

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER IN RESPECT OF FINANCIAL YEAR ENDING 31
DECEMBER 2016 – UNAUDITED**

**Part A: 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 30 June 2016, 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 statement of the Group for the financial year ended 31 December 2015. 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 2015.

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 2015 except for the adoption of the following with effect from 1 January 2016:

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

- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments; Disclosures (Annual Improvements 2012-2014 Cycle)
- 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
- Amendments MFRS 101, Presentation of Financial Statements: Disclosures Initiative
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
- 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)

The following are the accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

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

- Amendments to MFRS 107, Statement of Cash Flows - Disclosure Initiative
- Amendments to MFRS 112, Income Taxes - Recognition of Deferred Tax Assets for Unrealised losses

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

- MFRS 9, Financial Instruments (IFRS 9 as issued by IASB in July 2014)
- MFRS 15, Revenue from Contracts with Customers

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption other than MFRS9, Financial Instruments, MFRS 15, Revenue from Contracts with Customers and MFRS 16, Leases which the Group is currently assessing the financial impact.

A3 Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the audited financial statements for the financial year ended 31 December 2015 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 30 June 2016.

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 30 June 2016.

A7 Debts and equity securities

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review.

During the current quarter ended 30 June 2016, the issued and paid-up share capital of the Company increased by 4,200 ordinary shares of RM1.00 each to 87,456,050 from 87,451,850 previously following conversion of warrants.

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 30 June 2016 and 30 June 2015 are as follows:

6 Months ended 30 June 2016	Manufacturing RM'000	Investment Holding RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	4,062	8,223	25	12,310
Result				
Segment results	(349)	5,196	(75)	4,772
Interest expense				(5,153)
Loss before taxation				(381)

6 Months ended 30 June 2015	Manufacturing RM'000	Investment Holding RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	5,954	8,475	66	14,495
Result				
Segment results	52	(10,269)	(122)	(10,339)
Interest expense				(4,970)
Loss before taxation				(15,309)

A10 Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendments from the audited financial statements for the year ended 31 December 2015.

A11 Material events subsequent to balance sheet date

There were no material events subsequent to the end of the period under review to 12 August 2016.

A12 Changes in the composition of the Group

There were no material events subsequent to the end of the period under review to 12 August 2016.

A13 Changes in contingent liabilities or contingent assets as at 30 June 2016

The contingent liabilities / assets as at 30 June 2016 is as tabulated:

Unsecured:	RM '000
Corporate guarantee issued to banks for credit facilities granted to subsidiary companies	101,000

A14 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment losses.

~~On 29 June 2016, the Group entered into sales and purchase agreement with Aksi Bayumas Sdn Bhd to acquire a piece of vacant land measuring 21,678.70 sq ft held under title no. HS(D)17267 PT24209 located in the Mukim of Sitiawan, Manjung, Perak for RM2 Million.~~

A15 Capital commitments

There was no capital commitments during the current quarter ended 30 June 2016.

Part B: Additional information required under Part A of Appendix 9B of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

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

The performance of the Group (the Company and its principal subsidiaries on a collective basis) is summarized below:

Segment	3-months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Manufacturing				
Revenue	2,695	2,903	4,062	5,954
Loss before taxation	(153)	(151)	(691)	(291)
Investment holding				
Revenue	3,972	4,259	8,223	8,475
Profit/(Loss) before taxation	793	(13,493)	385	(14,896)
Restaurant				
Revenue	2	33	25	66
Loss before taxation	(40)	(60)	(75)	(122)
Total				
Revenue	6,669	7,195	12,310	14,495
Profit/(Loss) before taxation	600	(13,704)	(381)	(15,309)

For the current financial quarter, the Group recorded revenue of RM6.67 million, a marginal drop compared to RM7.20 million in the preceding year corresponding quarter. The Group recorded profit before tax of RM0.60 million, a significant improvement to loss before tax of RM13.70 million in the previous year corresponding quarter. The contributory factors to the above performance are explained in the respective business segments as follows:

The manufacturing division recorded revenue of RM2.70 million for the current financial quarter compared to RM2.90 million recorded in the preceding year corresponding quarter with the marginal drop attributed to lower orders from customers. Pre-tax loss of RM0.15 million was similar to result of the preceding year corresponding quarter.

The investment holding division reported a revenue of RM3.97 million for the current quarter against RM4.26 million in the preceding year corresponding quarter with the drop in revenue attributable to lesser rental received. Notwithstanding the drop in revenue, the division posted profit before tax of RM0.79 million against loss before tax of RM13.49 million in preceding year corresponding quarter. The loss before tax recorded in the preceding year corresponding quarter was mainly due to impairment of investment in quoted securities.

The restaurant division has ceased operations since May 2016.

