



PDZ HOLDINGS BERHAD

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PDZ HOLDINGS BHD**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2016**

	(Unaudited) (Unaudited)		(Unaudited) (Unaudited)	
	Individual period		Cumulative period	
	3 months ended		18 months ended	
	<u>31.12.16</u>	<u>31.12.15</u>	<u>31.12.16</u>	<u>31.12.15</u>
	RM '000	RM '000	RM '000	RM '000
Revenue	16,050	39,697	172,484	241,913
Cost of sales	(21,532)	(34,612)	(167,189)	(217,360)
Gross profit/(loss)	(5,482)	5,085	5,295	24,553
Other operating income/(expenses)	(587)	403	1,094	1,526
Administrative expense	(4,471)	(3,993)	(23,142)	(22,273)
Profit/(loss) from operations	(10,540)	1,495	(16,753)	3,806
Business diversification expenses	-	-	-	(4,202)
Impairment of assets	(1,891)	-	(1,891)	(55,207)
Writeback of financial assets	-	-	5,000	-
Gain on disposal of a subsidiary	13,441	-	13,441	-
Gain/(Loss) on foreign exchange	(51)	-	(330)	(658)
Finance cost	(106)	(99)	(432)	(533)
Profit/(Loss) before tax	853	1,396	(965)	(56,794)
Tax expense	378	(287)	(673)	(1,644)
Profit/(Loss) for the period	1,231	1,109	(1,638)	(58,438)
Other comprehensive income:				
Revaluation reserve	886	-	886	-
Foreign currency translation differences for a foreign subsidiary	(450)	20	(273)	262
Profit/(Loss) and other comprehensive loss for the period	<u>1,667</u>	<u>1,129</u>	<u>(1,025)</u>	<u>(58,176)</u>
Profit/(Loss) attributable to:				
- Owners of the Company	1,690	778	(2,203)	(60,298)
- Non-controlling interests	(459)	331	565	1,860
	<u>1,231</u>	<u>1,109</u>	<u>(1,638)</u>	<u>(58,438)</u>
Profit/(Loss) and other comprehensive income/(expense) attributable to:				
- Owners of the Company	2,126	798	(1,590)	(60,036)
- Non-controlling interests	(459)	331	565	1,860
	<u>1,667</u>	<u>1,129</u>	<u>(1,025)</u>	<u>(58,176)</u>
Profit/(Loss) per share (sen)				
- Basic	0.19	0.09	(0.25)	(6.94)
- Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015)

PDZ HOLDINGS BHD
Condensed Consolidated Statement of Financial Position
as at 31 December 2016

	(Unaudited)	(Audited)
	As at	As at
	<u>31.12.16</u>	<u>30.06.15</u>
	RM '000	RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	14,477	24,141
Goodwill on consolidation	7	7
	<u>14,484</u>	<u>24,148</u>
Current assets		
Bunker on board	627	1,406
Trade receivables	6,509	23,755
Non-trade receivables, deposits and prepayment	6,911	1,897
Tax recoverable	978	175
Fixed deposits with licensed banks	1,730	7,038
Cash and bank balances	6,494	11,743
	<u>23,249</u>	<u>46,014</u>
TOTAL ASSETS	<u><u>37,733</u></u>	<u><u>70,162</u></u>
EQUITY AND LIABILITIES		
Share capital	86,932	86,932
Share premium	27,589	27,589
Reserves	1,182	569
Accumulated losses	(85,550)	(83,347)
Equity attributable to owners of the Company	<u>30,153</u>	<u>31,743</u>
Non-controlling interests	<u>1,252</u>	<u>3,735</u>
Total equity	<u>31,405</u>	<u>35,478</u>
Non-current liabilities		
Deferred taxation	311	26
Borrowings	-	2,974
	<u>311</u>	<u>3,000</u>
Current liabilities		
Trade payables	2,195	15,453
Non-trade payables and accruals	3,818	10,867
Borrowings	-	5,110
Tax payable	4	254
	<u>6,017</u>	<u>31,684</u>
Total liabilities	<u>6,328</u>	<u>34,684</u>
TOTAL EQUITY AND LIABILITIES	<u><u>37,733</u></u>	<u><u>70,162</u></u>
Net assets per share (RM)	0.03	0.04

