



GOODWAY INTEGRATED INDUSTRIES BERHAD

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

**Interim Financial Statement for the Period
Ended 31 December 2016**



**CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Revenue	40,270	37,219	168,250	181,362
Cost of sales	(39,243)	(32,660)	(146,650)	(157,634)
Gross profit	1,027	4,559	21,600	23,728
Other operating income	1,654	9,178	1,940	9,178
Operating expenses	(40,320)	(15,478)	(60,329)	(33,482)
Operating loss	(37,639)	(1,741)	(36,789)	(576)
Finance cost	(1,139)	(2,066)	(5,346)	(6,430)
Interest income	-	85	60	132
Finance cost – net	(1,139)	(1,981)	(5,286)	(6,298)
Loss before tax	(38,778)	(3,722)	(42,075)	(6,874)
Taxation	(191)	(1,080)	(574)	(2,374)
Loss for the period	(38,969)	(4,802)	(42,649)	(9,248)
Loss attributable to:				
Equity holders of the Company	(38,838)	(4,986)	(42,423)	(9,345)
Non-controlling interest	(131)	184	(226)	97
	(38,969)	(4,802)	(42,649)	(9,248)
Loss per share attributable to equity holders of the Company (sen)				
- Basic loss per share	(35.14)	(4.51)	(38.39)	(8.46)
- 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 YEAR ENDED 31 DECEMBER 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	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Loss for the period	(38,969)	(4,802)	(42,649)	(9,248)
Other comprehensive income:				
Foreign currency translation	683	2,651	725	3,605
	683	2,651	725	3,605
Total comprehensive loss for the period	(38,286)	(2,151)	(41,924)	(5,643)
Total comprehensive loss attributable to:				
Equity holders of the Company	(38,155)	(2,335)	(41,698)	(5,740)
Non-controlling interest	(131)	184	(226)	97
	(38,286)	(2,151)	(41,924)	(5,643)

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 31 DECEMBER 2016

RM'000	As at 31.12.2016	As at 31.12.2015
	(Unaudited)	(Audited)
ASSETS		
Property, plant and equipment	97,535	89,524
Land held for development	7,412	7,412
Intangible assets	586	586
Total non-current assets	105,533	97,522
Property development expenditure	33,509	22,831
Inventories	30,008	36,752
Receivables, deposit & prepayments	57,392	94,598
Tax recoverable	1,619	1,502
Cash and cash equivalents	2,893	11,459
Total current assets	125,421	167,142
TOTAL ASSETS:	230,954	264,664
EQUITY AND LIABILITIES		
Share capital	55,259	55,259
Reserves	20,641	7,927
(Accumulated losses) / Retained earnings	(32,985)	9,438
Owners of the Company	42,915	72,624
Non-controlling interest	160	386
Total equity	43,075	73,010
Loans and borrowings	40,414	46,370
Deferred tax liabilities	9,501	5,504
Total non-current liabilities	49,915	51,874
Payables and accruals	58,221	63,987
Loans and borrowings	79,221	75,781
Taxation	522	12
Total current liabilities	137,964	139,780
Total liabilities	187,879	191,654
TOTAL EQUITY AND LIABILITIES	230,954	264,664
Net assets per share (RM)	0.39	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.

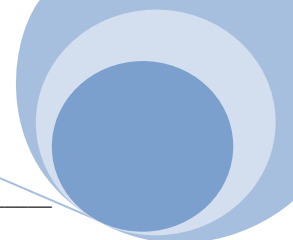


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(The figures have not been audited)

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

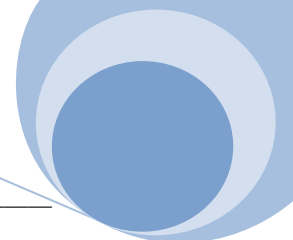
RM'000	Share capital	Share premium	Translation reserves	Revaluation reserves	Retained earnings (Accumulated losses) /	Total	Non-controlling Interests	Total
At 1 January 2015, as previously stated	55,259	211	(1,777)	5,888	18,783	78,364	289	78,653
Total comprehensive income / (loss) for the year	-	-	3,605	-	(9,345)	(5,740)	97	(5,643)
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 income / (loss) for the year	-	-	725	11,989	(42,423)	(29,709)	(226)	(29,935)
At 31 December 2016	55,259	211	2,553	17,877	(32,985)	42,915	160	43,075

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 YEAR ENDED 31 DECEMBER 2016
(The figures have not been audited)

