

PDZ HOLDINGS BHD

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive
Income for the financial period ended 30 June 2017 (Unaudited)**

	Individual Quarter		Cummulative Quarter	
	Current Year	Preceding	Current Year	Preceding
	Quarter	Year	To Date	Year
	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
	RM '000	RM '000	RM '000	RM '000
Revenue	2,465	26,890	5,035	54,935
Cost of sales	(4,185)	(28,757)	(7,332)	(53,647)
Gross (loss)/profit	(1,720)	(1,867)	(2,297)	1,288
Other income	4,485	215	3,907	585
Administrative expenses	(3,085)	(3,930)	(4,541)	(7,353)
Loss from operations	(320)	(5,582)	(2,931)	(5,480)
Gain on foreign exchange	-	152	-	327
Finance cost	-	(3)	-	(102)
Loss before tax	(320)	(5,433)	(2,931)	(5,255)
Taxation	-	(242)	-	357
Loss for the period	(320)	(5,675)	(2,931)	(4,898)
Other comprehensive expense:				
Foreign currency translation differences for a foreign subsidiary	(44)	(78)	(4)	(35)
Loss after taxation and comprehensive expenses for the period	(364)	(5,753)	(2,935)	(4,933)
Loss after taxation for the period attributable to:				
- Owners of the Company	(320)	(5,817)	(2,661)	(5,283)
- Non-controlling interests	-	142	(270)	385
	(320)	(5,675)	(2,931)	(4,898)
Loss after taxation and comprehensive expenses attributable to:				
- Owners of the Company	(364)	(5,895)	(2,665)	(5,318)
- Non-controlling interests	-	142	(270)	385
	(364)	(5,753)	(2,935)	(4,933)
Loss per share (sen)				
- Basic	(0.04)	(0.67)	(0.31)	(0.61)
- 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 period 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 30 June 2017 (Unaudited)

	(Unaudited) As at <u>30.06.2017</u> RM '000	(Audited) As at <u>31.12.2016</u> RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	18,621	14,324
Goodwill on consolidation	7	7
	<u>18,628</u>	<u>14,331</u>
Current assets		
Bunker on board	623	627
Trade receivables	7,473	6,549
Non-trade receivables, deposits and prepayment	6,211	6,891
Tax recoverable	732	594
Fixed deposits with licensed banks	371	1,716
Cash and bank balances	1,269	6,143
	<u>16,679</u>	<u>22,520</u>
TOTAL ASSETS	<u><u>35,307</u></u>	<u><u>36,851</u></u>
EQUITY AND LIABILITIES		
Share capital	86,932	86,932
Share premium	27,589	27,589
Reserves	1,242	1,246
Accumulated losses	(88,182)	(85,521)
Equity attributable to owners of the Company	<u>27,581</u>	<u>30,246</u>
Non-controlling interests	<u>682</u>	<u>1,246</u>
Total equity	<u>28,263</u>	<u>31,492</u>
Non-current liabilities		
Deferred taxation	311	306
	<u>311</u>	<u>306</u>
Current liabilities		
Trade payables	4,842	2,519
Non-trade payables and accruals	1,891	2,526
Tax payable	-	8
	<u>6,733</u>	<u>5,053</u>
Total liabilities	<u>7,044</u>	<u>5,359</u>
TOTAL EQUITY AND LIABILITIES	<u><u>35,307</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 period 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 30 June 2017 (Unaudited)**

	<u>Attributable to owners of the Company</u>							<u>Total equity</u> RM '000
	<u>Share capital</u> RM '000	<u>Share premium</u> RM '000	<u>Revaluation Reserve</u> RM '000	<u>Currency translation differences</u> RM '000	<u>Accumulated losses</u> RM '000	<u>Total</u> RM '000	<u>Non-controlling interests</u> 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	(4)	0	(4)	0	(4)
Loss for the period	0	0	0	0	(2,661)	(2,661)	(270)	(2,931)
Dividends	0	0	0	0	0	0	(294)	(294)
At 30 June 2017	<u>86,932</u>	<u>27,589</u>	<u>886</u>	<u>356</u>	<u>(88,182)</u>	<u>27,581</u>	<u>682</u>	<u>28,263</u>
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	<u>86,932</u>	<u>27,589</u>	<u>886</u>	<u>360</u>	<u>(85,521)</u>	<u>30,246</u>	<u>1,246</u>	<u>31,492</u>

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period 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 30 June 2017 (Unaudited)

