



GOODWAY INTEGRATED INDUSTRIES BERHAD

(Company No: 618972-T)
(Incorporated in Malaysia)

**Interim Financial Statement for the Period
Ended 30 June 2016**



**CONSOLIDATED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-Date	Preceding Year Corresponding Period
RM'000	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	37,297	52,849	84,726	96,349
Cost of sales	(32,707)	(46,137)	(72,954)	(83,787)
Gross profit	4,590	6,712	11,772	12,562
Other operating income	34	-	121	-
Operating expense	(5,107)	(7,272)	(12,035)	(11,478)
Operating (loss)/profit	(483)	(560)	(142)	1,084
Finance cost	(1,498)	(1,503)	(2,985)	(2,952)
Interest income	23	19	70	41
Finance cost – net	(1,475)	(1,484)	(2,915)	(2,911)
Loss before tax	(1,958)	(2,044)	(3,057)	(1,827)
Taxation	(50)	(161)	(216)	(1,084)
Loss for the period	(2,008)	(2,205)	(3,273)	(2,911)
Loss attributable to:				
Equity holders of the Company	(1,937)	(2,179)	(3,209)	(2,864)
Non-controlling interest	(71)	(26)	(64)	(47)
	(2,008)	(2,205)	(3,273)	(2,911)
Loss per share attributable to equity holders of the Company (sen)				
- Basic loss per share	(1.75)	(1.97)	(2.90)	(2.59)
- Diluted loss per share	NA	NA	NA	NA

The above Consolidated Income Statements should be read in conjunction with the accompanying explanatory notes to the interim financial statements and the audited financial statements for the year ended 31 December 2015.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-Date	Preceding Year Corresponding Period
RM'000	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(2,008)	(2,205)	(3,273)	(2,911)
Other comprehensive income / (loss):				
Foreign currency translation	6	171	(516)	1,050
	6	171	(516)	1,050
Total comprehensive loss for the period	(2,002)	(2,034)	(3,789)	(1,861)
Total comprehensive loss attributable to:				
Equity holders of the Company	(1,931)	(2,008)	(3,725)	(1,813)
Non-controlling interest	(71)	(26)	(64)	(48)
	(2,002)	(2,034)	(3,789)	(1,861)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes to the interim financial statements and the audited financial statements for the year ended 31 December 2015.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

RM'000	As at 30.06.2016	As at 31.12.2015
	(Unaudited)	(Audited)
ASSETS		
Property, plant and equipment	86,467	89,524
Land held for development	7,412	7,412
Intangible assets	586	586
Total non-current assets	94,465	97,522
Property development expenditure	22,128	22,831
Inventories	36,838	36,752
Receivables, deposit, prepayments & staff advances	87,648	94,598
Tax recoverable	4,995	1,502
Cash and cash equivalents	12,073	11,459
Total current assets	163,682	167,142
TOTAL ASSETS:	258,147	264,664
EQUITY AND LIABILITIES		
Share capital	55,259	55,259
Reserves	7,411	7,927
Retained earnings	6,230	9,438
Owners of the Company	68,900	72,624
Non-controlling interest	323	386
Total equity	69,223	73,010
Loans and borrowings	43,353	46,370
Deferred tax liabilities	5,502	5,504
Total non-current liabilities	48,855	51,874
Payables and accruals	56,379	63,987
Loans and borrowings	83,462	75,781
Taxation	228	12
Total current liabilities	140,069	139,780
Total liabilities	188,924	191,654
TOTAL EQUITY AND LIABILITIES	258,147	264,664
Net assets per share (RM)	0.63	0.66

The above Consolidated Balance Sheet should be read in conjunction with the accompanying explanatory notes to the interim financial statements and the audited financial statements for the year ended 31 December 2015.

