

PDZ HOLDINGS BHD

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial period ended 31 March 2017 (Unaudited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter <u>31.03.2017</u> RM '000	Preceding Year Quarter <u>31.03.2016</u> RM '000	Current Year To Date <u>31.03.2017</u> RM '000	Preceding Year To Date <u>31.03.2016</u> RM '000
Revenue	2,570	28,045	2,570	28,045
Cost of sales	(3,147)	(24,890)	(3,147)	(24,890)
Gross (loss)/profit	(577)	3,155	(577)	3,155
Other operating (expenses)/income	(578)	370	(578)	370
Administrative expense	(1,456)	(3,423)	(1,456)	(3,423)
(Loss)/profit from operations	(2,611)	102	(2,611)	102
Gain on foreign exchange	-	175	-	175
Finance cost	-	(99)	-	(99)
(Loss)/profit before tax	(2,611)	178	(2,611)	178
Taxation	-	599	-	599
(Loss)/profit for the period	(2,611)	777	(2,611)	777
Other comprehensive income:				
Foreign currency translation differences for a foreign subsidiary	40	43	40	-
(Loss)/profit after taxation and other comprehensive income/(expense) for the period	(2,571)	820	(2,571)	777
(Loss)/profit after taxation and other comprehensive income for the period attributable to:				
- Owners of the Company	(2,341)	534	(2,341)	534
- Non-controlling interests	(270)	243	(270)	243
	(2,611)	777	(2,611)	777
(Loss)/profit and other comprehensive income/(expense) attributable to:				
- Owners of the Company	(2,301)	577	(2,301)	534
- Non-controlling interests	(270)	243	(270)	243
	(2,571)	820	(2,571)	777
(Loss)/profit per share (sen)				
- Basic	(0.27)	0.06	(0.27)	0.06
- Diluted	N/A	N/A	N/A	N/A

(The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

PDZ HOLDINGS BHD
Condensed Consolidated Statement of Financial Position
as at 31 March 2017 (Unaudited)

	(Unaudited) As at <u>31.03.2017</u> RM '000	(Audited) As at <u>31.12.2016</u> RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	14,039	14,324
Goodwill on consolidation	7	7
	<u>14,046</u>	<u>14,331</u>
Current assets		
Bunker on board	623	627
Trade receivables	7,363	6,549
Non-trade receivables, deposits and prepayment	6,302	6,891
Tax recoverable	620	594
Fixed deposits with licensed banks	1,301	1,716
Cash and bank balances	3,932	6,143
	<u>20,141</u>	<u>22,520</u>
TOTAL ASSETS	<u><u>34,187</u></u>	<u><u>36,851</u></u>
EQUITY AND LIABILITIES		
Share capital	86,932	86,932
Share premium	27,589	27,589
Reserves	1,286	1,246
Accumulated losses	(87,862)	(85,521)
Equity attributable to owners of the Company	<u>27,945</u>	<u>30,246</u>
Non-controlling interests	976	1,246
Total equity	<u><u>28,921</u></u>	<u><u>31,492</u></u>
Non-current liabilities		
Deferred taxation	311	306
	<u>311</u>	<u>306</u>
Current liabilities		
Trade payables	2,802	2,519
Non-trade payables and accruals	2,153	2,526
Tax payable	-	8
	<u>4,955</u>	<u>5,053</u>
Total liabilities	<u><u>5,266</u></u>	<u><u>5,359</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>34,187</u></u>	<u><u>36,851</u></u>
Net assets per share (RM)	0.03	0.03

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

PDZ HOLDINGS BHD
Condensed Consolidated Statement of Changes in Equity
for the financial period ended 31 March 2017 (Unaudited)