	Current Year To Date <u>30.06.2017</u> RM '000	Preceding Year To Date <u>30.06.2016</u> RM '000
Operating activities		
Loss for the period	(2,931)	(4,898)
Adjustments for:		
Depreciation	754	639
Net gain on disposal of property, plant and equipment	-	(42)
Reversal of impairment of property, plant and equipment	(4,485)	-
Interest expense	-	102
Interest income	(3)	(136)
Reversal of impairment loss	-	(302)
Unrealised gain on foreign exchange	(43)	(21)
Taxation	-	966
	<u>(6,708)</u>	<u>(3,692)</u>
Changes in working capital:		
Bunker on board	4	735
Receivables	(810)	9,257
Payables	1,688	(5,359)
Cash (outflows)/inflows from operations	<u>(5,826)</u>	<u>941</u>
Interest paid	-	(102)
Interest received	3	46
Income tax paid	(141)	(877)
Net cash (outflows)/inflows from operating activities	<u>(5,964)</u>	<u>8</u>
Financing activities		
Dividends paid by subsidiaries to non-controlling interests	(294)	(1,127)
Repayment of revolving credit	-	(850)
Repayment of term loan	-	(950)
Withdrawal of fixed deposits pledged	1,345	596
Net cash inflows/(outflows) from financing activities	<u>1,051</u>	<u>(2,331)</u>
Net change in cash and cash equivalents	(4,913)	(2,323)
Cash and cash equivalents at beginning of period	6,143	9,305
Effects of currency translation differences	39	25
Cash and cash equivalents at end of period	<u>1,269</u>	<u>7,007</u>

PDZ HOLDINGS BHD
Condensed Consolidated Statement of Cash Flows
for the financial period ended 30 June 2017 (Unaudited)

	As at <u>30.06.2017</u> RM '000	As at <u>30.06.2016</u> RM '000
Cash and cash equivalents comprise:		
Cash and bank balances	1,269	6,816
Fixed deposits with licensed banks	<u>371</u>	<u>6,329</u>
	1,640	13,145
Fixed deposits pledged	<u>(371)</u>	<u>(6,138)</u>
	<u><u>1,269</u></u>	<u><u>7,007</u></u>

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

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.

A5. Changes in Estimates

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

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 30 June 2017.

A12. Contingent Liabilities and Contingent AssetsCorporate guarantee for Formosa Plastic Corporation (“Formosa”)

PDZ Holdings Bhd. had on 5 August 2016 issued a corporate guarantee to Formosa for 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. Please refer to Note B6(a) for further clarification.

B. Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**B1. Operating segments review**

Financial review for Current Quarter and Cumulative Quarter:

	Individual Period (2 nd Quarter)			Cumulative Period		
	Current Year Quarter 30/6/17 RM'000	Preceding Year Corresponding Quarter 30/6/16 RM'000	Changes (Amount) RM'000	Current Year to- Date 30/6/17 RM'000	Preceding Year Corresponding Period 30/6/16 RM'000	Changes (Amount) RM'000
Revenue	2,465	26,890	(24,425)	5,035	54,935	(49,900)
Operating Loss	(4,805)	(5,797)	992	(7,416)	(5,899)	1,517
Loss Before Interest and Tax	(320)	(5,430)	5,110	(2,931)	(5,153)	2,222
Loss Before Tax	(320)	(5,433)	5,113	(2,931)	(5,255)	2,324
Loss After Tax	(320)	(5,675)	5,355	(2,931)	(4,898)	1,967
Loss Attributable to Ordinary Equity Holder of the Company	(320)	(5,817)	5,497	(2,661)	(5,283)	2,622

B1. Operating segments review (continued)Financial review for Current Quarter and Cumulative Quarter (continued):

The Group registered lower Revenue for the current quarter and current cumulative period, compared to the preceding quarter and cumulative preceding period, as its ocean liner business was affected by the arrest of its vessels per explained under Note B6(b), coupled with the challenging shipping industry. Nevertheless, the Group registered lower Loss After Tax compared to the preceding quarter, was due to the on-going cost rationalization within its business units leading to reduction in administrative expenses and reversal of impairment in fixed assets, as the Group continues to streamline its business operations.

Financial review for Current Quarter and Immediate Preceding Quarter:

	Current Quarter 30/6/17 RM'000	Immediate Preceding Quarter 31/3/17 RM'000	Changes (Amount) RM'000
Revenue	2,465	2,570	(105)
Operating Loss	(4,805)	(2,611)	(2,194)
Loss Before Interest and Tax	(320)	(5,430)	5,110
Loss Before Tax	(320)	(2,611)	2,291
Loss After tax	(320)	(2,611)	2,291
Loss Attributable to the Owners of the Company	(320)	(2,341)	2,021

The Group registered lower Revenue for the current quarter, compared to the preceding quarter, as its ocean liner business was affected by the arrest of its vessels per explained under Note B6(b), coupled with the challenging shipping industry. Nevertheless, continuous investments in infrastructure and capital spending in the manufacturing and services sector, has supported the demand for movement of goods across the region. The Loss After Tax was lower compared to immediate preceding quarter on the back reversal of previous impairment of fixed asset with higher administrative expense from relevant professional/legal fees incurred to defend suits per Note B6 and corporate proposals per Note B11.

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").

B1. Operating segments review (continued)Financial review for Current Quarter and Immediate Preceding Quarter:

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.

B2. 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.

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 last financial period ended 31 December 2016.

