

RAPID SYNERGY BERHAD
(Company No. 325935-U)
(Incorporated in Malaysia)

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Selected explanatory notes pursuant to Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting

A1 Basis of preparation

These condensed consolidated interim financial reports, for the period ended 31 December 2014, have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2013. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

A2 Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2013 except for the adoption of the following with effect from 1 January 2014:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, Consolidated Financial Statements
- Amendments to MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 127, Separate Financial Statements
- Amendments to MFRS 132, Financial Instruments : Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

The adoption of the above standards and amendments did not have any material financial impact to the Group's result.

At the date of authorization of this interim financial statement the following standards interpretations and amendments were issued but not yet effective and have not been applied by the Group.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)

- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to FRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 124, Related Party disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 11, Accounting for Acquisitions on Interests in Joint Operations
- Amendments to MFRS 116 & MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- MFRS 9, Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
- Amendments to FRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

- A3 Auditors' Report on Preceding Annual Financial Statements
The auditors' report on the audited financial statements for the financial year ended 31 December 2013 was not qualified.
- A4 Seasonal or cyclical factors
The Group's operations were not affected by any significant seasonal or cyclical factors in the current quarter.
- A5 Unusual items Due to Their Nature, Size or Incidence
Other than disclosed in the financial statements there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the current quarter ended 31 December 2014.
- A6 Change in Estimates
There were no significant changes in estimates of amounts reported in prior financial years which have a material effect in the current quarter ended 31 December 2014.
- A7 Debts and equity securities
There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and financial year-to-date.
- A8 Dividend
There was no dividend payment made for the current quarter under review.

A9 Segmental Reporting

The segment information for business segments predominantly conducted in Malaysia for the financial period ended 31 December 2014 and 31 December 2013 is as follows:-

Business Segment

12 Months ended 31 Dec 2014	Manufacturing RM'000	Investment Holding RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	10,936	17,464	184	28,584
Result				
Segment results	(583)	23,356	(951)	21,822
Interest expense				(9,425)
Profit before taxation				12,397

12 Months ended 31 Dec 2013	Manufacturing RM'000	Investment Holding RM'000 (Restated)	Restaurant RM'000	Consolidated RM'000 (Restated)
Revenue	10,100	15,841	244	26,185
Result				
Segment results	(1,292)	11,087	(1,176)	8,619
Interest expense				(9,694)
Loss before taxation				(1,075)

A10 Discontinued Operations

On 30th September 2013, the Company has entered into a Sale and Purchase Agreement with Triple-H Auto Parts Sdn Bhd for the disposal of 100% of the issued and paid-up ordinary share capital of Pasaraya Rapid Sdn Bhd for a cash consideration of RM1.0 million. The disposal had resulted in a gain of RM6.84 million to the Group.

The profit/(loss) attributable to the discontinued operations is as follows:

	12 months ended	
	31.12.2014	31.12.2013
	RM'000	RM'000
Revenue	-	15,575
Expenses	-	(18,599)
Results from operating activities, net of tax	-	(3,024)
Gain on sale of discontinued operation	-	6,836
Profit for the year	-	3,812

The following amounts have been included in arriving at profit/(loss) before tax of the discontinued operation:

	12 months ended	
	31.12.2014	31.12.2013
	RM'000	RM'000
Interest income	-	4
Rental income	-	135
Staff cost	-	(2,085)
Depreciation of property, plant and Equipment	-	(642)

Cash flows from/(used in) discontinued operation

	12 months ended	
	31.12.2014	31.12.2013
	RM'000	RM'000
Net cash used in operating activities	-	(2,231)
Net cash used in investing activities	-	(527)
Effect on cash flows	-	(2,758)

- A11 Valuations of property, plant and equipment
The valuations of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2013.
- A12 Material events subsequent to balance sheet date
There were no material events subsequent to the end of the period under review to 19 February 2015 except for the acquisition of marketable securities amounting to RM8.7 million and disposal of investment properties amounting to RM16.64 million. The expected completion date for the disposal of investment properties would be in the first quarter of 2015 and the expected gain is about RM10.48 million.
- A13 Changes in the composition of the Group
There were no changes to the composition of the Group for the current quarter.
- A14 Changes in contingent liabilities or contingent assets as at 31 December 2014
- Unsecured:
- | | |
|-------------------------------------------------------------------------------------------|--------|
| Corporate guarantee issued to banks for credit facilities granted to subsidiary companies | RM'000 |
| | 90,185 |
- A15 Property, plant and equipment
During the current quarter ended 31 December 2014, the Group acquired investment properties with a cost of RM3.27 million.
- A16 Capital commitments
There were no capital commitments during the current quarter ended 31 December 2014.