	<u>Attributable to owners of the Company</u>							
	Share capital RM '000	Share premium RM '000	Revaluation Reserve RM '000	Currency translation differences RM '000	Accumulated losses RM '000	Total RM '000	Non-controlling interests RM '000	Total equity RM '000
At 31 December 2016	86,932	27,589	886	360	(85,521)	30,246	1,246	31,492
Foreign currency translation differences for a foreign subsidiary	0	0	0	40	0	40	0	40
Loss for the period	0	0	0	0	(2,341)	(2,341)	(270)	(2,611)
Dividends	0	0	0	0	0	0	-	-
At 31 March 2017	86,932	27,589	886	400	(87,862)	27,945	976	28,921
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	0	(209)	0	(209)	0	(209)
Revaluation of properties	0	0	886	0	0	886	0	886
(Loss)/profit for the period	0	0	0	0	(2,174)	(2,174)	559	(1,615)
Dividends	0	0	0	0	0	0	(3,048)	(3,048)
At 31 December 2016	86,932	27,589	886	360	(85,521)	30,246	1,246	31,492

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

PDZ HOLDINGS BHD
Condensed Consolidated Statement of Cash Flows
for the financial period ended 31 March 2017 (Unaudited)

	Current Year To Date <u>31.03.2017</u> RM '000	Preceding Year To Date <u>31.03.2016</u> RM '000
Operating activities		
(Loss)/profit for the period	(2,611)	777
Adjustments for:		
Depreciation	283	447
Net gain on disposal of property, plant and equipment	-	2
Interest expense	-	99
Interest income	(3)	(30)
Unrealised gain on foreign exchange	-	73
Taxation	-	(599)
	<u>(2,331)</u>	<u>769</u>
Changes in working capital:		
Bunker on board	4	1,330
Receivables	(225)	(2,905)
Payables	(90)	1,605
Cash flows from operations	<u>(2,642)</u>	<u>799</u>
Interest paid	-	(99)
Interest received	3	30
Income tax paid	(29)	(432)
Net cash (outflows)/inflows from operating activities	<u>(2,668)</u>	<u>298</u>
Financing activities		
Repayment of revolving credit	-	(850)
Withdrawal/(placement) of fixed deposits pledged	455	(4)
Net cash flows from financing activities	<u>455</u>	<u>(854)</u>
Net change in cash and cash equivalents	(2,213)	(556)
Cash and cash equivalents at beginning of period	6,143	9,305
Effects of currency translation differences	42	25
Cash and cash equivalents at end of period	<u>3,972</u>	<u>8,774</u>

PDZ HOLDINGS BHD
Condensed Consolidated Statement of Cash Flows
for the financial period ended 31 March 2017 (Unaudited)

	As at <u>31.03.2017</u> RM '000	As at <u>31.03.2016</u> RM '000
Cash and cash equivalents comprise:		
Cash and bank balances	3,932	8,454
Fixed deposits with licensed banks	1,301	6,458
	<u>5,233</u>	<u>14,912</u>
Fixed deposits pledged	(1,261)	(6,138)
	<u>3,972</u>	<u>8,774</u>

(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

PDZ HOLDINGS BHD

Notes to the Interim Financial Report for the financial period ended 31 March 2017

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 18 months period ended 31 December 2016. The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the financial statements for the 18 month period ended 31 December 2016 except for the adoption of new MFRS, amendments and interpretations that are mandatory for the Group for the financial year beginning on 1 January 2017. 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 period ended **31 December 2016** 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 current quarter under review.

A6. Changes in Debt and Equity securities

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the current quarter under review.

A7. Dividend paid

There were no dividends paid during the current quarter under review.

A8. Valuation of Property and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter.

A9. Subsequent Events

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

A10. Changes in Composition of the Group

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

A11. Capital commitments

There were no material capital commitments as at 31 March 2017.

A12. Contingent Liabilities and Contingent Assets

Corporate guarantee for Formosa Plastic Corporation ("Formosa")

PDZ Holdings Bhd. had on 5 August 2016 issued a corporate guarantee to Formosa in the sum of RM2.33 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 Note B5 (a).

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

B1. Operating segments review

Current Quarter and Cumulative Quarter

The Group registered loss of RM2.6m from operations on the back of lower Revenue compared to the preceding quarter profit of RM0.8 million, as its ocean liner business was affected by the arrest of its vessels, per explained under Part B5. (b) and (f). Both of which the matters are before the Court and solicitor acting for PDZ Holdings Bhd ("the Company") is of the view that the Company stands a strong chance of defending the suits. This resulted in holding cost incurred by the Company, while the vessels are being arrested, which contributed to the loss.