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015)

PDZ HOLDINGS BHD**Condensed Consolidated Statement of Changes in Equity****Income for the period ended 31 December 2016**

	(Unaudited)							
	<u>Attributable to owners of the Company</u>							
	<u>Share capital</u>	<u>Share premium</u>	<u>Revaluation Reserve</u>	<u>Currency translation differences</u>	<u>Accumulated losses</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 July 2015	86,932	27,589	-	569	(83,347)	31,743	3,735	35,478
Foreign currency translation differences for a foreign subsidiary	0	0		(273)	0	(273)	0	(273)
Revaluation of properties	0	0	886	-	0	886	0	886
Profit/(loss) for the period	0	0		0	(2,203)	(2,203)	565	(1,638)
Dividends	0	0		0	0	0	(3,048)	(3,048)
At 31 December 2016	<u>86,932</u>	<u>27,589</u>	<u>886</u>	<u>296</u>	<u>(85,550)</u>	<u>30,153</u>	<u>1,252</u>	<u>31,405</u>
At 1 July 2014	86,932	27,589	-	478	(23,329)	91,670	5,453	97,123
Foreign currency translation differences for a foreign subsidiary	0	0	0	91	0	91	0	91
Profit/(loss) for the period	0	0	0	0	(60,018)	(60,018)	1,208	(58,810)
Dividends	0	0	0	0	0	0	(2,926)	(2,926)
At 30 June 2015	<u>86,932</u>	<u>27,589</u>	<u>0</u>	<u>569</u>	<u>(83,347)</u>	<u>31,743</u>	<u>3,735</u>	<u>35,478</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015)

PDZ HOLDINGS BHD
Condensed Consolidated Statement of Cash Flows
for the period ended 31 December 2016

	(Unaudited) 18 months <u>31.12.16</u> RM '000	(Unaudited) 18 months <u>31.12.15</u> RM '000
Operating activities		
Loss for the period	(1,638)	(58,438)
Adjustments for:		
Depreciation	2,367	5,763
Net gain on disposal of property, plant and equipment	(174)	(351)
Impairment of property, plant and equipment	-	50,207
Impairment of financial assets	1,891	5,000
Interest expense	432	533
Interest income	(303)	(646)
Property, plant and equipment written-off	-	22
Reversal of impairment loss	(5,000)	(32)
Gain on disposal of a subsidiary	(13,441)	-
Bad debts recovered	-	(15)
Unrealised gain on foreign exchange	67	25
Taxation	673	1,644
	<u>(15,126)</u>	<u>3,712</u>
Changes in working capital:		
Bunker on board	779	(1,087)
Receivables	14,253	(3,022)
Payables	(6,840)	4,090
Cash flows from operations	<u>(6,934)</u>	<u>3,693</u>
Interest paid	(432)	(533)
Interest received	303	646
Income tax paid	(1,441)	(1,744)
Net cash flows from operating activities	<u>(8,504)</u>	<u>2,062</u>
Investing activities		
Acquisition of property, plant and equipment	-	(4,494)
Proceeds from disposal of property, plant and equipment	8,927	1,031
Proceeds from disposal of a subsidiary	1	-
Acquisition of additional shares in a subsidiary company	-	-
Net cash flows from investing activities	<u>8,928</u>	<u>(3,463)</u>

PDZ HOLDINGS BHD
Condensed Consolidated Statement of Cash Flows
for the period ended 31 December 2016 (contd)

	(Unaudited) 18 months <u>31.12.16</u> RM '000	(Unaudited) 18 months <u>31.12.15</u> RM '000
Financing activities		
Dividends paid by subsidiaries to non-controlling interests	(3,048)	(2,926)
(Repayment) / drawdown of revolving credit	(4,000)	(300)
Repayment of term loan	(4,084)	(1,862)
(Withdrawal) / Placement of fixed deposits pledged	4,081	811
Net cash flows from financing activities	<u>(7,051)</u>	<u>(4,277)</u>
Net change in cash and cash equivalents	(6,627)	(5,678)
Cash and cash equivalents at beginning of period	12,970	15,036
Effects of currency translation differences	151	(53)
Cash and cash equivalents at end of period	<u>6,494</u>	<u>9,305</u>
	(Unaudited) As at <u>31.12.16</u> RM '000	(Unaudited) As at <u>31.12.15</u> RM '000
Cash and cash equivalents comprise:		
Cash and bank balances	6,494	8,746
Fixed deposits with licensed banks	<u>1,730</u>	<u>6,693</u>
	8,224	15,439
Fixed deposits pledged	<u>(1,730)</u>	<u>(6,134)</u>
	<u>6,494</u>	<u>9,305</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 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 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. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements of the Group for the financial year ended 30 June 2015 was not subject to any qualification.