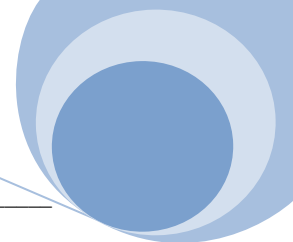
RM'000	CUMULATIVE PERIOD	
	Current Year To-Date 31.12.2016 (Unaudited)	Preceding Year Corresponding Period 31.12.2015 (Audited)
Cash flows from operating activities		
Loss before taxation	(42,075)	(6,874)
Adjustments for non-cash items:	50,229	20,832
Operating profit before working capital changes	8,154	13,958
Changes in working capital:		
(Increase)/Decrease in property development expenditure	(10,678)	6,686
Decrease in inventories	5,744	7,481
Decrease / (Increase) in receivables, deposits and prepayments	3,347	(15,011)
(Decrease) / Increase in payables	(5,766)	13,972
Cash generated from operations	801	27,086
Interest received	60	132
Interest paid	(5,346)	(6,430)
Tax paid	(117)	(358)
Net cash flow (used in) / generated from operating activities:	(4,602)	20,430
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,054)	(6,817)
Net cash flow used in investing activities	(2,054)	(6,817)
Cash flows from finance activities:		
Net repayment of term loan and islamic financing	(4,549)	(7,717)
Net proceeds / (repayment) from bill payables	6,386	(16,729)
Net (repayment) / drawdown of hire purchase creditors	(1,405)	(1,156)
Net cash flow generated from / (used in) financing activities	432	(25,602)
Net changes in cash and cash equivalents	(6,224)	(11,989)
Exchange differences on translation of foreign subsidiary	725	624
Cash and cash equivalents at beginning of period	5,463	16,828
Cash and cash equivalents at end of period	(36)	5,463



CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)
(The figures have not been audited)

	CUMULATIVE PERIOD	
	Current Year To-Date 31.12.2016 (Unaudited)	Preceding Year Corresponding Period 31.12.2015 (Audited)
RM'000		
Cash and cash equivalents comprises of:		
Cash and bank balances	2,893	11,459
Pledged deposits	-	(119)
Bank Overdraft	(2,929)	(5,877)
	(36)	5,463

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

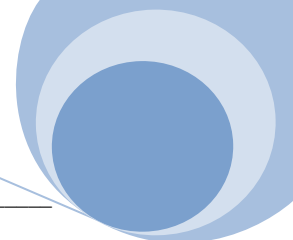
The Group’s performance was not materially affected by seasonal or cyclical factors during the quarter under review.

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	Property	Consolidation	12 months ended	12 months ended
	RM'000	RM'000	RM'000	Adjustment	31.12.2016	31.12.2015
				RM'000	RM'000	RM'000
					(Unaudited)	(Audited)
External Revenue	102,407	32,784	33,059	-	168,250	181,362
Inter-Segment Revenue	25,045	1,188	2,027	(28,260)	-	-
Total Revenue	127,452	33,972	35,086	(28,260)	168,250	181,362
Overseas Revenue	95,517	-	-	(13,764)	81,753	163,196
Local Revenue	31,936	33,971	35,086	(14,496)	86,497	18,166
Total Revenue	127,453	33,971	35,086	(28,260)	168,250	181,362
Segment Results	(12,301)	(10,223)	8,723	(14,411)	(28,212)	7,952
Interest Income	1	-	59	-	60	132
Depreciation and Amortisation	(4,764)	(3,486)	(327)	-	(8,577)	(8,528)
Finance Cost	(3,721)	(1,415)	(210)	-	(5,346)	(6,430)
(Loss) / Profit Before Taxation	(20,785)	(15,124)	8,245	(14,411)	(42,075)	(6,874)
Taxation	(216)	-	(358)	-	(574)	(2,374)
Non-controlling Interests	-	226	-	-	226	(97)
(Loss) / Profit for The Period						
Attributable to the equity holders of the Company	(21,001)	(14,898)	7,887	(14,411)	(42,423)	(9,345)

A10. Valuation of Property, Plant and Equipment

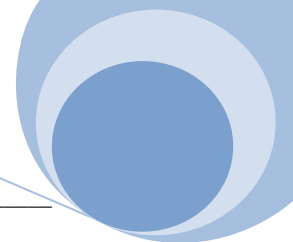
The freehold and leasehold land and buildings of the Group were revalued based on professional valuations made by JS Valuers Property Consultants (E.M.) Sdn Bhd, Messrs KGV International Property Consultants (M) Sdn. Bhd and Opteon Property Group, on open market value basis conducted in 2016.

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 except the disposal of Wellrank Equity Sdn Bhd (a wholly-owned subsidiary of Goodway Rubber Industries Sdn Bhd) and PT Vulkanisir Goodway Indonesia (a 60% owned subsidiary) of the Company. The liquidation will not have any material effect on the issued and paid-up share capital, earnings and net assets of the Group.