	As at 2nd quarter ended 30 June 2017		
	Non-current	Current	Total
	RM'000	RM'000	RM'000
Secured - Term loan	-	-	-
Unsecured - Revolving credit	-	-	-
Total	-	-	-
	As at 2nd quarter ended 30 June 2016		
	Non-current	Current	Total
	RM'000	RM'000	RM'000
Secured - Term loan	1,825	1,310	3,135
Unsecured - Revolving credit	-	1,350	1,350
Total	1,825	2,660	4,485

B5. Trade Receivables

The Group's normal trade credit terms range from cash term to 9 months (2016: cash terms to 90 days). Other credit terms are assessed and approved on a case by case basis. There are no trade receivables from related parties.

	As at 2 nd quarter ended 30 June 2017				
	Current	1-3	3-6	More	Total
	RM'000	months	months	than 6	RM'000
		RM'000	RM'000	months	
				RM'000	
Denominated in RM					
Trade receivables	556	2,696	3,199	854	7,305
Denominated in SGD					
Trade receivables	-			168	168
Total	556	2,696	3,199	1,022	7,473

B6. Material litigation

- (a) Injunction against Formosa Plastics Marina Corporation and Eastgate Group
Reference is made to our announcement dated 24 November 2016, 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 June 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 Court of Appeal Civil Application No. W-02(IM)(ADM)-1290-07/2017
Reference is made to our announcement dated 25 January, 2 February 2017, 13 February 2017 and 15 June 2017, the High Court has on 14 June 2017, allowed the application of the Company to strike-out the Admiralty Suit and uplift and set-aside the Warrant of Arrest with cost of RM5,000 being awarded to the Company. An interim-stay has been granted by the High Court of Malaya, and the matter is now before the Court and solicitors acting for the Company is of the view the Company stands a strong chance in defending the suit and setting aside the claims.
- (c) 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.

B6. Material litigation (continued)

- (d) 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.
- (e) Kuala Lumpur High Court Admiralty In Rem No. WA-27NCC-9-01/2017 and 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.
- (f) Kota Kinabalu High Court Admiralty In Rem No. BKI-27NCC-2/2-2017 and BKI-27NCC-4/4-2017.
Reference is made to our announcement dated 12 April 2017, the matter is now before the Court and a solicitor acting for the Company is of the view that the Company stands a strong chance in defending the suit.
- (g) Kuala Lumpur High Court Suit - Johany Jaafar ("JJ") counter claim against PDZ and Kuala Lumpur High Court Suit - Johany Jaafar ("JJ") acounter 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.
- (h) Kuala Lumpur High Court Winding-Up Petition No.: WA-28NCC-107-02/2017
Reference is made to our announcements dated 30 December 2016, 12 May 2017, 24 May 2017, 31 May 2017, 31 July 2017 and 14 August 2017.
The High Court of Malaya has fixed the hearing for the Company's application for validation of the transfer of the Sale Shares in PDZSB from PDZH to Salvage Point Ltd on 6 September 2017. The Company has also filed an application to the High Court to seek for the removal of Dato' Heng Ji Keng and Mr. Andrew Heng of Ferrier Hodgson MH Sdn Bhd as liquidators of Perkapalan Dai Zhun Sdn Bhd and the High Court has fixed the hearing for the said application on 6 September 2017.

B7. Dividend Payable

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

B8. Taxation

	3 months ended		6 months ended	
	Individual period		Cumulative period	
	<u>30/6/17</u>	<u>30/6/16</u>	<u>30/6/17</u>	<u>30/6/16</u>
	RM '000	RM '000	RM '000	RM '000
Current tax expenses/(income)	-	242	-	(357)

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.

B9. Earnings/(loss) per share

		3 months ended		6 months ended	
		Individual period		Cumulative period	
		<u>30/6/17</u>	<u>30/6/16</u>	<u>30/6/17</u>	<u>30/6/16</u>
Loss attributable to ordinary shareholders of the Company	(RM '000)	(320)	(5,817)	(2,661)	(5,283)
Weighted average number of ordinary shares in issue	('000)	869,321	869,321	869,321	869,321
Basic loss per share	(sen)	(0.04)	(0.67)	(0.31)	(0.61)

B10. Profit Before Taxation

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

	3 months ended		6 months ended	
	Individual period		Cumulative period	
	<u>30/6/17</u>	<u>30/6/16</u>	<u>30/6/17</u>	<u>30/6/16</u>
	RM '000	RM '000	RM '000	RM '000
Interest income	-	(46)	(3)	(136)
Other expenses/(income)	-	32	-	(338)
Interest expense	-	3	-	102
Depreciation and amortization	471	763	754	1,219
Reversal of impairment on PPE	(4,485)	-	(4,485)	-
Unrealised forex gain	(43)	(94)	(43)	(21)
Gain on foreign exchange	-	(152)	-	(293)

B11. 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.

B12. Realised and Unrealised Profits or Losses

	As at <u>30/6/17</u> RM '000	As at <u>31/12/16</u> RM '000
Realised	(88,556)	(85,521)
Unrealised	(374)	-
Accumulated losses	<u>(88,182)</u>	<u>(85,521)</u>