Higher other operating expense were due to professional fees incurred for the below proposed Proposal, coupled with legal advices and representation for the litigation suits mentioned under B5. This is however offset by the reducing administrative expenses as the Group continues to streamline its business operations. Nevertheless, the Company continue to receive support from existing and new customers for its logistics solutions services, all of which bodes well for the Group, on the back of improving shipping industry prospects.

This is in line with recent announcement on the following multiple proposal:

- a. Proposed Share Capital Reduction;
- b. Proposed Share Consolidation;
- c. Proposed Rights Issue with Warrants; and
- d. Proposed Employee Share Option Scheme.

(collectively referred to as the "Proposals").

This includes, amongst others, regional business expansion into more profitable under-served routes, vessel maintenance for increased operational efficiency, purchase of containers, vessel acquisition and/or investment in other complementary business and/or assets. In addition, the Group's capital structure will improve, coupled with an avenue to motivate and retain talents

within the Group, whilst providing opportunity to entitled shareholders to participate in the equity offering. All of which will contribute positively to the Group's business in the long run.

B1. Prospects

The shipping industry is expected to improve in the coming years with manufacturing across Asia's three largest economies of China, Japan and India having gaining momentum, not forgetting the growth in Europe and US, albeit some policy changes in the industry. The Malaysian economy is generally expected to grow, with support from domestic demand and further supported by wage and employment growth, and additional impetus from Government measures supporting disposable income of households. Investment activity will continue to be anchored by the on-going implementation of infrastructure and capital spending in the manufacturing and services sectors.

Expected growth in the global and local economy is expected to increase demand for freight transport, including container liner services, which transports 90% of the world's manufactured goods. This should positively impact the container liner industry and benefit industry players that offer related services.

On an on-going basis, the Group continues to strive for efficient cost management of its business, while continuing to look for related business to provide enhancement to the Group's existing and future earnings.

B2. Profit Forecast and Profit Guarantee

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

B3. Bank borrowings and debt securities

The Group fully repaid its bank borrowings during the last financial period.

B4. Material litigation

(a) Injunction against Formosa Plastics Marina Corporation and Eastgate Group

Reference is made to our announcement date 24 November 2017, Formosa filed an application to set aside the said injunction and also for a stay of proceedings to refer the dispute to arbitration. At a hearing of both applications on 23 March 2016, the inter parties injunction application was withdrawn by PDZSB with costs of RM8,000 to Formosa, upon the Company's decision not to seek that it be extended. At a hearing on 3 May 2017, the Judge allowed the stay application pending arbitration and also that the injunctions were validly granted.

(b) Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-8-01/2017 and Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-44-08/2016, 45-08/2016 & WA-27NCC-11-01/2017

Reference is made to our announcement dated 25 January, 2 February 2017, 7 February 2017 and 13 February 2017, the matter is now before the Court and solicitors acting for the

Company is of the view that the Company stands a strong chance in defending the suit and setting aside the claims.

B4. Material litigation (continued)

- (c) Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-9-01/2017 and Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-10-01/2017

Reference is made to our announcement dated 2 February 2017, the solicitors acting for the Company is of the view that the Company stands a strong chance in defending the suit.

- (d) Kota Kinabalu High Court Admiralty In Rem No. BKI-27NCC-2/2-2017

Reference is made to our announcement dated 12 April 2017, the matter is now before the Court and solicitors acting for the Company is of the view that the Company stands a strong chance in defending the suit.

- (e) Kuala Lumpur High Court Suit - Johany Jaafar ("JJ") counter claim against PDZ and Kuala Lumpur High Court Suit - Johany Jaafar ("JJ") counter claim against Pelaburan MARA Berhad ("PMB") & PMB claim against JJ

Reference is made to our announcements dated 12 August 2016, 17 August 2016, 30 August 2016, 17 November, 1 December 2016 and 20 December 2017, there is no further development on the matter.