A3. 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.

A4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A5. Changes in Estimates

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

A6. Changes in Debt and Equity securities

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

A7. Dividend paid

The Company did not pay any dividend during the period.

A8. Valuation of Property and Equipment

Properties of the Group have been revalued in December 2016. Based on the valuation report prepared by Solid Real Estate Consultants Sdn Bhd, a registered independent valuer, the fair value of the Group's properties is RM3.8 million. The carrying amount of the properties as at 30 September 2016 was RM2.6 million. The revaluation surplus was incorporated in the financial statements for the period ended 31 December 2016.

A9. Subsequent Events

a) Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-8-01/2017

On 24 January 2017, PDZ has been served with a Writ in Admiralty Action in Rem and Warrant of Arrest dated 20 January 2017 ("Arrest of Vessel") on its vessel, PDZ Mewah (which was previously owned by PDZSB) by Dan-Bunkering (Singapore) Pte Ltd ("Dan-Bunkering").

On 30 December 2016, the Company had completed the disposal of 51,500,000 ordinary shares of RM1.00 each in PDZSB, representing the entire share capital of PDZSB, to Salvage Point Ltd ("Disposal").

Prior to the Disposal, the beneficial interest of the Vessel was transferred from PDZSB to the Company. Pursuant thereto, the change of ownership of the Vessel was reflected in the Registrar of Malaysian Ships, Port Klang on 6 December 2016 and the Vessel is now owned by the Company ("Transfer of PDZ Mewah").

Dan-Bunkering's claim against PDZ is for, amongst others, the outstanding principal balance sum of approximately USD0.48 million payable to Dan-Bunkering for the non-payment of supply of Marine Fuel Oil and/or Marine Gas Oil to PDZ Mewah.

PDZ is awaiting service of statement of claim from Dan-Bunkering. The solicitor acting for PDZ in the above matter is of the view that PDZ stands a strong chance in succeeding in setting aside the suit.

b) Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-9-01/2017

PDZ has been served with a Writ in Admiralty Action in Rem and Warrant of Arrest dated 25 January 2017 on PDZ Mewah by Harbour-Link Lines Sdn Bhd ("Harbour-Link") for, amongst others, the delivery up of the containers which was shipped on board of PDZ Mewah (which was issued warrant of arrest pursuant to the Arrest of Vessel above), and damages including but not limited to all expenses to be incurred by Harbour-Link for the discharge of its containers at Pasir Gudang which was loaded on board of PDZ Mewah and transportation to their contracted discharge ports.

On 27 January 2017, PDZ was informed that the Sheriff of the High Court of Malaya at Kuala Lumpur have authorised Harbour Link to discharge the containers and the containers were subsequently unloaded from PDZ Mewah on 6 February 2017.

PDZ is currently awaiting service of statement of claim from Harbour-Link. The solicitor acting for PDZ in the above matter is of the view that PDZ stands a strong chance in succeeding in setting aside the suit.

c) Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-10-01/2017

PDZ has been served with a Writ in Admiralty Action in Rem and Warrant of Arrest dated 26 January 2017 on its vessel, PDZ Mewah by Shin Yang Shipping Sdn Bhd (“Shin Yang”) for, amongst others, the delivery up of the containers which was shipped on board PDZ Mewah (which was issued warrant of arrest pursuant to the Arrest of Vessel above), and damages including but not limited to all expenses to be incurred by Shin Yang for the discharge of the said containers at Pasir Gudang which was loaded on board PDZ Mewah and transportation to their contracted discharge ports.

On 27 January 2017, PDZ was informed that the Sheriff of the High Court of Malaya at Kuala Lumpur have authorised Shin Yang to discharge the containers and the containers were subsequently unloaded from PDZ Mewah on 6 February 2017.