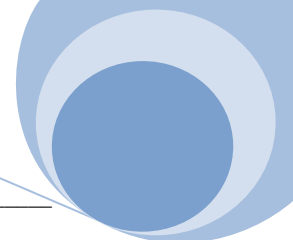


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016
(The figures have not been audited)

← Attributable to equity holders of the Company →
← Non-distributable → Distributable

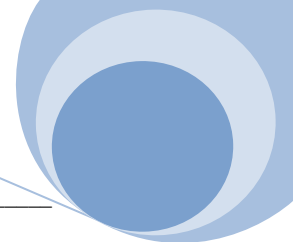
RM'000	Share capital	Share premium	Translation reserve	Revaluation reserve	Retained earnings	Total	Non-controlling Interests	Total
At 1 January 2015, as previously stated	55,259	211	(1,777)	5,888	18,783	78,364	290	78,654
Total comprehensive income / (loss) for the period	-	-	3,605	-	(9,345)	(5,740)	96	(5,644)
At 31 December 2015	55,259	211	1,828	5,888	9,438	72,624	386	73,010
At 1 January 2016	55,259	211	1,828	5,888	9,438	72,624	386	73,010
Total comprehensive loss for the period		-	(516)	-	(3,208)	(3,724)	(63)	(3,787)
At 30 June 2016	55,259	211	1,312	5,888	6,230	68,900	323	69,223

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes to the interim financial statements and the audited financial statements for the year ended 31 December 2015.



CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016
(The figures have not been audited)

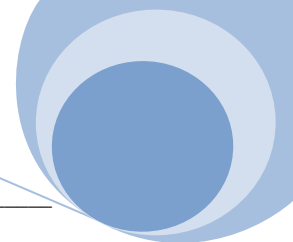
RM'000	CUMULATIVE PERIOD	
	Current Year To-Date 30.06.2016 (Unaudited)	Preceding Year Corresponding Period 30.06.2015 (Unaudited)
Cash flows from operating activities		
Loss before taxation	(3,057)	(1,827)
Adjustments for non-cash items:	7,153	7,350
Operating profit before working capital changes	4,096	5,523
Changes in working capital:		
Decrease / (Increase) in property development expenditure	703	(4,373)
(Increase) / Decrease in inventories	(86)	143
Decrease / (Increase) in receivables, deposits and prepayments	5,947	(4,414)
(Decrease) / Increase in payables	(7,607)	8,938
Cash generated from operations	3,053	5,817
Interest received	70	41
Interest paid	(2,985)	(2,952)
Tax paid	(3,493)	(868)
Net cash flow (used in) / generated from operating activities:	(3,355)	2,038
Cash flows from investing activities		
Purchase of property, plant and equipment	(179)	(6,218)
Net cash flow used in investing activities	(179)	(6,218)
Cash flows from finance activities:		
Net repayment of term loan and islamic financing	(2,705)	(1,860)
Net proceeds / (repayment) from bill payables	8,226	(12,047)
Net (repayment) / drawdown of hire purchase creditors	(318)	2,600
Net cash flow generated from / (used in) financing activities	5,203	(11,307)
Net changes in cash and cash equivalents	1,669	(15,487)
Exchange differences on translation of foreign subsidiary	(516)	1,050
Cash and cash equivalents at beginning of period	5,582	16,828
Cash and cash equivalents at end of period	6,735	2,391



CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016 (CONT'D)
(The figures have not been audited)

RM'000	CUMULATIVE PERIOD	
	Current Year To-Date 30.06.2016 (Unaudited)	Preceding Year Corresponding Period 30.06.2015 (Unaudited)
Cash and cash equivalents comprises of:		
Cash and bank balances	12,073	8,542
Bank Overdraft	(5,338)	(6,151)
	6,735	2,391

The above Condensed Consolidated Cash Flow Statements should be read in conjunction with the accompanying explanatory notes to the interim financial statements and latest audited financial statements for the year ended 31 December 2015.



A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENT

A1. Basis of Preparation

This interim financial statement is unaudited and has been prepared with the reporting requirements as set out in Financial Reporting Standard (“FRS”) 134, “Interim Financial Reporting” and Rule 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Bursa Securities Listing Requirements”) and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015 and the accompanying explanatory notes attached to the audited financial statements.

A2. Changes in Accounting Policies

On 1 January 2016, the Group adopted the following new and amended FRSs and IC Interpretation which are mandatory for annual financial periods beginning on or after 1 January 2016:

1) Annual Improvements to FRSs 2012-2014 Cycle	
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 119	Employee Benefits
Amendments to FRS 134	Interim Financial Reporting
2) Amendments to FRS10: Consolidated Financial Statements	
3) Amendments to FRS12: Disclosure of Interests in Other Entities	
4) Amendments to FRS128: Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception	
5) Amendments to FRS11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	
6) FRS14: Regulatory Deferral Accounts	
7) Amendments to FRS 101: Presentation of Financial Statements – Disclosure Initiative	
8) Amendments to FRS 116: Property, Plant and Equipment	
9) Amendments to FRS138: Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	

There is no material impact arising from adoption of the above standards and amendments on the financial statements of the Group.

