

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 2014. 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 2014.

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 2014 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 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 119, Employee Benefits – Defined Benefit Plans: Employee Contributions
- 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 7, Financial Instruments; Disclosures (Annual Improvements 2012-2014 Cycle)

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14, Regulatory Deferral Accounts#
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012 – 2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, Revenue from Contracts with Customers

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)

- A3 Auditors' Report on Preceding Annual Financial Statements
The auditors' report on the audited financial statements for the financial year ended 31 December 2014 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 March 2015.
- 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 March 2015.
- A7 Debts and equity securities
Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

Issuance of Shares

For the current quarter ended 31 March 2015, the issued and paid up share capital has increased from 87,432,550 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 87,433,700 shares by conversion of warrants to shares as follows:

<u>Number of Shares Issued</u>	<u>Price per share (RM)</u>
1,150	1.00

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 March 2015 and 31 March 2014 is as follows:-

Business Segment

3 Months ended 31 Mar 2015	Manufacturing RM'000	Investment Holding RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	3,051	4,215	32	7,298
Result				
Segment results	40	901	(63)	878
Interest expense				<u>(2,483)</u>
Loss before taxation				<u><u>(1,605)</u></u>

3 Months ended 31 Mar 2014	Manufacturing RM'000	Investment Holding RM'000 (Restated)	Restaurant RM'000	Consolidated RM'000 (Restated)
Revenue	3,470	4,130	47	7,647
Result				
Segment results	61	6,752	(126)	6,687
Interest expense				<u>(2,337)</u>
Profit before taxation				<u><u>4,350</u></u>

A10 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 2014.

A11 Material events subsequent to balance sheet date
There were no material events subsequent to the end of the period under review to 21 May 2015.

A12 Changes in the composition of the Group
There were no changes to the composition of the Group for the current quarter.

A13 Changes in contingent liabilities or contingent assets as at 31 March 2015

Unsecured:

	RM'000
Corporate guarantee issued to banks for credit facilities granted to subsidiary companies	90,185

A14 Property, plant and equipment
There were no significant acquisitions for the current quarter 31 March 2015.

A15 Capital commitments
There were no capital commitments during the current quarter ended 31 March 2015.

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		Period ended	
	31.03.2015 RM'000	31.03.2014 RM'000	31.03.2015 RM'000	31.03.2014 RM'000
Manufacturing division				
Revenue	3,051	3,470	3,051	3,470
(Loss)/Profit before taxation	(141)	51	(141)	51
Investment holding division				
Revenue	4,215	4,130	4,215	4,130
(Loss)/Profit before taxation	(1,401)	4,427	(1,401)	4,427
Restaurant division				
Revenue	32	47	32	47
Loss before taxation	(63)	(128)	(63)	(128)
Total				
Revenue	7,298	7,647	7,298	7,647
(Loss)/Profit before taxation	(1,605)	4,350	(1,605)	4,350

For the current financial quarter, the group recorded a revenue of RM7.30 million, a decrease of RM0.35 million as compared to RM7.65 million in the preceding year corresponding quarter. The Group recorded a loss before tax of RM1.61 million in the current quarter as compared to profit before tax of RM4.35 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 RM3.05 million in the current financial quarter, an decrease of RM0.42 million as compared to RM3.47 million recorded in the preceding year corresponding quarter. The pretax loss recorded in the current quarter was RM0.14 million compared to profit before tax of RM0.05 million in the preceding year corresponding quarter. The decreased in revenue and loss before tax were mainly contributed by lower orders from customers in the current quarter.

The investment holding division recorded a revenue of RM4.22 million in the current financial quarter, an increase of RM0.085 million as compared to RM4.13 million recorded in the preceding year corresponding quarter. The investment holding division recorded a loss before tax of RM1.40 million in the current financial quarter as compared to profit before tax of RM4.43 million in the preceding year corresponding quarter. The increase in revenue was mainly contributed by increase in rental received and loss before tax was mainly due to impairment of investment in quoted securities.

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 RM0.06 million compared to loss before tax RM0.13 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 RM7.30 million and RM1.61 million respectively. The revenue decreased by RM0.81 million compared to RM8.11 million achieved in the immediate preceding quarter. The lower revenue achieved compared to the immediate preceding quarter was mainly due to the one off adjustment to long term rental income over the lease period for the amount of RM639K during the fourth quarter ended 31 December 2014. The contributory factors to the above performances are explained in the respective operating business segments as follows:

Segment	3 months ended	
	31.03.2015 RM '000	31.12.2014 RM '000
Manufacturing division		
Revenue	3,051	2,913
Loss before taxation	(141)	(441)
Investment holding division		
Revenue	4,215	5,168
Loss before taxation	(1,401)	(4,048)
Restaurant division		
Revenue	32	30
Loss before taxation	(63)	(39)
Total		
Revenue	7,298	8,111
Loss before taxation	(1,605)	(4,528)

Manufacturing division recorded a revenue RM3.05 million compared to RM2.91 million in the immediate preceding quarter. The division recorded loss before tax of RM0.14 million in the current quarter compared to loss before tax of RM0.44 million in the immediate preceding quarter. The higher revenue and improvement in the loss before tax was during the current quarter was mainly due to increase orders from existing customers.