- (f) Reference is made to our announcements dated 30 December 2016 and 12 May 2017 on the disposal of a wholly-owned subsidiary of the Company, Perkapalan Dai Zhun Sdn. Bhd. ("PDZSB") to Salvage Point Ltd ("SPL") ("Transfer"). PDZSB was wound up by order of the High Court of Malaya dated 13 April 2017.

The Company has been served with a Notice from Cheah Teh & Su (Advocates & Solicitors)("CTS") dated 8 May 2017, alleging that the Transfer is void in accordance to Section 472(1) of the Companies Act 2016 and regards the Company as the holding company of PDZSB. SPL and PDZH have since sought legal advice and arising therefrom filed an application in the High Court of Malaya to validate the Transfer. This was further supported with two (2) legal opinions respectively, whom were of the opinions that the Transfer is legally completed with strong arguable grounds in its application for the validation on the Transfer.

B6. Dividend Payable

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

B7. Taxation

	3 months ended Individual period		3 months ended Cumulative period	
	<u>31.03.17</u>	<u>31.03.16</u>	<u>31.03.17</u>	<u>31.03.16</u>
	RM '000	RM '000	RM '000	RM '000
Current tax – Malaysia	-	599	-	599

Effective from the year of assessment 2012, the amended Section 54A of the Income Tax Act, 1967 in Malaysia (“the Act”) provides that only 70% of the statutory income derived from the operations of sea-going Malaysian registered ships is exempted from tax.

However, 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 2013. The Ministry of Finance has via their letter dated 29 October 2013 further deferred the amendment to the Act for another 2 years up to year of assessment 2016. Subsequently, the Ministry of Finance has via their letter dated 27 November 2015 granted the exemption for another 5 years until the year assessment 2020.

B8. Earnings/(loss) per share

		3 months ended Individual period		3 months ended Cumulative period	
		<u>31.03.17</u>	<u>31.03.16</u>	<u>31.03.17</u>	<u>31.03.16</u>
(Loss)/profit attributable to ordinary shareholders of the Company	(RM '000)	(2,341)	534	(2,341)	534
Weighted average number of ordinary shares in issue	('000)	869,321	869,321	869,321	869,321
Basic (loss)/earnings per share	(sen)	(0.27)	0.06	(0.27)	0.06

B9. Profit Before Taxation

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

	3 months ended Individual period		3 months ended Cumulative period	
	<u>31.03.17</u>	<u>31.03.16</u>	<u>31.03.17</u>	<u>31.03.16</u>
	RM '000	RM '000	RM '000	RM '000
Interest income	(3)	(90)	(3)	(90)
Other income	-	(370)	-	(370)
Interest expense	-	99	-	99
Depreciation and amortization	283	456	283	456
Gain on foreign exchange	-	(141)	-	(141)

B10. Status of corporate proposals

On 6 March 2017, the Company has announced that it will undertake the following:
proposed reduction of the Company's share capital pursuant to Section 116 of the Companies Act, 2016 ("Proposed Share Capital Reduction");

- (i) proposed consolidation of every four (4) ordinary shares in PDZ ("PDZ Shares" or "Shares") into one (1) PDZ Share ("Proposed Share Consolidation");
- (ii) proposed renounceable rights issue of up to 434,660,640 new Shares ("Rights Shares") together with up to 325,995,480 free detachable warrants in PDZ ("Warrants") on the basis of four (4) Rights Shares together with three (3) free Warrants for every two (2) existing Shares held by the entitled shareholders on an entitlement date to be determined ("Proposed Rights Issue with Warrants"); and
- (iii) proposed establishment of an employees' share option scheme ("ESOS") of up to 15% of the total number of issued shares of the Company ("Proposed ESOS") (collectively referred to as the "Proposals").

On 19 April 2017, the Company announced a revision in the utilisation of proceeds to be raised from the Proposals. Barring any unforeseen circumstances, the Proposals are expected to be completed and implemented by the 4th Quarter of 2017.

B11. Realised and Unrealised Profits or Losses

	<u>As at</u> <u>31.03.17</u> RM '000	<u>As at</u> <u>31.12.16</u> RM '000
Realised	(87,862)	(85,521)
Unrealised	-	-
Accumulated losses	<u>(87,862)</u>	<u>(85,521)</u>