A3. Audit Report of Preceding Annual Financial Statements

The audit report of the Group’s Financial Statements for the year ended 31 December 2015 was not subject to any qualifications.

A4. Seasonal or Cyclical Factors

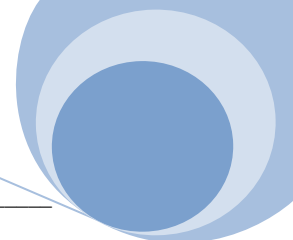
The Group’s performance was not materially affected by seasonal or cyclical factors during the quarter under review.

A5. Unusual Items

There were no items affecting assets, liabilities, equity, net income or cash flows during the current financial period that are unusual because of their nature, size and incidence.

A6. Changes in Estimates

There were no material changes in estimates that have been used in the preparation of the current financial period or changes in estimates of amounts reported for the last financial year ended 31 December 2015.



A7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debts and equity securities during the current period under review.

A8. Dividend Paid

There was no dividend paid by the Company during the quarter under review.

A9. Segment Reporting

Segmental information for the period under review was as follows:-

	Compounding	Retreading	Others	Consolidation Adjustment	6 months ended 30.06.2016	6 months ended 30.06.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
					(Unaudited)	(Unaudited)
External Revenue	50,811	16,982	16,933	-	84,726	96,349
Inter-Segment Revenue	13,730	1,422	813	(15,965)	-	-
Total Revenue	64,541	18,404	17,746	(15,965)	84,726	96,349
Overseas Revenue	46,255	-	-	(7,646)	38,609	37,550
Local Revenue	18,286	18,404	17,746	(8,319)	46,117	58,799
Total Revenue	64,541	18,404	17,746	(15,965)	84,726	96,349
Segment Results	2,740	904	350	-	3,994	5,242
Interest Income	35	-	35	-	70	41
Depreciation and Amortisation	(2,347)	(1,677)	(112)	-	(4,136)	(4,158)
Finance Cost	(2,123)	(852)	(10)	-	(2,985)	(2,952)
(Loss) / Profit Before Taxation	(1,695)	(1,625)	263	-	(3,057)	(1,827)
Taxation	(166)	-	(50)	-	(216)	(1,084)
Non-controlling Interests	-	64	-	-	64	47
(Loss) / Profit for The Period						
Attributable to the equity holders of the Company	(1,861)	(1,561)	213	-	(3,209)	(2,864)

A10. Valuation of Property, Plant and Equipment

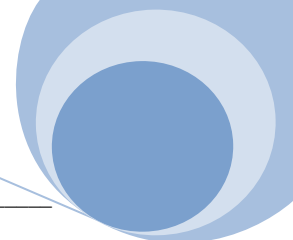
The freehold and leasehold land and buildings of the Group were revalued based on professional valuations made by JS Valuers Property Consultants (E.M.) Sdn Bhd. and Messrs KGV International Property Consultants (M) Sdn. Bhd., on open market value basis conducted in 2012.

A11. Subsequent Events

There were no material events subsequent to the end of the period that has not been reflected in the financial report for the current period under review.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the period under review.



A13. Contingent Liabilities and Contingent Assets

	Company	
	As at 30.6.2016 (Unaudited) RM'000	As at 30.6.2015 (Unaudited) RM'000
Contingent liabilities		
Corporate guarantee for credit facilities granted to subsidiaries	<u>88,885</u>	<u>68,490</u>

A14. Capital Commitments

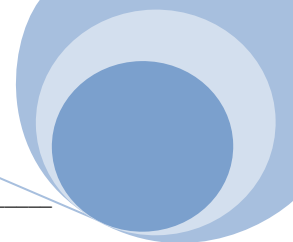
There are no outstanding capital commitments during the period under review.