PDZ is currently awaiting service of statement of claim from Shin Yang. The solicitor acting for PDZ in the above matter is of the view that PDZ stands a strong chance in succeeding in setting aside the suit.

d) Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-44-08/2016, WA-27NCC-45-08/2016 & WA-27NCC-11-01/2017

On 6 February 2017, PDZ has been served with a Writ in Admiralty Action in Rem dated 10 August 2016 on its vessel, PDZ Mewah by CCK Petroleum Sdn Bhd and CCK Capital Ltd (“CCK Group”). CCK Group’s claim against PDZ is for the non-payment of supply of Marine Fuel Oil and/or Marine Gas Oil to PDZ Mewah (which was previously owned by PDZSB) during the months of January 2016 to April 2016.

CCK Group is at the same time claiming from PDZSB for the outstanding principal balance with the total sum of RM1.25 million for the non-payment of supply of such Marine Fuel Oil and/or Marine Gas Oil to PDZ Mewah.

PDZ is awaiting service of statement of claim from CCK Petroleum. The solicitor acting for PDZ in the above matter is of the view that PDZ stands a strong chance in defending the suit.

A10. Changes in Composition of the Group

On 30 December 2016, the Company had completed the disposal of 51,500,000 ordinary shares of RM1.00 each in PDZSB, representing the entire share capital of PDZSB, to Salvage Point Ltd (“Disposal”). As a result, PDZSB ceased to be subsidiary of the Company.

A11. Contingent Liabilities and Contingent Assets

PDZ Holdings Bhd. had on 5 August 2016 issued a corporate guarantee to Formosa in the sum of RM 2.33 million, to secure the payment of one month’s deposit and two hire outstanding for each of the Vessels by Eastgate to Formosa, in six instalments, to support the Novation of the charter parties as mentioned under B7(b).

A12. Capital commitments

There were no material capital commitments as at 31 December 2016.

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

B1. Operating segments review

Current Quarter

The Group registered Profit After Tax of RM1.2 million on the back of lower Revenue of RM16.1 million, compared to the preceding quarter Profit after Tax of RM2.7 million and higher Revenue of RM20.9 million, in line with the headwinds faced by the industry. This was mainly due to write back of financial asset impairment in the preceding quarter, coupled with gain on disposal of a former subsidiary, Perkapalan Dai Zhun Sdn Bhd to Salvage Point Ltd in December 2016 in the current quarter.

Cumulative Quarter

The Group recorded a Loss After Tax of RM1.6 million with lower Revenue of RM172.5 million, compared to the preceding cumulative quarter Loss After Tax of RM58.4 million and higher Revenue of RM241.9 million. This was mainly due to higher impairment of asset and business diversification expenses in the preceding cumulative quarter. Notwithstanding lower revenue of RM16.1 million in the current quarter compared to RM39.7 million in the same quarter during the previous financial period, the Group recorded profit after tax of RM1.2 million in the current quarter compared to profit after tax of RM1.1 million previously. This was mainly due to the gain on disposal of PDZSB on 30 December 2016.

B2. Prospects

The severe over tonnage continued to plague the container shipping industry causing freight rates to be stagnant. On an ongoing basis, the Group continues to trim its operating structure to be leaner with higher productivity across its business, while continuing to look for new businesses which will provide enhancement to the future earnings of the Group.

B3. Profit Forecast and Profit Guarantee

The Group has not issued any profit forecast or profit guarantee in any public documents.

B4. Bank borrowings and debt securities

The Group fully repaid its bank borrowings during the quarter.

B5. Taxation

	3 months ended		18 months ended	
	Individual period	Individual period	Cumulative period	Cumulative period
	<u>31.12.16</u>	<u>31.12.15</u>	<u>31.12.16</u>	<u>31.12.15</u>
	RM '000	RM '000	RM '000	RM '000
Current tax – Malaysia	(378)	287	(673)	1,644

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 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.

B6. Status of corporate proposals

There is no corporate proposal for the Group as at 31 December 2016.

B7. Material litigation

- a) PDZ Holdings Bhd (PDZ) 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”) (“SSA”) to purchase shares in Efogen Sdn. Bhd. (“Efogen”). 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 RM5 million deposit but JJ failed to do so.

