

PDZ HOLDINGS BHD (360419 -T)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the quarter and year ended 31 December 2018 (Unaudited)

| | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|-------------------|--------------------|-------------------|
| | Current Year | Preceding Year | Current Year | Preceding Year |
| | Quarter | Quarter | To Date | To Date |
| | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>31.12.2018</u> | <u>31.12.2017</u> |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Revenue | 1,001 | 1,402 | 5,000 | 8,951 |
| Cost of sales | (901) | (4,109) | (4,536) | (13,059) |
| Gross profit / (loss) | 100 | (2,707) | 464 | (4,108) |
| Other income / (expenses) | (2,794) | (2,616) | (8,058) | 964 |
| Administrative expenses | (1,163) | (1,428) | (5,689) | (6,674) |
| Loss from operations | (3,857) | (6,751) | (13,283) | (9,818) |
| Interest income | 348 | 7 | 1,165 | 7 |
| Finance cost | - | (5) | (75) | (5) |
| Loss before tax | (3,509) | (6,749) | (12,193) | (9,816) |
| Taxation | (148) | 93 | (284) | 93 |
| Loss for the period | (3,657) | (6,656) | (12,477) | (9,723) |
| Other comprehensive expenses: | | | | |
| Foreign currency translation differences for a foreign subsidiary | (7) | (261) | (7) | (265) |
| Loss after tax and other comprehensive expenses for the period | (3,664) | (6,917) | (12,484) | (9,988) |
| Loss after tax for the period attributable to: | | | | |
| - Owners of the Company | (3,218) | (6,628) | (12,038) | (9,387) |
| - Non-controlling interests | (439) | (28) | (439) | (336) |
| | (3,657) | (6,656) | (12,477) | (9,723) |
| Loss after tax and other comprehensive expenses attributable to: | | | | |
| - Owners of the Company | (3,225) | (6,889) | (12,045) | (9,652) |
| - Non-controlling interests | (439) | (28) | (439) | (336) |
| | (3,664) | (6,917) | (12,484) | (9,988) |
| Loss per share (sen) | | | | |
| - Basic | (0.51) | (0.81) | (1.92) | (1.15) |
| - 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 2017 and the accompanying explanatory notes attached to the interim financial statements.)

PDZ HOLDINGS BHD (360419 -T)
Condensed Consolidated Statement of Financial Position
as at 31 December 2018 (Unaudited)

| | (Unaudited) As at <u>31.12.2018</u> RM '000 | (Audited) As at <u>31.12.2017</u> RM '000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 4,861 | 11,849 |
| Investments at fair value through OCI | 501 | - |
| Goodwill | - | 7 |
| | <u>5,362</u> | <u>11,856</u> |
| Current assets | | |
| Bunker on board | - | 422 |
| Trade receivables | 3,857 | 4,421 |
| Other receivables | 8,547 | 4,967 |
| Deposits and prepayments | 5,234 | 5,987 |
| Tax recoverable | 1,179 | 805 |
| Fixed deposits | 36,000 | 157 |
| Cash and cash equivalents | 2,941 | 3,278 |
| | <u>57,758</u> | <u>20,037</u> |
| TOTAL ASSETS | <u>63,120</u> | <u>31,893</u> |
| EQUITY AND LIABILITIES | | |
| Share capital | 80,027 | 34,521 |
| Reserves | 4,234 | 981 |
| Accumulated losses | (30,194) | (14,908) |
| Equity attributable to owners of the Company | <u>54,067</u> | <u>20,594</u> |
| Non-controlling interests | 118 | 557 |
| Total equity | <u>54,185</u> | <u>21,151</u> |
| Non-current liabilities | | |
| Deferred taxation | 280 | 280 |
| | <u>280</u> | <u>280</u> |
| Current liabilities | | |
| Trade payables | 4,245 | 5,730 |
| Non-trade payables and accruals | 4,410 | 3,732 |
| Amount due to the directors | - | 400 |
| Borrowings | - | 600 |
| | <u>8,655</u> | <u>10,462</u> |
| Total liabilities | <u>8,935</u> | <u>10,742</u> |
| TOTAL EQUITY AND LIABILITIES | <u>63,120</u> | <u>31,893</u> |
| No. of ordinary shares ('000) | 681,991 | 217,330 |
| Net assets per share (RM) | 0.08 | 0.09 |

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.)