A15. Recurrent Related Party Transactions

The Group's recurrent related party transactions are as follows:

	Current Quarter Ended 30.6.2016 (Unaudited) RM'000	Preceding Quarter Ended 31.3.2016 (Unaudited) RM'000
Transactions with a company connected to a Director		
- Supplying rubber compound and accessories	<u>1,214</u>	<u>1,363</u>

Related Party Transactions have been entered into in the ordinary course of business based on normal commercial terms and at arm's length.



B. BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. Review of Performance

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30.6.2016 RM'000 (Unaudited)	30.6.2015 RM'000 (Unaudited)	30.6.2016 RM'000 (Unaudited)	30.6.2015 RM'000 (Unaudited)
Revenue	37,297	52,849	84,726	96,349
Loss before tax	(1,958)	(2,044)	(3,057)	(1,827)

For the three months ended 30 June 2016, total revenues decreased by about RM15.5 million from RM52.8 million to RM37.3mil. The decrease was mainly due to reduction of overall sales and in particularly the rubber compounding sales of RM8.7 million and lesser billing from property division as compared to the same period corresponding year. 2nd quarter 2016 registered a loss before tax of approximately RM1.9 million as compared to RM2.0 million in preceding year's quarter mainly to lower operating expenses and the lower losses in foreign exchange incurred during the quarter.

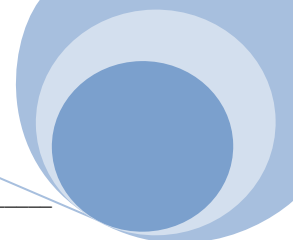
For the six months ended 30 June 2016, total revenues decreased by about RM11.6 million. The decrease is mainly from rubber compounding sales of RM11 million but was partially offset by the increase of property development billing during the period. Nevertheless, the Group registered loss before tax of RM3.0 million as compared to RM1.8 million in previous year corresponding period mainly due to impairment loss of receivables of RM1.0 million.

B2. Variation of Results against Preceding Quarter

	Current Year Quarter 30.6.2016 RM'000 (Unaudited)	Preceding Quarter Ended 31.03.2016 RM'000 (Unaudited)
Revenue	37,297	47,429
Loss before tax	(1,958)	(1,099)

Revenue decreased by RM10.1 million as compared to the immediate preceding quarter mainly due to lesser billing from property division of approximately RM5.8 million.

The current quarter registered loss before tax of RM1.96 million as compared to a loss before tax of RM1.1 million posted in the preceding quarter due mainly to lower gross margin registered in line with lower revenue registered and different product mix sold in current quarter.



B3. Prospects

The demand for the Group's rubber compounding and retreading business segments are expected to be challenging but necessary measures to capture new export market opportunities and effective cost control continue to be implemented to meet the challenging period. For the property development project, the progressive billing is on-going but the new sales is slowing down in view of the current cautious economic outlook.

Hence, based on the above, the Board is cautiously optimistic for the Group performance in the year 2016.

B4. Loss Before Taxation

Included in the loss before taxation are the following items:

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-Date	Preceding Year Corresponding Period
	30.06.2016 (Unaudited)	30.06.2015 (Unaudited)	30.06.2016 (Unaudited)	30.06.2015 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Interest income	23	19	70	41
Interest expenses	(1,498)	(1,503)	(2,985)	(2,952)
Depreciation and amortisation	(1,990)	(2,099)	(4,136)	(4,158)
Impairment of receivables	-	-	(1,000)	-
Loss on foreign exchange	(229)	(2,136)	(802)	(917)

B5. Profit Forecast

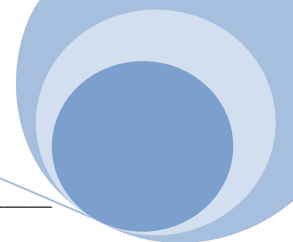
The group has not issued any profit forecast or profit guarantee during the quarter under review.

B6. Taxation

Taxation comprises the following:-

	Current Year Quarter		Preceding Year Corresponding Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-Date	Preceding Year Corresponding Period
	30.06.2016 (Unaudited)	30.06.2015 (Unaudited)	30.06.2016 (Unaudited)	30.06.2015 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Current tax expense	(50)	(161)	(216)	(1,084)

Domestic current income tax is calculated at the statutory tax rate of 25% of the taxable profit for the period. Taxation for other overseas subsidiaries is calculated at the rates prevailing in the respective jurisdictions.



