PDZ HOLDINGS BHD
Notes to the Interim Financial Report for the quarter ended 31 December 2015

A. Compliance with Malaysian Financial Reporting Standards ("MFRS") 134

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and Paragraph 9.22 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad. The interim financial report also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015. The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the year ended 30 June 2015 except for the adoption of new MFRS, amendments and interpretations that are mandatory for the Group for the financial year beginning on 1 July 2015. The adoption of these standards, amendments and interpretations do not have a material impact on the interim financial information of the Group.

A2. Seasonal or cyclical factors

The Group's turnover is seasonal in nature, as there are low and peak demand periods during the different months of the year.

A3. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material unusual items that affect assets, liabilities, net income or cash flows during the period.

A4. Material changes in estimates

There were no material changes in estimates that have a material effect on the financial results during the period.

A5. Debt and equity securities

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the period.

A6. Dividend paid

The Company did not pay any dividend during the period.

A7. Material events subsequent to the end of the interim period

There is no material event subsequent to the end of the interim period.

A8. Changes in composition of the Group

There was no change in composition of the Group during the financial period under review.

A9. Changes in contingent liabilities and contingent assets

The Group does not have any contingent liabilities or contingent assets since the end of the prior financial year.

A10. Capital commitments

The Group does not have any capital commitments as at 31 December 2015.

B. Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Operating segments review

Current quarter

The Group registered revenue of RM39.7 million in the current quarter compared with RM42.7 million in the preceding year's corresponding quarter, a decrease of 33%. Despite this, the Group posted a **profit from operations of RM1.5 million** for the current quarter as opposed to a loss from operations of RM0.6 million in the preceding year's corresponding quarter.

Administrative expense decreased by 13% from RM4.57 million in the preceding year's corresponding quarter to RM3.99 million in the current quarter.

Cumulative period

The Group registered revenue of RM80.60 million in the current cumulative period, higher than the RM80.58 million in the preceding year's corresponding period. Despite this, the Group posted a **profit from operations of RM1.8 million** for the current cumulative period as opposed to a loss from operations of RM1.7 million in the preceding year's corresponding period.

B2. Material changes in profit before tax for current quarter as compared to preceding quarter

For the current quarter, the Group registered a **profit after tax of RM1.1 million** compared with a post-tax loss of RM0.9 million in the preceding quarter. Substantial savings were attributable by the lower bunker prices, lower maintenance costs of vessels as well as the reduction administrative expense in the current quarter as compared to preceding quarter.

B3. Current year prospects

The severe over tonnage continued to plague the container shipping industry causing freight rates to be stagnant. However, we expect to see some improvements in business volume in the coming quarters. On an ongoing basis, the Group continues to look for new businesses which will provide enhancement to the future earnings of the Group.

B4. Profit forecast and profit guarantee

Not applicable.

B5. Profit or loss before tax

Profit or loss before tax is after charging/(crediting) the following:

	Individual period 3 months ended		Cumulative period 6 months ended	
	31.12.15	**31.12.14**	**31.12.15**	**31.12.14**
	RM '000	**RM '000**	**RM '000**	**RM '000**
Interest income	(90)	(113)	(201)	(238)
Other income	(313)	(8)	(313)	(150)
Interest expense	99	77	197	171
Depreciation and amortisation	456	1,036	965	3,522
(Gain)/loss on foreign exchange	-	29	658	(87)

B6. Taxation

	Individual period 3 months ended		Cumulative period 6 months ended	
	31.12.15	**31.12.14**	**31.12.15**	**31.12.14**
	RM '000	**RM '000**	**RM '000**	**RM '000**
Current tax – Malaysia	287	252	599	512

Pursuant to the Income Tax (Exemption) (No. 2) Order 2012 dated 4 June 2012, statutory income derived from the operations of sea-going Malaysian registered ships will remain exempted from tax for year of assessment 2012 and year of assessment 2014. The Ministry of Finance has via their letter dated 29 October 2014 further deferred the amendment to the Act for another 2 years up to year of assessment 2015.

The current tax is in respect of the income of the Group which is not exempted from tax pursuant to Section 54A of the Act, the Income Tax (Exemption) (No. 2) Order 2012 and the Ministry of Finance's letter dated 29 October 2014.

B7. Status of corporate proposals

PDZ Holdings Bhd ("PDZ" or the "Company") had on 5 November 2015 entered into a framework agreement with Ken Makmur Holdings Sdn Bhd ("KENMAKMUR") for the proposed production of liquified petroleum gas ("LPG") and condensate from the natural gas supplied by KENMAKMUR from the Rakushechnoye Oil and Gas Field ("Proposed LPG Production").

In conjunction to the above, on 4 March 2015, the Company had submitted multiple proposals to Bursa Malaysia namely, the Proposed LPG Production and Diversification, Proposed Special Issue, Proposed Rights Issue with Warrants and Proposed Increase in Authorised Share Capital, collectively known as the "Proposal".

Subsequently, on 24 April 2015 Bursa Malaysia approved the listing and quotations for Rights Issue with Warrants and Special Issue in relation to the "Proposal".

The approval was granted subject to a number of preceding conditions that will be carried out and completed by the Company together with the relevant parties to the Proposal.

On 14 May 2015, the Company, KENMAKMUR and COG entered into a supplemental agreement to vary/clarify the following terms in the Gas Supply Agreement ("Supplemental Gas Supply Agreement"):-

Clarification on the conditions precedent for Bursa Securities' approval is in relation to the issuance and listing of the securities arising from the Proposals; and

PDZ shall be entitled to elect for the payments due to KENMAKMUR under the Gas Supply Agreement in RM equivalent of the USD amount, of which the exchange value shall be based on the middle rate as quoted by Bank Negara Malaysia at the close of the business day immediately preceding that in which a particular payment is intended to be made by PDZ.

Save for the above, the other terms of the Gas Supply Agreement shall remain unchanged.

Further details on the update of the matter were disclosed in the Company's announcement dated 14 May 2015.

B8. Bank borrowings and debt securities

Denominated in Ringgit Malaysia:	Current RM ’000	Non-current RM ’000	Total RM ’000
Term loan (secured)	1,310	2,323	3,633
Revolving credit (unsecured)	2,700	0	3,200
	4,010	2,323	6,833

B9. Material litigation

There is no material litigation as at the date of this report.

B10. Proposed dividend

No dividend was proposed during the quarter.

B11. Earnings/(loss) per share

		Individual period 3 months ended		Cumulative period 6 months ended	
		31.12.15	31.12.14	31.12.15	31.12.14
Profit/(loss) attributable to ordinary shareholders of the Company	**(RM ’000)**	778	(1,239)	(280)	(2,913)
Weighted average number of ordinary shares in issue	**(’000)**	869,321	869,321	869,321	869,321
Basic earnings/(loss) per share	**(sen)**	0.09	(0.14)	(0.03)	(0.34)

B12. Audit Report of preceding annual financial statements

The auditors report on the financial statements for the year ended 30 June 2015 was not qualified.

B13. Realised and unrealised profits or losses

	As at 31.12.15 RM ’000	As at 30.06.15 RM ’000
Realised	(161,135)	(160,846)
Unrealised	(38)	(26)
	(161,097)	(160,820)
Consolidation adjustments	77,473	77,473
Accumulated losses	(83,627)	(83,347)