The investment holding division recorded a revenue of RM4.22 million in the current quarter compared to RM5.17 million in the immediate preceding quarter. The lower revenue recorded in the current quarter compared to the immediate preceding quarter was mainly due to the one off adjustment to long term rental income over the lease period for the amount of RM639K during the fourth quarter ended 31 December 2014. The investment holding division recorded loss before tax of RM1.40 million compared to loss before tax of RM4.05 million in the immediate preceding quarter. The improvement to the loss before tax in the current quarter was mainly due to the recognition of profit from disposal of investment properties.

The restaurant division recorded a revenue RM0.03 million in the current quarter and loss before tax of RM0.06 million compared to loss before tax of RM0.04 million in the immediate preceding quarter.

B3 Prospects for the year 2015

The semiconductor industries performance is influenced by global demand and the manufacturing division performance would be dependent on the orders from existing customers. 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.

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		Period ended	
	31.03.2015 RM'000	31.03.2014 RM'000	31.03.2015 RM'000	31.03.2014 RM'000
(a) Profit on disposal of investment properties	5,445	4,755	5,445	4,755
(b) Interest expense	(2,483)	(2,337)	(2,483)	(2,337)
(c) Interest income	13	13	13	13
(d) Allowance for write down/(back) of inventories	(210)	(150)	(210)	(150)
(e) (Loss)/Profit on foreign exchange				
- realised	17	(7)	17	(7)
- unrealised	(179)	27	(179)	27
(f) Depreciation and amortisation	(1,286)	(1,241)	(1,286)	(1,241)
(g) Impairment of other investment	(6,222)	-	(6,222)	-

B6 Tax expense

	3 months ended		Period ended	
	31.03.2015 RM'000	31.03.2014 RM'000	31.03.2015 RM'000	31.03.2014 RM'000
Income tax expense				
-Current	260	225	260	225
-Prior year	(62)	-	(62)	-
Deferred tax expense				
-Current	3	229	3	229
-Prior year		-		-
	<u>201</u>	<u>454</u>	<u>201</u>	<u>454</u>

The effective tax rates for the current quarter is higher than the statutory tax rate mainly due to unqualified expenses being disallowed for taxation purposes.

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 ended 31 March 2015 except for the gain from disposal of properties amounting to about RM5.45 million.

B8 Marketable securities

Total acquisition and disposal of quoted shares for the current financial year to date ended 31 March 2015 are as follows:-

	Current Quarter RM'000
Total acquisition	18,148
Total disposal	(7,192)

Investments in quoted securities as at 31 March 2015 were as follows:

	RM'000
Shares quoted in Malaysia:-	
Balance at 1 January 2015	20,674
Acquisition	18,148
Disposal	(7,192)
Impairment loss	(6,222)

Balance at 31 March 2015	25,408

B9 Status of corporate proposals
 There were no corporate proposals for the current quarter ended 31 March 2015.

B10 Borrowing and debts securities

	31 March 2015 RM'000
Current	
Overdraft	21,830
Term loan - secured	9,995
Non-current	
Term loan - secured	111,427

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 21 May 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. 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. The guarantor had settled RM919K to date but had defaulted by failing to make the monthly payment of RM100,000 per month from 14 December 2014 onwards. Following which RPT has issued a notice of demand and shall continue the bankruptcy proceeding against the guarantor.

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		Period ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	<u>(1,806)</u>	<u>3,896</u>	<u>(1,806)</u>	<u>3,896</u>
Weighted average number of ordinary shares in issue	87,433,687	87,347,460	87,433,687	87,347,460
Basic earnings/(loss) per share (sen)	<u>(2.07)</u>	<u>4.46</u>	<u>(2.07)</u>	<u>4.46</u>

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

	3 months ended		Period ended	
	31.03.2015	31.03.2014	31.03.2015	31.12.2014
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	<u>(1,806)</u>	<u>3,896</u>	<u>(1,806)</u>	<u>3,896</u>
Weighted average number of ordinary shares in issue	87,433,687	87,347,460	87,433,687	87,347,460
Adjustments for warrants granted	<u>16,734,726</u>	<u>15,337,763</u>	<u>16,734,726</u>	<u>15,337,763</u>
Adjusted weighted average number of ordinary shares in issue	<u>104,106,413</u>	<u>102,685,223</u>	<u>104,168,413</u>	<u>102,685,223</u>
Diluted earnings/(loss) per share (sen)	<u>(1.73)</u>	<u>3.79</u>	<u>(1.73)</u>	<u>3.79</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 March 2015 and 31 December 2014 is analysed as follows:

	31.03.2015 RM'000	31.12.2014 RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	52,991	54,757
-Unrealised	260	300
	<hr/>	<hr/>
	53,251	55,057
Less: Consolidation adjustments	(9,644)	(9,644)
	<hr/>	<hr/>
Total Group retained profits as per consolidated financial statements	<u>43,607</u>	<u>45,413</u>

By order of the Board
LEE CHIEW HIANG
Executive Director
Penang
Date: 29 May 2015