

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

**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS**

**Selected explanatory notes pursuant to Financial Reporting Standards (FRS) 134 Interim Financial Reporting**

A1 Basis of preparation

These condensed consolidated interim financial reports, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial reports also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS")

These condensed consolidated interim financial reports are the Group's first MFRS condensed consolidated interim financial reports for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MRFS 1: First time adoption of Malaysian Financial Reporting Standards ("MRFS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position is as set out below. These notes include reconciliations of equity for the comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of comprehensive income and cash flows.

**Property, plant and equipment**

The Group has previously adopted revaluation model for its property comprising buildings every five (5) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116, Property, Plant and Equipment. At the date of transition to MFRS, the Group uses previous revaluation at or before the date of transition as deemed cost. The revaluation surplus was transferred to retained earnings on date of transition to MFRS.

**Prepaid Lease Payment**

Under FRSs, the Group measured prepaid lease payments on operating leasehold land in accordance with the transitional provision in FRS 117, Leases. The transitional provision allowed the Group to carry the previously revalued leasehold land at the unamortised carrying amount when the Group first applied FRS 117 in 2006. The transitional provision is not available under MFRS 117.

Upon the transition to MFRS, the Group uses the same unamortized carrying amount at the date of transition to be the deemed cost of the prepaid lease payment since it was an event driven revaluation exercise of the land in 1996. The revaluation surplus was transferred to retained earnings on date of transition to MFRS.

A1 Basis of preparation (Cont'd)

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

Reconciliation of equity as at 1 January 2011

	FRSs as at 1 January 2011 RM'000	Effect of transition to MFRSs RM'000	MFRSs as at 1 January 2011 RM'000
Revaluation reserve	75	(75)	-
Retained earnings	38,268	75	38,343

Reconciliation of equity as at 30 June 2011

	FRSs as at 31 June 2011 RM'000	Effect of transition to MFRSs RM'000	MFRSs as at 31 June 2011 RM'000
Revaluation reserve	75	(75)	-
Retained earnings	40,360	75	40,435

Reconciliation of equity as at 31 December 2011

	FRSs as at 31 December 2011 RM'000	Effect of transition to MFRSs RM'000	MFRSs as at 31 December 2011 RM'000
Revaluation reserve	75	(75)	-
Retained earnings	38,900	75	38,975

A2 Auditors' Report on Preceding Annual Financial Statements

The audit report of the preceding annual financial statements for the financial year ended 31 December 2011 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 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 2012.

A5 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 2012.

A6 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 and financial year-to-date.

Issuance of Shares

For the current quarter ended 30 June 2012, the issued and paid up share capital of Rapid Synergy Berhad was increased from 87,333,100 ordinary shares of RM1.00 each to 87,334,350 of RM1.00 each by the conversion of warrants to shares as follows:

<u>Number of shares Issued</u>	<u>Price per share (RM)</u>
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1,250	1.00
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A7 Dividend

There was no dividend payment made for the current quarter under review.

A8 Segmental Reporting

The segment information for business segments predominantly conducted in Malaysia for the financial period ended 30 June 2012 and 30 June 2011 is as follows:-

**Business Segment**

**2012**

	<b>Manufacturing RM'000</b>	<b>Investment Holding RM'000</b>	<b>Retail RM'000</b>	<b>Consolidated RM'000</b>
Revenue	6,876	6,619	1,601	15,096
<b>Result</b>				
Segment results	775	2,912	(562)	3,125
Interest expense				(4,031)
Loss before taxation				(906)

**2011**

	<b>Manufacturing RM'000</b>	<b>Investment Holding RM'000</b>	<b>Retail RM'000</b>	<b>Consolidated RM'000</b>
Revenue	7,516	5,823	-	13,339
<b>Result</b>				
Segment results	1,022	5,043	-	6,065
Interest expense				(3,230)
Profit before taxation				2,835

- A9 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 2011.
- A10 Material events subsequent to balance sheet date  
There were no material events subsequent to the end of the period under review to 21 August 2012.
- A11 Changes in the composition of the Group  
On 25 June 2012 Rapid Synergy Berhad (RSB) acquired 100% equity interest of a shelf company, Trillion Jade Sdn Bhd (TJSB). Pursuant to the acquisition TJSB becomes a wholly owned subsidiary of RSB. TJSB is also known as Rapid Retail Sdn Bhd.
- A12 Contingent liabilities as at 30 June 2012
- Unsecured :
- Corporate guarantee issued to banks for credit facilities granted to subsidiary companies

RM'000  
92,000

- A13 Property, plant and equipment  
There were no significant acquisitions for the current quarter ended 30 June 2012.