Additional information required by the Listing Requirements of Bursa Malaysia Securities Berhad

B1 Review of the performance of the company and its principal subsidiaries

Segment	3 months ended		12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)
Manufacturing division				
Revenue	2,913	4,284	10,936	10,100
Loss before taxation	(441)	119	(1,039)	(1,868)
Investment holding division				
Revenue	5,168	4,009	17,464	15,841
Profit before taxation	(3,692)	484	14,387	1,969
Restaurant division				
Revenue	30	51	184	244
(Loss) before taxation	(395)	(571)	(951)	(1,176)
Total				
Revenue	8,111	8,344	28,584	26,185
Profit/(Loss) before taxation	(4,528)	32	12,397	(1,075)

For the current financial quarter, the group recorded a revenue of RM8.11 million, a decrease of RM0.23 million as compared to RM8.34 million in the preceding year corresponding quarter. The Group recorded a lost before tax of RM4.53 million in the current quarter as compared to profit before tax of RM0.03 million in the previous year corresponding quarter. The contributory factors to the above performances are explained in the respective operating business segments as follows:

Manufacturing division recorded a revenue of RM2.91 million in the current financial quarter, an decrease of RM1.37 million as compared to RM4.28 million recorded in the preceding year corresponding quarter. The pretax loss recorded in the current quarter was RM0.44 million compared to profit before tax of RM0.12 million in the preceding year corresponding quarter. The decreased in revenue and profit before tax were mainly contributed by lower orders from customers in the current quarter.

The investment holding division recorded a revenue of RM5.17 million in the current financial quarter, an increase of RM1.16 million as compared to RM4.01 million recorded in the preceding year corresponding quarter. The investment holding division recorded a loss before tax of RM3.70 million in the current financial quarter as compared to profit before tax of RM0.48 million in the preceding year corresponding quarter. The increase in revenue was mainly contributed by increase in rental received and there was no recognition of profit in the disposal of properties during the current quarter. The expected completion date of disposal would be in first quarter of year 2015.

The restaurant division recorded a revenue of RM0.03 million in the current quarter compared to RM0.05 million in the preceding year corresponding quarter. The pretax loss recorded in the current quarter was RM0.40 million compared to loss before tax RM0.57 million in the preceding year corresponding quarter.

B2 Material changes in profit before tax for the current quarter compared to immediate preceding quarter

For the current financial quarter the consolidated revenue and loss before tax recorded was RM8.11 million and RM4.53 million respectively. The contributory factors to the above performances are explained in the respective operating business segments as follows:

Segment	3 months ended	
	31.12.2014	30.09.2014
Manufacturing division		
Revenue	2,913	1,706
Loss before taxation	(441)	(192)
Investment holding division		
Revenue	5,168	4,187
Profit/(Loss) before taxation	(3,692)	7,910
Restaurant division		
Revenue	30	47
Profit/(Loss) before taxation	(395)	326
Total		
Revenue	8,111	5,940
Profit/(Loss) before taxation	(4,528)	8,044

Manufacturing division recorded a revenue RM2.91 million compared to RM1.71 million in the immediate preceding quarter. The division recorded loss before tax of RM0.44 million in the current quarter against loss before tax of RM0.19 million in the immediate preceding quarter. The higher revenue recorded during the current quarter was mainly due to increase orders from customers. The increased loss before tax was mainly due to the higher costs.

The investment holding division recorded a revenue of RM5.17 million in the current quarter compared to RM4.19 million in the immediate preceding quarter. The increase in revenue during the current quarter was mainly due to the increase in rental income received. The investment holding division recorded lost before tax of RM3.69 million compared to profit before tax of RM7.91 million in the immediate preceding quarter. The higher profit before tax in the preceding quarter was mainly due to gain from disposal of investment properties.

The restaurant division recorded a revenue RM0.03 million in the current quarter against RM0.05 million in the immediate preceding quarter and loss before tax of RM0.40 million compared to profit before tax of RM0.33 million in the immediate preceding quarter. The profit before tax in the preceding quarter was mainly due to gain from disposal of food and beverage equipment from the closure of three restaurant outlets.

B3 Prospects for the current year

The semiconductor industries are experiencing a slowdown and capital expenditure budgets are deferred until demand picks up again. The manufacturing business environment remains challenging. The investment holding division is expected to continue to contribute positively to the group. Meanwhile the effort to contain costs will continue for the manufacturing division and its performance would be dependent on the expected gradual recovery of the global economy.

Barring any unforeseen circumstances the Board expects the business prospects for the Group in 2015 to remain positive.

B4 Profit forecast

Not applicable as no profit forecast was published.

B5 Profit/(Loss) before taxation

Profit/(Loss) before taxation is arrived at after crediting/ (charging) the following income/ (expenses):

	3 months ended		12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)
(a) Profit on disposal of investment properties	-	-	13,690	3,423
(b) Interest expense	(2,472)	(2,569)	(9,425)	(9,694)
(c) Interest income	-	-	14	1
(d) Provision for write back/(off) of inventories	8	484	8	608
(e) (Loss)/Profit on foreign exchange-realised	(5)	51	2	101
-unrealised	59	(66)	(7)	39
(f) Depreciation and amortisation	(1,327)	(1,238)	(5,082)	(4,940)
(g) Gain from disposal of financial assets	115	-	115	-

B6 Tax expense

	3 months ended		12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)
Income tax expense				
-Current	186	261	1,212	1,046
-Prior year	16	47	24	(163)
Deferred tax expense				
-Current	(205)	(308)	(211)	(308)
-Prior year	(119)		(119)	
	<u>(122)</u>	<u>-</u>	<u>906</u>	<u>785</u>

The effective tax rates for the current quarter is lower than the statutory tax rate mainly due to certain tax incentive given to a subsidiary.