PDZ HOLDINGS BHD (360419 -T)
Condensed Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2018 (Unaudited)

<-----Attributable to owners of the Company----->

| | <u>Share capital</u> RM '000 | <u>Share premium</u> RM '000 | <u>ESOS Reserve</u> RM '000 | <u>Warrant Reserve</u> RM '000 | <u>Other Reserves</u> RM '000 | <u>Retained earnings</u> RM '000 | <u>Total</u> RM '000 | <u>Non-controlling interests</u> RM '000 | <u>Total equity</u> RM '000 |
|---|---------------------------------|---------------------------------|--------------------------------|-----------------------------------|----------------------------------|-------------------------------------|-------------------------|---|--------------------------------|
| At 1 January 2018 | 34,521 | - | - | - | 981 | (14,908) | 20,594 | 557 | 21,151 |
| Proceeds from rights issue | 43,466 | - | - | - | - | - | 43,466 | - | 43,466 |
| Adjustments for warrants | - | - | - | 3,260 | - | (3,260) | - | - | - |
| Issuance of shares under Employee Share Options | 1,840 | - | - | - | - | - | 1,840 | - | 1,840 |
| Share based payment ("ESOS") transactions | - | - | 212 | - | - | - | 212 | - | 212 |
| ESOS expired | 200 | - | (212) | - | - | 12 | - | - | - |
| Loss for the period | - | - | - | - | - | (12,038) | (12,038) | (439) | (12,477) |
| Other comprehensive expenses | - | - | - | - | (7) | - | (7) | - | (7) |
| At 31 December 2018 | 80,027 | - | - | 3,260 | 974 | (30,194) | 54,067 | 118 | 54,185 |
| At 1 January 2017 | 86,932 | 27,589 | - | - | 1,246 | (85,521) | 30,246 | 1,246 | 31,492 |
| Effect of share consolidation | (80,000) | - | - | - | - | 80,000 | - | - | - |
| Transition to no-par value | 27,589 | (27,589) | - | - | - | - | - | - | - |
| Foreign currency translation for a foreign subsidiary | - | - | - | - | (265) | - | (265) | - | (265) |
| Loss for the year | - | - | - | - | - | (9,387) | (9,387) | (336) | (9,723) |
| Dividends | - | - | - | - | - | - | - | (353) | (353) |
| At 31 December 2017 | 34,521 | - | - | - | 981 | (14,908) | 20,594 | 557 | 21,151 |

(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 2017 and the accompanying explanatory notes attached to the interim financial statements.)

PDZ HOLDINGS BHD (360419 -T)
Condensed Consolidated Statement of Cash Flows
for the financial year ended 31 December 2018

| | (Unaudited) Year To Date <u>31.12.2018</u> RM '000 | (Audited) Year To Date <u>31.12.2017</u> RM '000 |
|--|---|---|
| Operating activities | | |
| Loss before tax | (12,193) | (9,816) |
| Adjustments for: | | |
| Depreciation | 296 | 1,351 |
| Equity share based payments expenses (ESOS) | 212 | - |
| Impairment charge / (reversal) of PPE | 1,753 | (4,421) |
| Impairment of goodwill | 7 | - |
| Interest expenses | 75 | 5 |
| Interest income | (1,165) | (7) |
| Loss on disposal of PPE | - | 1,809 |
| Impairment of financial assets | | 327 |
| (Reversal) / provision of bunker stock | (170) | 205 |
| Allowance for doubtful debts | 575 | 929 |
| Unrealised loss / (gain) on foreign exchange | 459 | (338) |
| Unrealised loss on quoted shares | 397 | - |
| | <u>(9,754)</u> | <u>(9,956)</u> |
| Changes in working capital: | | |
| Bunker on board | - | - |
| Receivables | 4,123 | 303 |
| Payables | (1,275) | 4,755 |
| Cash used in operations | <u>(6,906)</u> | <u>(4,898)</u> |
| Interest received | 1,099 | 7 |
| Income tax paid | (658) | (219) |
| Net cash used in operating activities | <u>(6,465)</u> | <u>(5,110)</u> |
| Investing activities | | |
| Acquisition of property, plant and equipment | (1,430) | - |
| Investment in quoted shares | (898) | - |
| Net cash used in investing activities | <u>(2,328)</u> | <u>-</u> |