- A14 Capital commitments  
The following acquisition had been contracted but not provided as at 30 June 2012.

Equipment

RM'000  
184  
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Additional information required by the Listing Requirements of Bursa Malaysia Securities Berhad

B1	Review of the performance of the company and its principal subsidiaries	3 months ended		Period ended	
		30.06.2012	30.06.2011	30.06.2012	30.06.2011
	Segment	RM'000	RM'000	RM'000	RM'000
	Manufacturing division				
	Revenue	4,611	3,435	6,876	7,516
	Profit/(Loss) before taxation	1,199	316	122	947
	Investment holding division				
	Revenue	3,567	2,842	6,619	5,823
	Loss/(Profit) before taxation	(478)	1,842	(571)	1,888
	Retail division				
	Revenue	1,601	-	1,601	-
	Loss before taxation	(457)	-	(457)	-
	Total				
	Revenue	9,779	6,277	15,096	13,339
	Profit/(Loss) before taxation	264	2,158	(906)	2,835

For the current financial quarter, the group recorded a revenue of RM9.8 million, an increase of RM3.5 million as compared to RM6.3 million in the preceding year corresponding quarter. The Group recorded profit before tax of RM0.3 million in the current quarter as compared to RM2.2 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 revenue recorded a revenue of RM4.6 million in the current financial quarter as compared to RM3.4 million in the preceding year corresponding quarter. The profit before tax recorded in the current quarter increased by RM0.9 million from RM0.3 million in the preceding year corresponding quarter. The increase in revenue and profit before tax in the current quarter compared to the preceding year corresponding quarter was mainly due to higher sales demand.

Investment holding division recorded a revenue of RM3.6 million in the current financial quarter compared to RM2.8 million in the preceding year corresponding quarter. The increase in the revenue was mainly contributed by additional rental received from the lease of a building in Bercham, Perak. The loss before tax of RM0.48 million was recorded in the current financial quarter as compared to a profit before tax of RM1.84 million in the preceding year corresponding quarter. The profit before tax achieved in the preceding year corresponding quarter was mainly due to one-off gain of RM2.6 million from the disposal of investment property. The current loss before tax is mainly due to higher interest cost.

The retail division is a new operation to the group which commenced business in May 2012. The retail division is involved in the operation of supermarket and hypermarket. The retail division recorded a revenue and loss before tax of RM1.6 million and RM0.5million respectively in the current financial quarter. The loss before tax was mainly due to the initial set up promotional expenses and staff cost.

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

For the current financial quarter the consolidated revenue recorded was RM9.8 million an increase of RM4.5 million from RM5.3 million in the immediate preceding quarter. The increase in revenue is mainly contributed by the manufacturing and retail division. The profit before tax recorded in the current quarter was RM0.23 million compared to the loss before tax of RM1.12 million in the immediate preceding quarter. The increase in profit before tax was mainly due higher sales from the manufacturing division.

Segment	3 months ended	
	30.06.2012	31.03.2012
Manufacturing division		
Revenue	4,611	2,265
Profit/(Loss) before taxation	1,199	(424)
Investment holding division		
Revenue	3,567	3,052
Loss before taxation	(478)	(746)
Retail division		
Revenue	1,601	-
Loss before taxation	(457)	-
Total		
Revenue	9,779	5,317
Profit/(Loss) before taxation	264	(1,170)

Manufacturing division revenue increased by 50.8% from RM2.3 million to RM4.6 million in the immediate preceding quarter. The increase in revenue was mainly due to higher demand of tooling parts from existing customers.

