019 at the Court.

Subsequently, the Company had engaged a tax consultant to advise on the matter.

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

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

#### A11 Contingent liabilities (cont'd)

On 5 November 2019, the Company had entered into a Settlement Agreement with Inland Revenue Board of Malaysia. Pursuant to the Settlement Agreement, the amount of RM6,978,359.00 received by the Company as “shortfall in profit guarantee” shall be treated as business income and subject to tax under Section 4(a) of the ITA 1967 for year of assessment 2000 in respect of the basis period ending in the year 1999 (preceding year of assessment). This business income is exempted from income tax (tax waiver year) pursuant to Section 8 of the Income Tax (Amended) Act 1999.

Consequently, IRB agrees that the Notice of Additional Assessment dated 30 May 2017 for the Year of Assessment 2011 for the amount of RM2,529,655.14 and the tax for the Year of Assessment 2000 in respect of the basis period ending in the year 1999 (preceding year basis) shall be amended accordingly. IRB also further agrees to abate the proceedings in relation to the Appeal which was fixed on 12-13 September 2019.

Subsequently, the Company had received the Notice of Reduced Assessment (Form JR) dated 28 January 2020, the total sum payable by IRB in respect of the tax settlement is RM2,529,655.14.

#### A12 Capital commitment

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

#### A13 Significant related party transactions

	Quarterly ended		Year to date	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Transactions with holding company	579	702	1,733	1,898
Transactions with other related parties	5,348	5,720	22,240	44,184

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

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### **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 2019, the Group registered an overall revenue of RM259.2 million, a decrease of RM24.0 million compared to RM283.2 million reported in the previous corresponding period.

Despite registering significantly lower total revenue, we ended 9MFY20 with a net profit attributable to owners of the Company of RM7.9 million compared to RM4.5 million a year ago. The better performance was mainly attributed to stronger growth of Marine & Industrial division, higher gross profit margins and share of profit of associated company as well as other operating income resulted largely from the reversal of impairment losses provided on receivables upon assessment.

#### Marine & Industrial Segment

##### Quarterly results

Revenue for the third quarter of FY20 increased by 45.2% against the previous corresponding quarter.

With higher gross profit on the back of higher write back of impairment losses on trade receivables, this segment recorded a stronger operating profit of RM5.2 million in the current quarter as compared with RM3.3 million in the previous corresponding quarter.

##### Financial year-to-date

Marine & Industrial segment's operating profit increased 84.6% to RM16.0 million year-on-year, attributable to strong revenue growth driven by higher marine engine sales, higher purchase incentive as well as higher write back of allowance for impairment losses on trade receivables in the current period under review.

The segment's revenue hit RM81.5 million in YTD 3QFY20, having increased sharply by 44.7% as compared to RM56.3 million a year ago.

#### Building products Segment

##### Quarterly results

For the 3-month period ended December 31, 2019, Building Products segment's operating profit increased to RM3.2 million from RM1.8 million, while revenue dropped to RM31.9 million from RM36.3 million a year earlier, affected largely by lower sales from building structural products.

Operating profit in the current quarter was higher q-o-q due to the absence of doubtful debts provision. In addition, there was also a higher write back of allowance for impairment losses on trade receivables during the current quarter.

##### Financial year-to-date

The segment saw its operating profit for the nine months ended December 31, 2019 fall 8.7% to RM6.6 million from RM7.2 million a year ago.

Revenue during the period eased RM21.0 million from RM113.4 million previously, dragged by weaker sales largely from roofing products and building structural products.

#### Agro Engineering Segment

##### Quarterly results

Agro Engineering segment's operating profit for 3QFY20 dropped 55.9% to RM0.3 million on the back of 24.5% drop in revenue to RM5.6 million mainly from fertilizers, sanding belts, steel wire ropes and strapping products.

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

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### 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

On a y-o-y comparison, Agro Engineering segment's revenue decreased by 17.9% to RM19.7 million in YTD 3QFY20, with operating profit also fell 42.9% to RM1.2 million.

Earnings was dragged by weaker sales coupled with higher doubtful debts provision in the current financial period.

##### Electrical & Office Automation Segment

##### Quarterly results

Electrical & Office Automation segment's revenue on q-o-q basis increased by RM0.4 million to RM5.7 million.

Operating profit at RM0.4 million for the quarter was also up by RM0.1 million as compared to 3QFY19.

##### Financial year-to-date

For the current financial period, the segment recorded a 17.8% decrease in revenue to RM16.4 million on lower sales largely from air conditioning and lighting products.

On a current year to date comparison, the segment recorded a lower operating profit of 19.0% to RM0.8 million.

##### Heavy Equipment Segment

##### Quarterly results

Heavy Equipment segment achieved revenue and operating loss for the current quarter of RM3.9 million and RM0.3 million respectively. This represents 5.0% and 146.3% decrease in revenue and operating profit respectively over the previous corresponding quarter.

##### Financial year-to-date

Revenue on a y-o-y basis eased 35.0% to RM9.2 million on the back of lower sales mainly from backhoe loaders and telescopic handlers.

Segment profit for YTD 3QFY20 of RM0.4 million was also down 80.1% compared to RM2.2 million a year ago.

##### Mechanical & Electrical Segment

##### Quarterly results

Compared with the same quarter last year, Mechanical & Electrical segment's operating profit for 3QFY20 dropped 53.3% to RM0.5 million on the back of revenue that declined 14.7% to RM13.0 million.

The decline in revenue and profit was attributable to lower work progress from the group's various on-going 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 2019

### 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

Compared to previous corresponding period, Mechanical & Electrical segment's revenue decreased by RM15.3 million on account of lower work performed from the on-going projects. Segment profit dipped 30.2% to RM2.8 million as compared to RM4.0 million a year earlier.

