

RAPID SYNERGY BERHAD
(Company No. 325935-U)

Notes to the interim financial report for the period ended 31 December 2002

- A1 **Basis of preparation**
The interim financial report is unaudited and has been prepared in compliance with MASB 26 “Interim Financial Reporting” and paragraph 9.22 Part K of the Kuala Lumpur Stock Exchange Listing Requirements. The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2001.
- The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2001, except for the adoption of new approved Accounting Standards that have come into effect during the current financial period.
- A2 **Declaration of qualification of audit report**
The audit report of the preceding annual financial statements of the Group was not subject to any qualification.
- A3 **Seasonal or cyclical factors**
The Group’s operations were not affected by any significant seasonal or cyclical factors in the current quarter.
- A4 **Unusual items affecting assets, liabilities, equity, net income or cash flows**
Other than disclosed in the financial statements there were no unusual items affecting the financial statements for the financial period under review.
- A5 **Change in accounting estimates**
There was no material change in accounting estimates used in the preparation of financial statements in the current financial period as compared with the previous financial period or previous financial year.
- A6 **Debts and equity securities**
There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date.
- A7 **Dividend paid**
The first and final tax exempt dividend of 2 sen per ordinary share amounting to RM399,980 in respect of financial year ended 31 December 2001 was approved by the members and paid on 5 July 2002.
- A8 **Segment information**
Segment information is presented in respect of the Group’s business segment.

	Revenue		Profit/(Loss) before tax	
	12 months ended			
	2002	2001	2002	2001
	RM’000	RM’000	RM’000	RM’000
Manufacturing	16,049	16,517	2,214	3,440
Investment	231	241	4,501	1,372
Property development	-	-	(422)	(209)
	16,280	16,758	6,293	4,603
Inter-segment elimination	-	-	(4,498)	-
	16,280	16,758	1,795	4,603

A9 Valuations of land held for development, property, plant and equipment
The valuations of land held for development, property, plant and equipment have been brought forward, without amendments from the previous annual report.

A10 Material events subsequent to balance sheet date
Rapid Construction Contractors Sdn Bhd (formerly known as Rapid-Metal and Plastics Products (M) Sdn. Bhd) and Rapid Precision Technologies Sdn Bhd (formerly known as Formosa Engineering Sdn Bhd) had been advised by its solicitors on 6 January 2003 that summons had been served on Nychem Technologies Sdn Bhd 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. The financial impact of the Group in the worst-case scenario is RM300,000 which is equivalent of 1.5 sen reduction on the net tangible assets and earnings per share.

The above event was announced to the Kuala Lumpur Stock Exchange (KLSE).

A11 Changes in the composition of the Group
There were no changes in the composition of the Group for the current quarter and financial year-to-date including business combinations, acquisition or disposal of subsidiaries and long term investment, restructurings and discontinuing operations.

A12 Changes in contingent liabilities
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries were increased from RM8.82 million at 31 December 2001 to RM12.950 million at 31 December 2002.

A13 Property, plant and equipment
Significant acquisition of items of property, plant and equipment for the current quarter and year-to-date ended 31 December 2002 are as follows:

Items of property, plant and equipment	Current quarter RM'000	Year to-date RM'000
Machinery and equipment	71	940
Renovation	-	173

A14 Capital commitments

	Group
Property, plant and equipment and investments	
- Authorized but not contracted for as at 31 December 2002	Nil

ADDITIONAL INFORMATION REQUIRED BY THE KLSE'S LISTING REQUIREMENTS

B1 Review of the performance of the company and its principal subsidiaries
The Group incurred an after tax loss of RM0.680 million and achieved an after tax profit of RM1.389 million for the current quarter and twelve months period ended 31 December 2002 as compared to the profit of RM2.613 million and RM4.523 million respectively for the previous corresponding periods. The lower profit was due to non-repetitive gains of RM2.6 million in year 2001 from bond sale, dividends from bonds, interest income and disposal of machineries as well as higher provision for doubtful debts of RM0.52 million in 2002.

B2 Variation of results against preceeding quarter
For the quarter under review, the Group recorded a loss before tax of RM0.629 million as compared to a profit of RM0.658 million in the immediate preceeding quarter. The variation was mainly contributed by higher provision for bad debts, sales rebate, poorer product mix with lower margins and an 18 per cent drop in tooling sales due to weaker global semiconductor demands.

B3 Prospects for the current year
The surge of risk aversion arising from war tensions, the fragility of the USA economy and the renewed weakness in the major OECD countries is clouding global economic prospects and poor visibility. However looking beyond a possible war, the prospects for semiconductor recoveries from various analysts reports are positive especially in the second half of 2003. The Board is positive of maintaining and improving its profitability for the year 2003.

B4 Profit forecast
Not applicable as no profit forecast was published.

B5 Tax expense

	3 months ended 31 December		12 months ended 31 December	
	2002	2001	2002	2001
Current tax expense				
- Current	2	5	2	80
- Prior period	-	-	-	-
	-----	-----	-----	-----
	2	5	2	80
	=====	=====	=====	=====
Deferred tax expense	49	-	404	-
	=====	=====	=====	=====

Other than the current tax expense on interest income there were no tax expense on profit for the current quarter and year-to-date ended 31 December 2002 as the taxable income was absorbed by brought forward losses and capital allowances.

The deferred tax expense is attributable to the realization of the benefit from utilization of capital allowances and losses.

B6 Profits/(Losses) on sale of unquoted investments and/or properties
There were no profit/(losses) on sale of unquoted investments and properties for the current quarter. For the financial year-to-date profits on sale of unquoted investment amounted to RM123,000.

B7 Quoted securities
There was no purchase and disposal of quoted securities for the current quarter and financial year-to-date. There was no investment in quoted shares as at 31 December 2002.

B8 Status of corporate proposals
RSB had obtained its shareholders approval at the Extraordinary General Meeting on 29 November 2002 for a bonus issue of 21,998,900 new ordinary shares in order to increase its paid up capital to RM41,997,900. The book closure date and allotment date was on 7 February 2003 and 13 February 2003 respectively.

B9 Borrowing and debts securities

	31 December 2002 RM'000
Current	
Secured	1,053
	=====
Non-current	
Secured	2,988
	=====

The above borrowings are denominated in Ringgit Malaysia.

- B10 Off balance sheet financial instruments
The Group does not have any financial instruments with off balance sheet risk as at 15 February 2003, being the latest practicable date which is not earlier than seven days from the date of issuance of this quarterly announcement.
- B11 Changes in material litigation
There is no change in status quo on the writ of summons dated 6 March 2002 filed by RSB against Relau Estate Sdn. Bhd.
- B12 Dividends
(a)(i) a first and final tax-exempt dividend has been recommended subject to members' approval;
(ii) amount per share 1 sen;
(iii) previous corresponding period 2 sen;
(iv) the date payable – to be determined at a later date.
- B13 Earnings per share
Basic Earnings Per Share
The basic earnings per share for the current quarter and year to-date have been calculated based on the net loss of RM680,000 and net profit of RM1,389,000 attributable to ordinary shareholders respectively and the weighted average number of ordinary shares outstanding during the quarter of 19,999,000.
- Diluted Earnings Per Share
Not applicable.

By order of the Board

LIM FUNG NENG
Managing Director

Penang
Date: 21 February 2003