PDZ HOLDINGS BHD (360419 -T)
Condensed Consolidated Statement of Cash Flows
for the financial year ended 31 December 2018 (continued)

| | (Unaudited) Year To Date <u>31.12.2018</u> RM '000 | (Audited) Year To Date <u>31.12.2017</u> RM '000 |
|---|---|---|
| Financing activities | | |
| Dividends paid by subsidiaries to non-controlling interests | - | (353) |
| Proceeds from issuance of share capital | 43,466 | - |
| Proceeds from issuance of shares under ESOS | 1,840 | - |
| (Decrease) / increase of amount due to directors | (400) | 400 |
| (Repayment) / drawdown of short-term borrowings | (600) | 600 |
| Withdrawal of fixed deposits pledged | 30 | 1,686 |
| Net cash from financing activities | <u>44,336</u> | <u>2,333</u> |
| Net change in cash and cash equivalents | 35,543 | (2,777) |
| Cash and cash equivalents at beginning of the period | 3,405 | 6,143 |
| Effects of currency translation differences | (7) | 39 |
| Cash and cash equivalents at end of the financial year | <u><u>38,941</u></u> | <u><u>3,405</u></u> |

| | (Unaudited) As at <u>31.12.2018</u> RM '000 | (Audited) As at <u>31.12.2017</u> RM '000 |
|-------------------------------------|--|--|
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 2,941 | 3,278 |
| Fixed deposits | 36,000 | 157 |
| | <u>38,941</u> | <u>3,435</u> |
| Fixed deposits pledged | - | (30) |
| | <u><u>38,941</u></u> | <u><u>3,405</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 2017 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 financial year ended 31 December 2017. The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the financial statements for the financial year ended 31 December 2017 except for the adoption of new MFRS, amendments and interpretations that are mandatory for the Group for the financial year beginning on 1 January 2018. 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 2017 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 other issuances, cancellations, repurchases, resale or repayments of debt securities during the current quarter.

A7. Dividend paid

There were no dividends paid during the current quarter.

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 were no material events subsequent to the end of financial year.

A10. Changes in Composition of the Group

There was no change in composition of the Group during the quarter.

A11. Capital commitments

There were no material capital commitments as at 31 December 2018.

A12. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 31 December 2018.

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 (4th Quarter) | | | Cumulative Period | | |
|---|---|--|-------------------------------|---|---|-------------------------------|
| | Current Year Quarter 31/12/18 RM'000 | Preceding Year Corresponding Quarter 31/12/17 RM'000 | Changes (Amount) RM'000 | Current Year to- Date 31/12/18 RM'000 | Preceding Year Corresponding Period 31/12/17 RM'000 | Changes (Amount) RM'000 |
| Revenue | 1,001 | 1,402 | (401) | 5,000 | 8,951 | (3,951) |
| Operating Loss | (3,857) | (6,751) | 2,894 | (13,283) | (9,818) | (3,465) |
| Loss Before Interest and Tax | (3,857) | (6,751) | 2,894 | (13,283) | (9,818) | (3,465) |
| Loss Before Tax | (3,509) | (6,749) | 3,240 | (12,193) | (9,816) | (2,377) |
| Loss After Tax | (3,657) | (6,656) | 2,999 | (12,477) | (9,723) | (2,754) |
| LAOEHC* | (3,218) | (6,628) | 3,410 | (12,038) | (9,387) | (2,651) |

* Loss Attributable to Ordinary Equity Holder of the Company

The Group registered lower revenue for the current and cumulative quarter, due to the decrease in the trade volume due to limited capacity. The Group recorded a lower Loss After Tax for the current quarter due to the decrease in administrative costs and the increase in interest income from fixed deposits.

The Group recorded an increase in the Loss After Tax for the cumulative quarter due to unrealised foreign exchange losses and the increase in tax expenses.