A13. Contingent Liabilities and Contingent Assets

	Company	
	As at 31.12.2016 (Unaudited) RM'000	As at 31.12.2015 (Audited) RM'000
Contingent liabilities		
Corporate guarantees for credit facilities granted to subsidiaries	85,195	84,292

A14. Capital Commitments

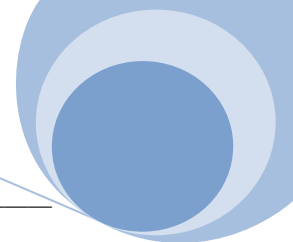
There are no outstanding capital commitments during the period under review.

A15. Recurrent Related Party Transactions

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

	Current Quarter Ended 31.12.2016 (Unaudited) RM'000	Preceding Quarter Ended 30.9.2016 (Unaudited) RM'000
Transactions with a company connected to a Director		
- Supplying rubber compound and accessories	967	1,237

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
	31.12.2016 RM'000 (Unaudited)	31.12.2015 RM'000 (Audited)	31.12.2016 RM'000 (Unaudited)	31.12.2015 RM'000 (Audited)
Revenue	40,270	37,219	168,250	181,362
Loss before tax	(38,778)	(3,722)	(42,075)	(6,874)

For the three months ended 31st December 2016, total revenues increased by about RM3.1 million from RM37.2 million to RM40.3 million. The increase was mainly due to rubber compounding sales by RM11 million but it was offset by lower sales registered by retreading business and property development of RM4.3 million and RM4 million respectively. In this quarter, the Group registered a loss before tax of approximately RM38.8 million as compared to RM3.7 million in the preceding year's quarter mainly due to impairment of receivables from certain discontinued overseas customers and lower margins generated from the product mix sold.

For the twelve months ended 31 December 2016, total revenues decreased by about RM13.3 million. The decrease was mainly from rubber compounding and retreading sales of RM2.8 million and RM14.3 million respectively but was partially offset by the increase of property development billing during the year. The retreading business suffered significant decline in sales due to the dumping of low price imported new tyres from China into the local market. According to the Tyre Retreading Manufacturers' Association of Malaysia, the industry suffered a 41% drop in volume over last 4 years. The weak Ringgit Malaysia also contributed to the losses as most of the raw materials used in the production of rubber compounds are imported in the US Dollar.

During the year, the Group commenced new tyres wholesale business in anticipation of the declining trend of the retread business. Sale from the new tyres wholesale business is not significant but is growing at an encouraging rate.

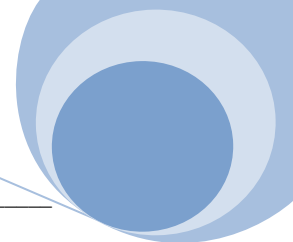
The Group registered loss before tax of RM42.1 million as compared to RM6.9 million in previous year mainly due to the large impairment of receivables and losses from the retread business reported above.

B2. Variation of Results against Preceding Quarter

	Current Year Quarter 31.12.2016 RM'000 (Unaudited)	Preceding Quarter Ended 30.09.2016 RM'000 (Unaudited)
Revenue	40,270	43,254
Loss before tax	(38,778)	(240)

Revenue decreased by RM2.9 million as compared to the immediate preceding quarter mainly due to lower sales registered from rubber compounding business of approximately RM3 million.

The current quarter registered loss before tax of RM38.8 million as compared to a loss before tax of RM0.24 million posted in the preceding quarter was due mainly to additional impairment of receivables provided as well as lower margins generated from the product sales mix.



B3. Prospects

The Group's rubber compounding and retreading business are expected to be challenging on several fronts, but necessary measures to break into new export markets for rubber compounds coupled with tighter cost and credit control have been implemented to mitigate the challenges ahead. The retreading business has seen a significant drop in 2016 and is expected to continue declining as low price imported new tyres from China continue to flood into the local market, thus impacting demand for retreads. The Group will strengthen its business focus in the wholesaling of new tyres, which it started in 2016, to leverage on its extensive network of tyre retailers customer base. Business growth in this area has been encouraging since commencement and is expected to make up for the loss in volume from retreading business in the future.

The uncertainties surrounding the Ringgit Malaysia exchange rate versus the US Dollar and raw materials prices will continue to pose a challenge to maintaining healthy margin spread for the rubber compound and tyre wholesale businesses. However, management will endeavour to overcome these challenges through close monitoring and active management of these variables. The pricing of rubber compounds and retreading have been revised to recover some margins depleted due to the higher cost of materials recorded in recent months.

