Notes to the Interim Financial Report for the 12 months ended 30 June 2016

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 12 months 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 12 months 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 30 June 2016.

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 RM26.9 million in the current quarter compared with RM41.8 million in the preceding year's corresponding quarter, a decrease of 36%. Therefore, the Group posted a loss from operations of RM5.6 million for the current quarter as opposed to a profit from operations of RM1.1 million in the preceding year's corresponding quarter due to lower business capacity.

Administrative expense increased by 30% from RM3.02 million in the preceding year's corresponding quarter to RM3.93 million in the current quarter.

Cumulative period

The Group registered revenue of RM135.5 million in the current cumulative period, lower than the RM161.3 million in the preceding year's corresponding period. Therefore, the Group posted a loss from operations of RM5.58 million for the current cumulative period as opposed to a profit from operations of RM2.21 million in the preceding year's corresponding period due to reduction in business volume and higher administrative costs.

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

For the current quarter, the Group registered loss after tax of RM5.7 million compared with a post-tax loss of RM52.9 million in the preceding quarter. Substantial savings were attributable by the lower bunker prices and lower maintenance costs of vessels.

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 years. 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 12 months ended	
	30.06.16	**30.06.15**	**30.06.16**	**30.06.15**
	RM '000	**RM '000**	**RM '000**	**RM '000**
Interest income	(46)	(105)	(247)	(445)
Other income	32	(410)	(852)	(567)
Interest expense	3	97	299	336
Depreciation and amortization	763	(497)	2,246	4,727
(Gain)/loss on foreign exchange	(152)	47	331	231

B6. Taxation

	Individual period 3 months ended		Cumulative period 12 months ended	
	30.06.16	**30.06.15**	**30.06.16**	**30.06.15**
	RM '000	**RM '000**	**RM '000**	**RM '000**
Current tax – Malaysia	242	349	966	1,045

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 4 March 2015 entered into an agreement (the Gas Supply Agreement) with Kenmakmur Holdings Sdn Bhd ("KENMAKMUR") and Caspioilgas Ltd (COG) for the proposed production of liquified petroleum gas ("LPG") and condensate from the natural gas supplied by KENMAKMUR from COG, the holder of the concession over the Rakushechnoye Oil and Gas Field in Kazakhstan ("Proposed LPG Production").

In conjunction to the above the Company 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 "Proposals".

Subsequently, on 24 April 2015 Bursa Malaysia approved the listing and quotations for Rights Issue with Warrants and Special Issue in relation to the Proposals. The approval was granted subject to the conditions to be carried out and completed by the Company together with the relevant parties to the Proposals.

The Company, KENMAKMUR and COG entered into three supplemental agreements thereafter to vary the following terms of the Gas Supply Agreement. The salient changes were:-

I. To allow payments by PDZ to KENMAKMUR to be made in RM instead of USD;
II. To allow payments to be made by PDZ to KENMAKMUR to be made in installments;
III. To extend the time frame to comply with the conditions precedent of the Gas Supply Agreement.

On 11 April 2016, the Company submitted an application to Bursa for an extension of time of six (6) months up to 22 October 2016 to complete the Proposals and on 5 May 2016, Bursa Malaysia granted the Company an extension until 23 October 2016.

The Directors had deliberated on the implementation of the Proposals and opined that in the event not completed by the Bursa deadline, the Company shall apply for a further extension of time of up to six (6) months up to 22 April 2017 for the completion of the Proposals.

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	1,825	3,135
Revolving credit (unsecured)	1,350	0	1,350
	2,660	1,825	4,485

B9. Material litigation

PDZ Holdings Bhd vs Johany Jaafar and 3 others namely Shamshuddhuha bin Ishak, Ahmad Fadzil bin Mohd Perdaus and Mohammad Bukhari bin Embong (Shah Alam High Court)

On May 2014, the Company had entered into an agreement with Johany Jaafar (JJ) ("the SSA") to purchase the latter's 4 million shares in Efogen Sdn. Bhd. ("Efogen") representing 20% of Efogen's issued capital for a purchase consideration of RM 18 million. A sum of RM5 million was paid as deposit to JJ's lawyers, Messrs Shamshudduha, Ho & Partners ("the Firm") upon execution of the SSA.

The SSA was terminated on 25 September 2014 by the mutual agreement of the Company and JJ. On 1 October 2014 PDZ demanded JJ to refund the Subject Sum and JJ did not repay but asked for extension of time to do so. After several extensions were given, JJ failed to return the RM 5 million leading to the Company filing the suit against him and the three partners of the Firm to recover the RM5 million.

The High Court Judge hand her judgment on 30 August 2016 in favour of the Company whereby the 3 partners of the Firm were ordered to pay RM 5million to the Company and in turn they can claim indemnity from JJ.

JJ counter claim against PDZ Holdings Bhd in a separate action (KL High Court)

On another note, on 2 December 2014 JJ entered into an agreement with Pelaburan Mara Berhad (PMB) ("the SPA") to sell to PMB 6 Million shares in Efogen representing 30% equity stake for RM9 Million.

The SPA was subsequently terminated before completion and PMB demanded JJ to return the RM2.4 million paid by PMB but he did not do so, hence PMB sued JJ.

In his counter claim, JJ has named PDZ as second defendant on the basis that the SSA was wrongfully terminated and is seeking RM167 Million from PMB and PDZ, jointly or severally.

PDZ had entered appearance on 2 August 2016 and appeared before the judge for case management on 10 August 2016. Subsequently, PDZ entered its defence on 23 August 2016.

B10. Proposed dividend

No dividend was proposed during the quarter.

B11. Earnings/(loss) per share

		Individual period 3 months ended		Cumulative period 12 months ended	
		30.06.16	**30.06.15**	**30.06.16**	**30.06.15**
Profit/(loss) attributable to ordinary shareholders of the Company	**(RM '000)**	(5,817)	(53,208)	(6,515)	(60,018)
Weighted average number of ordinary shares in issue	**('000)**	869,321	869,321	869,321	869,321
Basic earnings/(loss) per share	**(sen)**	(0.57)	(6.12)	(0.65)	(6.90)

B12. Audit Report of preceding annual financial statements

The auditor's report on the financial statements for the period ended 30 June 2015 was not qualified.

B13. Realised and unrealised profits or losses

	As at 31.03.16 RM '000	As at 30.06.15 RM '000
Realised	(167,297)	(160,846)
Unrealised	(38)	(26)
	(167,335)	(160,820)
Consolidation adjustments	77,473	77,473
Accumulated losses	(89,862)	(83,347)