Financial review for Current Quarter and Immediate Preceding Quarter:

| | Current Quarter | Immediate Preceding Quarter | Changes (Amount) |
|--|----------------------------|--|-----------------------------|
| | 31/12/18 | 30/09/18 | |
| | RM'000 | RM'000 | RM'000 |
| Revenue | 1,001 | 1,463 | (462) |
| Operating Loss | (3,857) | (2,512) | (1,345) |
| Loss Before Interest and Tax | (3,857) | (2,512) | (1,345) |
| Profit/(Loss) Before Tax | (3,509) | (2,288) | (1,221) |
| Profit/(Loss) After tax | (3,657) | (2,290) | (1,367) |
| Profit/(Loss) Attributable to the Owners of the Company | (3,218) | (2,290) | (928) |

The Group recorded a decrease in revenue for the current quarter, compared to the preceding quarter due to the decrease in the trade volume due to limited capacity. The Group registered a higher Loss After Tax in the current quarter compared to the immediate preceding quarter, due to unrealized foreign exchange losses, increased tax expenses and provision for corporate guarantee recorded in the current quarter.

B2. Prospects

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. Notwithstanding the losses reported due to the reasons mentioned as per B1 above, the Group will continue to monitor and 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 has no borrowings and debt securities as at 31 December 2018.

B5. Dividend Payable

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

B6. Trade Receivables

The Group's normal trade credit terms range from cash term to 9 months (2017: cash terms to 9 months). Other credit terms are assessed and approved on a case by case basis. There are no trade receivables from related parties.

| | As at 31 December 2018 | | | | Total RM'000 |
|--------------------------|------------------------|-------------------------|-------------------------|------------------------------------|-----------------|
| | Current RM'000 | 1-3 months RM'000 | 3-6 months RM'000 | More than 6 months RM'000 | |
| Denominated in RM | | | | | |
| Trade receivables | 259 | 1,241 | 1,422 | 935 | 3,857 |

B7. Material litigation

- (a) Injunction against Formosa Plastics Marina Corporation ("Formosa") and Eastgate Group:
On 21 September 2016, the Company obtained an ex parte injunction against Formosa and the Eastgate Group, amongst others, to restrain them from arresting the Company's vessels, cargo thereon or freight due therefrom. Formosa filed an application to set aside the said injunction and also for a stay of proceedings to refer this dispute to arbitration. On 2 May 2017, the Judge allowed the stay application pending arbitration and also that the injunctions were validly granted. The Judge has fixed Eastgate's counter-claim for damages against the Company, from 25 to 29 March 2019 and 22 to 26 April 2019.
- (b) Claims by by Dan-Bunkering (Singapore) Pte Ltd ("Dan-Bunkering"):
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. The matter has been fixed for trial from 18 to 22 March 2019.
- (c) Claims by Harbour-Link Lines ("Harbour") and Shin Yang Shipping ("Shin Yang"):
Reference is made to our announcement dated 2 February 2017. The case is pending assessment of damages which in turn is pending the outcome of appeal per above B7 (b), in view that the damages claimed were caused by the wrongful Arrest of Vessel. The solicitor acting for the Company is of the view the Company stands a strong chance in defending the suit and setting aside the claims.
- (d) Claims by Perkapalan Dai Zhun Sdn Bhd ("PDZSB") and Winding-Up petition against PDZSB:
Reference is made to our announcement on 27 June 2018. The court hearing for the application for validation of the transfer of the Sale Shares in PDZSB from the Company to Salvage Point Ltd has been dismissed with cost of RM5,000. The Court of Appeal has fixed 13 March 2019 for case management and 22 April 2019 for hearing. The solicitors acting for the Company is of the view the Company has a strong arguable case to appeal the decision.

(e) Counter claims by Johany Jaafar:

Reference is made to our announcement on 23 January 2019, where the Court has on 12 November 2018 dismissed the counter claim against the Company by JJ with cost of RM10,000.00. The Court of Appeal has fixed 14 March 2019 for case management. The solicitors acting for the Company is of the view the Company has a strong arguable case on the matter.

B8. Taxation

| | 3 months ended | | 12 months ended | |
|----------|--------------------------|------------------------|--------------------------|------------------------|
| | Individual period | | Cumulative period | |
| | <u>31/12/18</u> | <u>31/12/17</u> | <u>31/12/18</u> | <u>31/12/17</u> |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Taxation | 148 | (93) | 284 | (93) |

Ministry of Finance has via their letter dated 27 November 2015 granted the extension until the year assessment 2020 of the amended Section 54A of the Income Tax Act, 1967 in Malaysia ("the Act") which provides that only 70% of the statutory income derived from the operations of sea-going Malaysian registered ships is exempted from tax.