For the property development project, the progressive billing is on-going but new sales are expected to be slow in view of the current cautious economic outlook. However, as the project is nearing completion and the CCC is expected to be obtained within this year, marketing activities will be escalated to promote and sell the remaining unsold units.

Hence, based on the above initiatives, the Board is reasonably confident of a recovery for the Group performance in the year 2017.

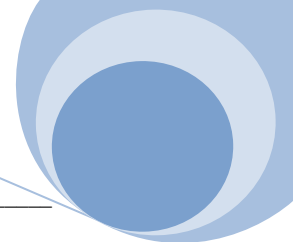
B4. Loss Before Taxation

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
	31.12.2016 (Unaudited)	31.12.2015 (Audited)	31.12.2016 (Unaudited)	31.12.2015 (Audited)
	RM'000	RM'000	RM'000	RM'000
Interest income	-	85	60	132
Interest expenses	(1,139)	(2,066)	(5,346)	(6,430)
Depreciation and amortisation	(2,497)	(2,326)	(8,577)	(8,528)
Impairment of receivables	(29,859)	(1,199)	(33,859)	(2,018)
Write down of inventories	(1,000)	-	(1,000)	-
Loss/(Gain) on foreign exchange	607	4,125	(290)	2,784

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 To-Date	Preceding Year Corresponding Period
	31.12.2016 (Unaudited)	31.12.2015 (Audited)	31.12.2016 (Unaudited)	31.12.2015 (Audited)
	RM'000	RM'000	RM'000	RM'000
Current tax expense	191	1,080	574	2,374
Total taxation expense	191	1,080	574	2,374

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

B7. Corporate Proposals

On 14 February 2017, the Company had withdrawn its application in relation to the Proposed Acquisition, Proposed Offer for Sale, Proposed Placement and Proposed ESOS ("Proposals") which was submitted to the Securities Commission on 23 December 2016 due to additional time needed to enhance disclosure and information requirement.

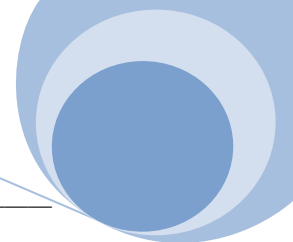
In addition, the Company and Maybank Investment Bank have also mutually agreed for the services of Maybank Investment Bank as Principal Adviser for the Proposals to be terminated with immediate effect. Notwithstanding the above, the terms of the Proposals remain unchanged as of to-date.

CIMB Investment Bank Berhad had been appointed on even date to act as Principal Adviser for the Proposals.

B8. Group Loans and Borrowings

The Group loans and borrowings as at 31 December 2016 are as follows:-

	As at 31.12.2016 (Unaudited)	As at 31.12.2015 (Audited)
	RM'000	RM'000
Non-Current		
-Borrowings (secured)	1,873	3,279
-Term loans (secured)	38,541	43,091
	40,414	46,370
Current		
-Borrowings (secured)	35,686	19,113
-Borrowings (unsecured)	34,067	47,200
-Term loans (secured)	6,668	6,668
-Term loans (unsecured)	2,800	2,800
	79,221	75,781
Total	119,635	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.

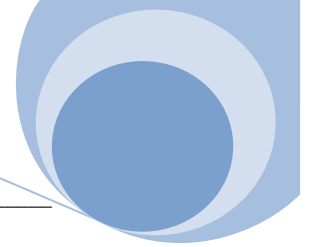
B12. Retained Earnings

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

	As at 31.12.2016 (Unaudited) RM'000	As at 31.12.2015 (Audited) RM'000
Retained Earnings		
-Realised	16,286	52,894
-Unrealised	(9,501)	(5,504)
	6,785	47,390
Less: Consolidation adjustments	(39,770)	(37,952)
	(32,985)	9,438

B13. Loss Per Ordinary Share (LPS)

	4th Quarter Ended		Cumulative Quarter Ended	
	31.12.2016 (Unaudited) RM'000	31.12.2015 (Audited) RM'000	31.12.2016 (Unaudited) RM'000	31.12.2015 (Audited) RM'000
Basic LPS				
Net loss attributable to the owner of the Company	(38,969)	(4,802)	(42,649)	(9,248)
Weighted average number of ordinary shares	110,518	110,518	110,518	110,518
Basic loss per share (sen)	(35.14)	(4.51)	(38.39)	(8.46)



B13. Loss Per Ordinary Share (LPS) (Cont'd)

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

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Company Secretary (MAICSA 7006874)

Selangor Darul Ehsan

Date: 28 February 2017