On 30 August 2016, PDZ obtained judgment at the Shah Alam High Court against three (3) partners of the Firm to return the RM5 million to the Company and in turn they can claim indemnity from JJ (“First Suit”).

On 2 December 2014, JJ had entered into an agreement with Pelaburan Mara Berhad (“PMB”) (“SPA”) to sell six (6) million of his shares in Efogen representing 30% equity stake for RM9 million to PMB. 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 has brought an action against JJ at the Kuala Lumpur High Court for recovery of the sum. In his counter claim, JJ has named PDZ as second defendant on the basis that the SSA in the First Suit was wrongfully terminated and is seeking RM167 million from PMB and PDZ, jointly and severally. On 30 November 2016, the High Court had struck off JJ’s counter claim (“Striking Off”).

On 16 December 2016, JJ had proceeded to file an appeal at the Court of Appeal against the Striking Off (“Appeal”). Currently, this matter is pending fixing of hearing date by the Court of Appeal. The Board is of the view that PDZ stands a fair chance in defending against the Appeal.

- b) Injunction against Formosa Plastics Marine Corporation and Eastgate Group

On 15 September 2016, PDZ and Perkapalan Dai Zhun Sdn Bhd (“PDZSB”), a former wholly-owned subsidiary of PDZ, commenced an action at the Admiralty Court in Kuala Lumpur against Formosa Plastics Marine Corporation (“Formosa”) and Eastgate, Evra Shipping Lines Sdn Bhd and KLCCSB seeking, amongst others:-

- (a) orders that the novation of the charter-parties in respect of two (2) vessels, namely MV Formosa Container 5 and MV FPMC Container 10, by PDZSB and PDZ to Eastgate (“Novation”) to be declared valid and binding upon Formosa (as owner of the vessels), Eastgate and PDZSB; and
- (b) the only remaining obligation of PDZSB and PDZ towards Formosa pursuant to the Novation is under the corporate guarantee in the sum of USD562,500 provided by PDZ to secure the payment of one (1) month’s deposit and the fourth (4th) and fifth (5th) hire outstanding for each of the vessels by Eastgate to Formosa.

On 21 September 2016, PDZSB and PDZ obtained an ex parte injunction against Formosa and the Eastgate Group, amongst others, to restrain them from arresting PDZSB’s or its affiliated companies’ vessels, cargo thereon or freight due therefrom. An ad interim injunction was granted on 4 October 2016 pending the disposal of the inter parte hearing of

the injunction application which has been fixed on 23 March 2017. The Board is of the view that PDZ stands a fair chance in succeeding in the injunction and the admiralty suit.

B8. Dividend Payable

The Board of Directors did not recommend any dividend for the current quarter under review.

B9. Earnings/(loss) per share

		3 months ended		18 months ended	
		Individual period		Cumulative period	
		<u>31.12.16</u>	<u>31.12.15</u>	<u>31.12.16</u>	<u>31.12.15</u>
Profit/(loss) attributable to ordinary shareholders of the Company	(RM '000)	1,690	778	(2,203)	(60,298)
Weighted average number of ordinary shares in issue	('000)	869,321	869,321	869,321	869,321
Basic earnings/(loss) per share	(sen)	0.15	0.09	(0.30)	(6.94)

B10. Profit Before Taxation

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

		3 months ended		18 months ended	
		Individual period		Cumulative period	
		<u>31.12.16</u>	<u>31.12.15</u>	<u>31.12.16</u>	<u>31.12.15</u>
		RM '000	RM '000	RM '000	RM '000
Interest income		(25)	(88)	(303)	(646)
(Gain)/loss on disposal of PPE		699	(282)	(131)	(351)
Interest expense		106	99	432	533
Depreciation and amortization		295	527	2,367	5,763
(Gain)/loss on foreign exchange		(51)	-	(330)	(658)

B11. Realised and Unrealised Profits or Losses

	As at	As at
	<u>31.12.16</u>	<u>30.06.15</u>
	RM '000	RM '000
Realised	(113,480)	(160,846)
Unrealised	38	26
	(113,442)	(160,820)
Consolidation adjustments	27,892	77,473
Accumulated losses	(85,550)	(83,347)