B7. Corporate Proposals

On 18 July 2016, the Company entered into a conditional share sale agreement with NSA Technology Sdn Bhd (“NSA Technology” or “Vendor”) for the proposed acquisition of the entire issued and paid-up share capital of S5 Systems Sdn Bhd from the Vendor for a purchase consideration of RM900.0 million to be satisfied by the issuance of 1.8 billion new ordinary shares of RM0.50 each of the Company (“Proposed Acquisition”).

Further, the Company has also undertaken below proposals in conjunction of the above Proposed Acquisition:

1. proposed increase in the authorised share capital of the Company and in consequence thereof, the Company’s Memorandum and Articles of Association to be altered accordingly (“Proposed IASC”).
2. proposed exemption to the Vendor and persons acting in concert with it from the obligation to undertake a mandatory take-over offer for all the remaining voting shares in the Company not already owned by them after the Proposed Acquisition under Paragraph 16.1(a) of Practice Note 9, Part II of the Malaysian Code on Take-overs and Mergers, 2010 (“Proposed Exemption”);
3. proposed restricted offer for sale by the Vendor of the rights to allotment of up to 165,776,250 Consideration Shares (“Rights to Offer Shares”) to the entitled shareholders of the Company on the basis of three (3) Rights to Offer Shares for every two (2) Shares held at an entitlement date to be determined (“Proposed Offer for Sale”);
4. proposed placement by the Vendor of the rights to allotment of up to 440,000,000 Consideration Shares to investors to be identified (“Proposed Placement”);
5. proposed establishment of an employees’ share option scheme of up to 15% of the issued and paid-up share capital (excluding treasury shares) of the Company (“Proposed ESOS”); and

B8. Group Loans and Borrowings

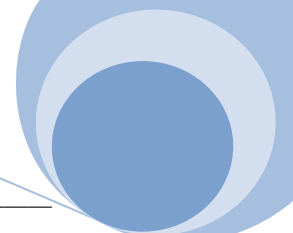
The Group loans and borrowings as at 30 June 2016 are as follows:-

	As at 30.06.2016 (Unaudited) RM'000	As at 31.12.2015 (Audited) RM'000
Non-Current		
-Borrowings (secured)	2,968	3,279
-Term loans (secured)	40,385	43,091
	43,353	46,370
Current		
-Borrowings (secured)	26,794	19,113
-Borrowings (unsecured)	47,200	47,200
-Term loans (secured)	6,668	6,668
-Term loans (unsecured)	2,800	2,800
	83,462	75,781
Total	126,815	122,151

B9. Financial Instruments

Forward foreign exchange contracts are entered into by the Group in currencies other than the functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

Forward foreign exchange contracts are recognised on the contract dates and are measured at fair values with changes in fair values being recognised as profit or loss.



The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate risk, credit risk, liquidity risk and foreign currency risk.

B10. Material Litigation

The Group does not have any material litigation as at the date of this report.

B11. Proposed Dividend

There was no dividend declared for the current period under review.

B12. Retained Earnings

The realised and unrealised profits of the Group are as follows:

	As at 30.06.2016 (Unaudited) RM'000	As at 31.12.2015 (Audited) RM'000
Retained Earnings		
-Realised	49,622	52,894
-Unrealised	(5,502)	(5,504)
	44,120	47,390
Less: Consolidation adjustments	(37,890)	(37,952)
	6,230	9,438

B13. Loss Per Ordinary Share (EPS)

	2 st Quarter Ended		Cumulative Quarter Ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
<u>Basic LPS</u>				
Net loss attributable to the owner of the Company	(1,937)	(2,179)	(3,209)	(2,864)
Weighted average number of ordinary share	110,518	110,518	110,518	110,518
Basic loss per share (sen)	(1.75)	(1.97)	(2.90)	(2.59)

Diluted LPS

Not applicable as the Company does not have dilutive ordinary shares in issue as at the reporting date.

By order of the Board
GOODWAY INTEGRATED INDUSTRIES BERHAD
 FOO SIEW LOON
 Company Secretary (MAICSA 7006874)
 Selangor Darul Ehsan

Date: 23 August 2016