#### B2 Material changes in profit before tax for the quarter

For the current quarter under review, the Group achieved profit before tax (PBT) of RM3.8 million on the back of revenue of RM89.5 million as compared to PBT of RM4.6 million and revenue of RM88.1 million in the immediate preceding quarter.

Against the immediate preceding quarter, the lower net profit in the current quarter was largely attributed to lower share of results from associate as well as gross profit led by lower margins. These were however partially mitigated by lower operating expenses in the current quarter under review.

#### B3 Commentary on prospects

The Malaysian economy registered 3.6% growth in Q4 2019, leading to the lowest annual growth in a decade. The effect of COVID-19 is also expected to impact sentiments. Palm oil and oil prices have consolidated. However, infrastructure spending is still ongoing and our sales are also supported by deliveries of marine engines. On balance, results this quarter will likely be stable.

#### B4 Profit forecast and profit guarantee

Not applicable as no profit forecast was announced.

#### B5 Income tax expense

	Quarter ended		Year to date	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Income tax:-				
- Malaysian tax	868	536	2,876	2,423
- Foreign tax	(13)	4	8	8
	855	540	2,884	2,431
Over provision in the previous financial year:-				
- Malaysian tax	8	(13)	8	(13)
- Foreign tax	-	-	-	(7)
	863	527	2,892	2,411
Deferred tax:-				
- Origination and reversal of temporary differences	150	(195)	(267)	(706)
- Under provision in the previous financial year	(2)	-	-	-
	148	(195)	(267)	(706)
	1,011	332	2,625	1,705

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

### 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 13 February 2020, 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	5,576	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	11,956	

##### Acquisition of Property

On 9 August 2019, the Company had entered into a Sale and Purchase Agreement with Pan Sarawak Holdings Sdn. Bhd. (Company No. 13327-A), to acquire a parcel of land situate at Pending Industrial Estate, Kuching and described as Lot 2501 Section 66 Kuching Town Land District containing approximately 4,518 square metres together with the buildings thereon with attached warehouse area (the said land and buildings with attached warehouse area shall hereinafter be referred to as "Property"), for a total cash consideration of RM6,000,000.00. The acquisition of Property is pending completion. Please refer to announcement dated 9 August 2019 for further details.

#### B7 Short-term borrowings

The Group's borrowings as at 31 December 2019 were as follows:-

	<b>RM'000</b>
Bank overdrafts, secured	717
Bank overdrafts, unsecured	4,483
Bankers' acceptance, unsecured	2,900
Revolving credit, secured	2,000
Revolving credit, unsecured	4,000
	<hr/>
	14,100
	<hr/> <hr/>

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

### 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 2019 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	1,623	6	(3)
<u>Derivative designated as hedging instruments:-</u>			
Forward foreign currency contracts			
- Less than 1 year	2,355	-	(6)
	3,978	6	(9)

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 (Loss) / gain arising from fair value changes in financial liabilities

	Current quarter loss RM'000	Year to date gain RM'000
Foreign currency forward contracts	(6)	5

#### B10 Changes in material litigation

As at 13 February 2020, there was no material litigation against the Group.

#### B11 Dividend payable

No interim dividend has been declared for the financial period ended 31 December 2019.

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

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

#### B12 Earnings per share

##### (a) Basic earnings per share

	Quarter ended		Year to date	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to the owners of the Company (RM'000)	2,837	898	7,878	4,528
Weight average number of ordinary shares in issue ('000) *	457,977	457,977	457,977	460,212
Basic earnings per share based on weighted average number of shares in issue (sen)	0.62	0.20	1.72	0.98

\* Comparative figures for the weighted average number of ordinary shares in issue for basic earnings per ordinary share computation have been restated to reflect the adjustments arising from the bonus issues, which was completed on 8 May 2019.

##### (b) Diluted earnings per share

Not applicable as at 31 December 2019.

#### B13 Net assets per share attributable to owners of the Company

Net assets per share ("NAPS") as at 31 December 2019 stood at RM0.39, a decrease of 31.6% compared to NAPS of RM0.57 as at 31 March 2019 resulting from the dilutive effect from the issuance of new ordinary shares pursuant to the bonus issue.

#### 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 2019 was not subject to any qualification.

# PANSAR BERHAD (Company No. 18904-M)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER AND YEAR TO DATE ENDED 31 DECEMBER 2019

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

#### B15 Profit for the year

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

	Quarter ended		Year to date	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Allowance for slow-moving inventories	350	53	393	119
Allowance for slow-moving inventories no longer required	(6)	(95)	(210)	(155)
Bad debts written off	-	-	12	1
Collective impairment losses on receivables	22	196	59	1,115
Collective impairment losses on receivables no longer required	-	(45)	-	(401)
Depreciation and amortisation	459	464	1,438	1,339
Individual impairment losses on receivables	468	389	3,772	472
Individual impairment losses on receivables no longer required	(1,027)	(317)	(4,341)	(1,484)
Interest expense	201	391	693	1,090
Interest income	(1,063)	(292)	(1,690)	(824)
Loss/(gain) on forward foreign currency contracts	(7)	2	(8)	10
Loss/(gain) on disposal of property, plant and equipment	2	27	4	(58)
Provision for employee benefits no longer required	(223)	-	(223)	-
Realised gain on foreign exchange	(185)	(124)	(445)	(173)
Realised loss on derivatives	-	-	49	79
Unrealised (gain)/loss on foreign exchange	(143)	26	(108)	71
Unrealised loss/(gain) on derivatives	7	(5)	(4)	(39)