

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD 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 September 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 September 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 September 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 September 2016, the issued and paid-up share capital of the Company increased by 1,100 ordinary shares of RM1.00 each to 87,457,150 from 87,456,050 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 September 2016 and 30 September 2015 are as follows:

9 Months ended 30 September 2016	Manufacturing RM'000	Investment Holding RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	7,367	12,024	25	19,416
Result				
Segment results	214	8,005	(75)	8,144
Interest expense				(7,730)
Profit before taxation				414

9 Months ended 30 September 2015	Manufacturing RM'000	Investment Holding RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	8,406	12,652	100	21,158
Result				
Segment results	125	(6,389)	(185)	(6,449)
Interest expense				(7,514)
Loss before taxation				(13,963)

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 11 November 2016.

A12 Changes in the composition of the Group

There were no material events subsequent to the end of the period under review to 11 November 2016.

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

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

Unsecured:	RM '000
Corporate guarantee issued to banks for credit facilities granted to subsidiary companies	105,000

A14 Property, plant and equipment

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

A15 Capital commitments

There was no capital commitments during the current quarter ended 30 September 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		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Manufacturing				
Revenue	3,306	2,452	7,367	8,406
Profit/(Loss) before taxation	380	(60)	(311)	(351)
Investment holding				
Revenue	3,800	4,177	12,024	12,652
Profit/(Loss) before taxation	415	1,468	800	(13,427)
Restaurant				
Revenue	-	34	25	100
Loss before taxation	-	(62)	(75)	(185)
Total				
Revenue	7,106	6,663	19,416	21,158
Profit/(Loss) before taxation	795	1,346	414	(13,963)

For the current financial quarter, the Group recorded revenue of RM7.11 million, an increase of RM0.44 million as compared to RM6.66 million in the preceding year corresponding quarter. The Group recorded profit before tax of RM0.80 million in the current quarter as compared to profit before tax of RM1.35 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 RM3.31 million in the current financial quarter, an increase of RM0.85 million as compared to RM2.45 million recorded in the previous year corresponding quarter. The profit before tax recorded in the current quarter was RM0.38 million, an increase of RM0.44 million as compared to loss before tax of RM0.06 million recorded in the previous year corresponding quarter. The improvement during the current quarter was mainly due to increase in orders from our existing customers.

The investment holding division reported a revenue of RM3.80 million for the current quarter against RM4.18 million in the preceding year corresponding quarter with the drop in revenue attributable to lesser rental received. The investment division posted profit before tax of RM0.42 million against profit before tax of RM1.47 million in preceding year corresponding quarter. The higher profit before tax recorded in the preceding year corresponding quarter was mainly due to the gain of RM1.93 million arising from disposal of investment property.

The restaurant division has ceased operations since May 2016.

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

The Group posted revenue of RM7.11 million in respect of the current financial quarter, an increase of RM0.44 million compared to RM6.67 million recorded in the immediate preceding quarter. Accordingly, the Group recorded profit before tax of RM0.80 million compared to profit before tax of RM0.60 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	
	30.09.2016 RM'000	30.06.2016 RM'000
Manufacturing		
Revenue	3,306	2,695
Profit/(Loss) before taxation	380	(153)
Investment holding		
Revenue	3,800	3,972
Profit before taxation	415	793
Restaurant		
Revenue	-	2
Loss before taxation	-	(40)
Total		
Revenue	7,106	6,669
Profit before taxation	795	600

The manufacturing division recorded a revenue of RM3.31 million and profit before tax of RM0.38 million in the current quarter compared to RM2.70 million and loss before tax of RM0.15 million respectively in the immediate preceding quarter. The improvement in revenue and profit before tax were mainly due to increase in orders for tooling parts.

The investment holding division recorded revenue of RM3.80 million in the current quarter compared to RM3.97 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. The investment division posted profit before tax of RM0.42 million compared to profit before tax of RM0.79 million in the immediate preceding quarter. The higher profit before tax recorded in the immediate preceding quarter was mainly due to gain of RM1.56 million from disposal of investment property compared to gain of only RM0.46 million in the current quarter.

The restaurant division has cease 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		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
(a) Profit on disposal of investment properties	458	1,928	2,021	10,476
(b) Interest expense	(2,574)	(2,544)	(7,730)	(7,514)
(c) Interest income	-	1	-	14
(d) Allowance for write (down)/back of inventories	-	(150)	(21)	(510)
(e) (Loss)/Profit on foreign exchange				
- realised	(8)	97	118	105

	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
- unrealised	26	443	(183)	332
(f) Depreciation and amortisation	(1,249)	(1,270)	(3,755)	(3,820)
(g) Impairment of other investment	-	-	-	(22,219)

B6 Tax expense

	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Income tax expense				
-Current	571	267	1,163	923
-Prior year	25	282	58	223
Deferred tax expense				
-Current	(51)	(90)	(53)	(15)
	<u>545</u>	<u>459</u>	<u>1,168</u>	<u>1,131</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 September 2016 except for the gain of RM0.46 million from the disposal of one unit of condominium.

On 19 August 2016, the Company had entered into sale and purchase agreement for the disposal of one unit of double storey shop office with an estimated gain of RM0.25 million. The gain of RM0.25 million would only be recognized upon the completion of the disposal. The disposal is expected to be completed in the fourth quarter of 2016.

B8 Marketable securities

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

B9 Status of corporate proposals

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

B10 Borrowing and debts securities

All borrowings of the Group are denominated in Ringgit Malaysia.

		9 months ended 30.09.2016 RM'000
Current	Overdraft	24,501
	Term loan - secured	12,484
Non-current	Term loan - secured	110,259

B11 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at 11 November 2016.

B12 Changes in material litigation

Summons on Nychem Technologies Sdn Bhd ("Nychem")

On 6 January 2003, Rapid Mall Sdn Bhd ("RM") and Rapid Precision Technologies Sdn Bhd ("RPT"), both wholly owned subsidiaries of the Company, had served summons on 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 with the final instalment to be paid on or before 14 September 2015. The guarantor had paid RM919,000 as part payment of the amount owing. The balance of the amount RM919,166 was to be settled by monthly instalments of RM100,000 with first instalment due on 14 December 2014. The guarantor had defaulted on the instalment payment and RPT had issued notice of demand.

During the current quarter, the guarantor had paid the balance payment of RM919,166 and the above litigation has been settled.

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		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	250	887	(754)	(15,094)
Weighted average number of ordinary shares in issue	87,448,243	87,434,574	87,453,505	87,435,712
Basic earnings/(loss) per share (sen)	0.29	1.01	(0.86)	(17.26)

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

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	250	887	(754)	(15,094)
Weighted average number of ordinary shares in issue	87,448,243	87,434,574	87,453,505	87,435,712
Adjustments for warrants granted	16,797,484	16,778,907	16,797,484	16,778,907
Adjusted weighted average number of ordinary shares in issue	104,245,727	104,213,481	104,250,989	104,214,619
Diluted earnings/(loss) per share (sen)	0.24	0.85	(0.72)	(14.48)

B15 Realised & Unrealised Profit/Losses Disclosure

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

	30.09.2016 RM'000	31.12.2015 RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	36,397	37,231
- Unrealised	(195)	136
	36,202	37,367
Less: Consolidation adjustments	(8,314)	(8,554)
Total Group retained profits as per consolidated financial statements	27,888	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
23 November 2016