B9. Earnings/(loss) per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue:

| | | 3 months ended | | 12 months ended | |
|---|----------|--------------------------|------------------------|--------------------------|------------------------|
| | | Individual period | | Cumulative period | |
| | | <u>31/12/18</u> | <u>31/12/17</u> | <u>31/12/18</u> | <u>31/12/17</u> |
| Loss attributable to ordinary shareholders of the Company | (RM'000) | (3,218) | (6,628) | (12,038) | (9,387) |
| Weighted average number of ordinary shares in issue | ('000) | 628,308 | 814,988 | 628,308 | 814,988 |
| Basic loss per share | (sen) | (0.51) | (0.81) | (1.92) | (1.15) |

B10. Profit Before Taxation

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

| | 3 months ended | | 12 months ended | |
|--|--------------------------|-----------------|--------------------------|-----------------|
| | Individual period | | Cumulative period | |
| | <u>31/12/18</u> | <u>31/12/17</u> | <u>31/12/18</u> | <u>31/12/17</u> |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Interest income | (348) | (7) | (1,165) | (7) |
| Loss on disposal of PPE | - | 1,809 | - | 1,809 |
| Interest expense | 0 | 5 | 75 | 5 |
| Depreciation | 97 | 454 | 296 | 1,303 |
| Allowance for doubtful debts | 575 | 912 | 575 | 912 |
| Impairment charge on PPE | - | 64 | 1,753 | (4,421) |
| Share based transactions – ESOS | 76 | - | 212 | - |
| Provision / (reversal) for bunker stock | - | 205 | (170) | 205 |
| Unrealised loss on quoted shares | 397 | - | 397 | - |
| Provision for corporate guarantee | 2,336 | - | 2,336 | - |
| Impairment of goodwill | 7 | - | 7 | - |
| (Gain) / loss in foreign exchange difference | (32) | (295) | 452 | (338) |

Other expenses also include RM2,594,918 which are the costs related to the arrest of vessel ('PDZ Maju') which comprised of sheriff expenses, vessel maintenance expenses, crew salaries, sales commissions and legal fees.

B11. Status of utilisation of proceeds as at 31 December 2018 raised from the Rights Issue with Warrants following the quotation for 434,660,560 Rights Shares together with 325,995,328 Warrants on the Main Market of Bursa Securities on 7 February 2018:

| No | Purpose | Proposed utilisation (RM'000) | YTD Utilisation (RM'000) | YTD Balance (RM'000) | Intended Timeframe for utilisation from date of receipt |
|--------|---|-------------------------------|--------------------------|----------------------|---|
| (i) | Acquisition of a container tug and barge set | 4,000 | 0 | 4,000 | Within 18 months |
| (ii) | Regional business expansion | 3,300 | 0 | 3,300 | Within 24 months |
| (iii) | Working capital | 6,000 | (5,144) | 856 | Within 24 months |
| (iv) | Security deposit for bank guarantee to port authorities | 1,000 | 0 | 1,000 | Within 24 months ⁽²⁾ |
| (v) | Purchase of containers | 4,900 | 0 | 4,900 | Within 24 months |
| (vi) | Acquisition of a vessel | 11,000 | 0 | 11,000 | Within 24 months |
| (vii) | Acquisition and/or investment in other complementary businesses and/or assets | 12,346 | 0 | 12,346 | Within 24 months |
| (viii) | Estimated expenses for the Corporate Exercises | ⁽¹⁾ 920 | (920) | 0 | Immediate |
| | Total | 43,466 | (6,064) | 37,402 | |

Remarks:

Unutilised proceeds are placed in interest bearing fixed deposit with licensed financial institutions(s) and money market funds.

- (1) Corporate exercise estimated expense surplus is adjusted accordingly into the acquisition and/or investment in other complementary businesses and/or assets.
- (2) The Board on 10 January 2019 approved the proposed utilisation for the security deposit for bank guarantees to port authorities to be extended by 12 months, in line with timeline of utilisation of Rights Issue Proceeds for acquisition of a vessel and acquisition of a container tug and barge set.

B12. Status of corporate proposals

There is no on-going corporate proposal for the Company and the Group during the quarter.

B13. Off-balance sheet financial instruments

There were no financial instruments with off-balance sheet risks as at 31 December 2018.