B7 Profits/ (Losses) on sale of unquoted investments and/or properties

There were no profits/losses on sale of unquoted investment and/or properties in the current quarter under review.

B8 Marketable securities

Total acquisition and disposal of quoted shares for the current financial year to date ended 31 December 2014 are as follows:-

	Current Quarter RM'000	Cumulative Quarter RM'000
Total acquisition	14,461	29,115
Total disposal	8,441	8,441

Investments in quoted securities as at 31 December 2014 were as follows:

	RM'000
Shares quoted in Malaysia:-	
Balance at 30 September 2014	14,654
Acquisition	14,461
Disposal	(8,441)
Fair value adjustment	357

Balance at 31 December 2014	21,031

	21,031

B9 Status of corporate proposals
There were no corporate proposals for the current quarter ended 31 December 2014.

	31 December 2014 RM'000
B10 Borrowing and debts securities	
Current	
Overdraft	15,986
Term loan - secured	11,673
Non-current	
Term loan - secured	108,615

The above borrowings are denominated in Ringgit Malaysia.

B11 Off balance sheet financial instruments
The Group does not have any financial instruments with off balance sheet risk as at 19 February 2015.

B12 Changes in material litigation

(i) On 6 January 2003, Rapid Mall Sdn Bhd (RM) and Rapid Precision Technologies Sdn Bhd (RPT), both wholly owned subsidiaries of RSB had served summons on Nychem Technologies Sdn Bhd (Nychem) and two guarantors for the amount of RM450,000 and RM641,908 respectively in respect of outstanding amount due on the sale of equipment accessories goodwill, rent and lease of fixtures. As to the case between RPT and Nychem, bankruptcy proceedings have been instituted against the two guarantors. One of the guarantors has withdrawn their application for stay of the adjudicating and receiving order (AORO) and with cost to be taxed. The other guarantor will be served with a bankruptcy notice. On 14 August 2014, RPT had entered into Deed of Settlement with one of the guarantors for the indebted sum of RM1.84 million to be settled in full by 12 instalments and the final instalment to be paid on or before 14 September 2015.

B13 Dividends
No dividend has been recommended for the quarter under review;

B14 Basis of calculation of earnings per share

The basic earnings per share for the current quarter and cumulative year to date are computed as follows:

	3 months ended		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net profit/(loss) for the period attributable to owners of the Company (RM'000)				
- from continuing operations	(4,406)	32	11,491	(1,075)
- from discontinuing operations	-	-	-	4,481
	<u>(4,406)</u>	<u>32</u>	<u>11,491</u>	<u>2,621</u>
Weighted average number of ordinary shares in issue	87,334,350	87,334,350	87,383,254	87,334,350
Basic earnings/(loss) per share (sen)				
- from continuing operations	(5.04)	0.04	13.15	(2.13)
- from discontinuing operations	-	-	-	5.13
	<u>(5.04)</u>	<u>0.04</u>	<u>13.15</u>	<u>3.00</u>

The diluted earnings per share for the current quarter and cumulative year to date are computed as follows:

	3 months ended		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net profit/(loss) for the period attributable to owners of the Company (RM'000)				
- from continuing operations	(4,406)	32	11,491	(1,075)
- from discontinued operations	-	-	-	4,481
	<u>(4,406)</u>	<u>32</u>	<u>11,491</u>	<u>2,621</u>
Weighted average number of ordinary shares in issue	87,383,254	87,334,350	87,334,350	87,334,350
Adjustments for warrants granted	<u>16,341,776</u>	<u>14,200,946</u>	<u>16,341,776</u>	<u>14,200,946</u>
Adjusted weighted average number of ordinary shares in issue	<u>103,725,030</u>	<u>101,535,296</u>	<u>103,676,126</u>	<u>101,535,296</u>
Diluted earnings/(loss) per share (sen)				
- from continuing operations	(4.25)	0.03	11.08	(1.83)
- from discontinued operations	-	-	-	4.41
	<u>(4.25)</u>	<u>0.03</u>	<u>11.08</u>	<u>2.58</u>

B15 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

B16 Realised & Unrealised Profit/Losses Disclosure

The retained profits as at 31 December 2014 and 31 December 2013 is analysed as follows:

	31.12.2014 RM'000	31.12.2013 RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	54,758	44,606
-Unrealised	453	348
	<hr/>	<hr/>
	55,211	44,954
Less: Consolidation adjustments	(9,644)	(10,878)
	<hr/>	<hr/>
Total Group retained profits as per consolidated financial statements	45,567	34,076
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By order of the Board
LEE CHIEW HIANG
Executive Director
Penang
Date: 27 February 2015