Investment holding division recorded a revenue of RM3.6 million compared to RM3.1 million in the preceding quarter. The loss before tax recorded in the current quarter was RM0.5 million compared to the loss before tax of RM0.7 million in the preceding quarter. The improved results was mainly due to additional rental received from a hypermarket at Bercham, Perak.

The retail division is a new operation to the group which commenced business in May 2012. The retail division recorded a revenue and loss before tax of RM1.6 million and RM0.5million respectively in the current financial quarter. The loss before tax was mainly due to the initial set up promotional expenses and staff cost.

B3 Prospects for the current year

The group expects its manufacturing and investment holding business condition to improve but remain challenging. The retail division is expected to contribute positively to the group.

Barring any unforeseen circumstances, the Board is of the opinion that the performance for the financial year 2012 should be satisfactory.

B4 Profit forecast

Not applicable as no profit forecast was published.

B5 (Loss)/Profit before taxation

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

	3 months ended		Period ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
(a) Profit on disposal of investment properties	-	2,410	42	2,657
(b) Interest expenses	(2,114)	(1,629)	(4,031)	(3,230)
(c) Interest income	8	-	14	-
(d) Provision for and write off of inventories	(185)	(75)	(260)	(250)
(e) (Loss)/Profit on foreign exchange-realised	(30)	69	(37)	(14)
-unrealised	(35)	(27)	(56)	128
(f) Depreciation and amortisation	(1,148)	(987)	(2,262)	(1,991)

B6 Tax expense

	3 months ended		Cumulative period ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
-Current	579	174	804	331
-Prior year	-	-	-	20
Deferred tax expense				
-Current	47	83	17	279
-Prior year	1	113	1	113
	<u>627</u>	<u>370</u>	<u>822</u>	<u>743</u>

The Group's effective tax rate is higher than the prima facie tax rate for the current quarter due to certain expenses being disallowed for taxation purposes.

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

There were no disposal of unquoted investment for the current quarter ended 30 June 2012.

B8 Marketable securities

There were no purchase or disposal of quoted securities for the current quarter ended 30 June 2012.

B9 Status of corporate proposals

There were no corporate proposals for the current quarter ended 30 June 2012.

B10	Borrowing and debts securities	30 June 2012 RM'000
	Current	
	Overdraft	4,338
	Term loan - secured	9,336
	Non-current	
	Term loan - secured	112,706

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 August 2012.

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. The case between RM and Nychem, the hearing date has been postponed until further notice. 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.

B13 Dividends

- (a)(i) no dividend has been recommended for the quarter under review;  
(ii) amount per share nil;  
(iii) previous corresponding period nil sen;  
(iv) the date payable – not applicable;  
(v) not applicable  
(b) the total dividend for the current financial year nil sen per share

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	
	30.06.12	30.06.11	30.06.12	30.06.11
Net (loss)/Profit for the period (RM'000)	(363)	1,788	(1,728)	2,092
Weighted average number of ordinary shares in issue	87,279,668	87,191,700	87,326,319	87,184,636
Basic earnings/(loss) per share (sen)	<u>(0.42)</u>	<u>2.05</u>	<u>(1.98)</u>	<u>2.40</u>

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

	3 months ended		Period ended	
	30.06.12	30.06.11	30.06.12	30.06.11
Net (loss)/Profit for the period (RM'000)	(363)	1,788	(1,728)	2,092
Weighted average number of ordinary shares in issue	87,279,668	87,191,700	87,326,319	87,184,636
Adjustments for warrants granted	11,621,603	7,906,350	11,621,603	7,906,350
Adjusted weighted average number of ordinary shares in issue	<u>98,901,271</u>	<u>95,098,050</u>	<u>98,947,922</u>	<u>95,090,986</u>
Diluted earnings per share (sen)	-	1.88	-	2.20

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 30 June 2012 and 31 December 2011 is analysed as follows:

	30.06.2012 RM'000	31.12.2011 RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	48,208	49,986
-Unrealised	31	(19)
	<u>48,239</u>	<u>49,967</u>
Less: Consolidation adjustments	(10,992)	(10,992)
Total Group retained profits as per consolidated financial statements	<u>37,247</u>	<u>38,975</u>

By order of the Board  
LEE CHIEW HIANG  
Executive Director  
Penang  
Date : 28 August 2012