B2 Material changes in profit /(loss) before tax for the current quarter compared to immediate preceding quarter

The Group posted revenue of RM6.67 million in respect of the current financial quarter, an increase of RM1.03 million compared to RM5.64 million recorded in the immediate preceding quarter. Accordingly, the Group recorded profit before tax of RM0.60 million compared to loss before tax of RM0.98 million in the immediate preceding quarter. The contributory factors to the above performance are explained in the respective business segments as follows:

Segment	3-months ended	
	30.06.2016 RM'000	31.03.2015 RM'000
Manufacturing		
Revenue	2,695	1,367
Loss before taxation	(153)	(538)
Investment holding		
Revenue	3,972	4,252
Profit/(Loss) before taxation	793	(404)
Restaurant		
Revenue	2	22
Loss before taxation	(40)	(40)
Total		
Revenue	6,669	5,641
Profit/(Loss) before taxation	600	(982)

The manufacturing division recorded a revenue of RM2.70 million and loss before tax of RM0.15 million in the current quarter compared to RM1.37 million and RM0.54 million respectively in the immediate preceding quarter. The improvement in revenue arising from increase in orders for tooling parts during the quarter under review contributed to reduction in loss before tax.

The investment holding division recorded revenue of RM3.97 million in the current quarter compared to RM4.25 million in the immediate preceding quarter. The reduction in rental received contributed to the lower revenue recorded in the current quarter compared to the immediate preceding quarter. Nevertheless, the division managed to posted profit before tax of RM0.79 million compared to loss before tax of RM0.40 million in the immediate preceding quarter due mainly to the gain of RM1.56 million arising from disposal of investment property.

The restaurant division has ceased business since May 2016.

B3 Prospects for the year 2016

The business environment remains trying given the intensified competition and prevailing lackluster global economic condition. The manufacturing division's performance would be very much dependent on the orders from existing customers and the anticipated gradual recovery in the global economy.

The retail business in Malaysia remains tough due to unfavorable global economic condition coupled with depreciation of the Malaysian Ringgit which resulted in higher costs for imported material and contraction in consumer spending power. The continued dismal outlook could see consolidation of activities in the retail business and consequently have negative impact on the rental income received by the investment holding division.

B4 Profit forecast

This was 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		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
(a) Profit on disposal of investment properties	1,562	3,103	1,562	8,548
(b) Interest expense	(2,568)	(2,487)	(5,153)	(4,070)
(c) Interest income	-	-	-	13
(d) Allowance for write (down)/back of inventories	(11)	(150)	(21)	(360)
(e) (Loss)/Profit on foreign exchange				
- realised	125	(9)	126	8
- unrealised	(78)	68	(209)	(110)
(f) Depreciation and amortisation	(1,237)	(1,265)	(2,510)	(2,550)
(g) Impairment of other investment	-	(15,997)	-	(22,219)

B6 Tax expense

	3 months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Income tax expense				
-Current	205	458	592	656
-Prior year	33	(62)	33	(62)
Deferred tax expense				
-Current	(5)	75	(2)	78
	<u>233</u>	<u>471</u>	<u>623</u>	<u>672</u>

The effective tax rate 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 30 June 2016 except for the gain of RM1.56 million from the disposal of a retail shop office.

Also on 10 May 2016, the Company had entered into sale and purchase agreement for the disposal of one unit of condominium with an estimated gain of RM0.457 million. The gain of RM0.457 million would be only recognized upon the completion of the disposal in the third quarter of 2016.

B8 Marketable securities

There were no purchase or disposal of quoted securities during the current quarter ended 30 June 2016.

B9 Status of corporate proposals

There were no corporate proposals for the current quarter ended 30 June 2016.

B10 Borrowing and debts securities

All borrowings of the Group are denominated in Ringgit Malaysia.

		3 months ended 30.06.2016 RM'000
Current	Overdraft	22,246
	Term loan - secured	11,781
Non-current	Term loan - secured	110,036

B11 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at 12 August 2016.

B12 Changes in material litigation

On 6 January 2003, Rapid Mall Sdn Bhd (RMSB) and Rapid Precision Technologies Sdn Bhd (RPTSB), both wholly owned subsidiaries of Rapid Synergy Berhad, 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, RPTSB had entered into a 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 paid RM919,000 as part payment of the amount owed. The balance amount of RM919,166 was to be settled by monthly instalment of RM100,000 with first instalment due on 14 December 2014. The guarantor had defaulted the instalment payment and RPTSB had issued notice of demand.

The guarantor then had agreed to settle the balance payment of RM919,166 by 1 September 2016 over four instalments.

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		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	367	(14,175)	(1,004)	(15,981)
Weighted average number of ordinary shares in issue	87,447,962	87,433,687	87,453,224	87,433,687
Basic earnings/(loss) per share (sen)	0.42	(16.21)	(1.15)	(18.28)

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

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	367	(14,175)	(1,004)	(15,981)
Weighted average number of ordinary shares in issue	87,447,962	87,433,687	87,453,224	87,433,687
Adjustments for warrants granted	16,849,900	16,722,413	16,849,900	16,722,413
Adjusted weighted average number of ordinary shares in issue	104,297,862	104,156,100	104,303,124	104,156,100
Diluted earnings/(loss) per share (sen)	0.35	(13.61)	(0.96)	(15.34)

B15 Realised & Unrealised Profit/Losses Disclosure

The retained profits as at 30 June 2016 and 31 December 2015 is analysed as follows:

	30.06.2016 RM'000	31.12.2015 RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	36,318	37,231
- Unrealised	(195)	136
	36,123	37,367
Less: Consolidation adjustments	(8,314)	(8,554)
Total Group retained profits as per consolidated financial statements	27,809	28,813

B16 Authorisation for issue

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

By order of the Board
LEE CHIEW HIANG
Executive Director
Penang
19 August 2016