

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 September 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. MFRS 1: First time adoption of Malaysian Financial Reporting Standards ("MFRS 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 September 2011

	FRSs as at 30 September 2011 RM'000	Effect of transition to MFRSs RM'000	MFRSs as at 30 September 2011 RM'000
Revaluation reserve	75	(75)	-
Retained earnings	39,946	75	40,021

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 except for the retail sales which are dependent on the festival season in Malaysia.

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 September 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 September 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.

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 September 2012 and 30 September 2011 is as follows:-

Business Segment

2012

	Manufacturing RM'000	Investment Holding RM'000	Retail RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	9,955	10,541	8,676	46	29,218
Result					
Segment results	211	5,157	(2,229)	(565)	2,574
Interest expense					(6,324)
Loss before taxation					(3,750)

2011

	Manufacturing RM'000	Investment Holding RM'000	Retail RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	10,846	8,777	-	-	19,623
Result					
Segment results	1,466	6,320	-	-	7,786
Interest expense					(5,060)
Profit before taxation					2,726

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 20 November 2012.

A11 Changes in the composition of the Group
There were no changes to the composition of the Group for the current quarter.

A12 Contingent liabilities as at 30 September 2012

Unsecured :

Corporate guarantee issued to banks for credit facilities granted to subsidiary companies RM'000
92,000

A13 Property, plant and equipment

On 10th September 2012, the company had entered into sale and purchase agreement to acquire ten units of two storey shops at Mukim of Hulu Kinta, Perak at a consideration of RM6,135,005.

A14 Capital commitments

There were no capital commitments for the current quarter ended 30 September 2012.

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	
	30.09.2012 RM'000	30.09.2011 RM'000	30.09.2012 RM'000	30.09.2011 RM'000
Manufacturing division				
Revenue	3,079	3,330	9,955	10,846
(Loss)/Profit before taxation	(564)	520	211	1,466
Investment holding division				
Revenue	3,922	2,954	10,541	8,777
(Loss)/Profit before taxation	(16)	(629)	(1,167)	1,260
Retail division				
Revenue	7,075	-	8,676	-
Loss before taxation	(1,739)	-	(2,229)	-
Restaurant division				
Revenue	46	-	46	-
Loss before taxation	(525)	-	(565)	-
Total				
Revenue	14,122	6,284	29,218	19,623
Profit/(Loss) before taxation	(2,844)	(109)	(3,750)	2,726

For the current financial quarter, the group recorded a revenue of RM14.12 million, an increase of RM7.84 million as compared to RM6.28 million in the preceding year corresponding quarter. The Group recorded loss before tax of RM2.84 million in the current quarter as compared to profit before tax of RM0.11 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 RM3.08 million in the current financial quarter as compared to RM3.33 million in the preceding year corresponding quarter. The lower revenue was due to the slowdown in the demand from existing customers. The loss before tax recorded in the current quarter is RM0.56 million compared to profit before tax of RM0.52 million in the preceding year corresponding quarter. The loss before tax in the current quarter compared to the preceding year corresponding quarter was mainly attributed to the lower sales from the manufacturing division.

Investment holding division recorded an increase of 31 per cent in revenue from RM3.0 million in the preceding year corresponding quarter to RM3.92 million recorded in the current financial quarter. The investment holding division recorded loss before tax of RM0.02 million in the current financial quarter as compared to a loss before tax of RM0.63 million in the preceding year corresponding quarter. The improve results in both the revenue and loss of before tax was mainly contributed by the additional rental received from the lease of a building in Bercham, Perak.

The retail division recorded a revenue of RM7.08 million and loss before of tax of RM1.74 million in the current financial quarter. The retail division is involved in the operation of supermarket and hypermarket. The loss before tax was mainly due to promotional expenses and expect to improve by year 2013 as we need time to attract more customers.

The restaurant division is a new operation to the group which commenced business in July 2012. The restaurant division is involved in the operation of food and beverage. The restaurant division recorded a revenue and loss before tax of RM0.046 million and RM0.57 million respectively in the current financial quarter. The loss before tax was mainly due to the initial set up expenses and expect to improve with attractive promotions.

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 RM14.12 million an increase of RM4.34 million from RM9.78 million in the immediate preceding quarter. The increase in revenue is was mainly contributed by the retail division. The profit before tax decreased to loss before tax of RM2.84 million in the current quarter compared to the profit before tax of RM0.26 million in the immediate preceding quarter. The loss before tax was contributed by lower sales from the manufacturing division and operation expenses for retail and restaurant divisions which were new operations for the group.

Segment	3 months ended	
	30.09.2012	30.06.2012
Manufacturing division		
Revenue	3,079	4,611
(Loss)/Profit before taxation	(564)	1,199
Investment holding division		
Revenue	3,922	3,567
Loss before taxation	(16)	(478)
Retail division		
Revenue	7,075	1,601
Loss before taxation	(1,739)	(457)
Restaurant division		
Revenue	46	-
Loss before taxation	(525)	-
Total		
Revenue	14,122	9,779
(Loss)/Profit before taxation	(2,844)	264

Manufacturing division revenue decreased by 33 per cent to RM3.08 million in the current quarter compared to the revenue of RM4.61 million in immediate preceding quarter. The decrease in revenue and loss before tax of RM0.56 million for the current quarter was mainly due to decrease demand from customers.

Investment holding division recorded a revenue of RM3.92 million compared to RM3.57 million in the preceding quarter. The loss before tax recorded in the current quarter was RM0.02 million compared to the loss before tax of RM0.48 million in the preceding quarter. The improve results was mainly due to additional rental received from the lease of the retail space at Seremban.

The retail division revenue increased from RM1.60 million in the immediate preceding quarter to RM7.08 million in the current quarter. The increase in revenue was mainly contributed by the opening of the second supermarket outlet located at Seremban. The loss before tax recorded in the current quarter was RM1.7 million compared to the loss before tax of RM0.5 million in the

preceding quarter was mainly due to promotional expenses and expect to improve by year 2013 as we need time to attract more customers.

The restaurant division is a new operation to the group which commenced business in July 2012. The restaurant division recorded a revenue and loss before tax of RM0.05 million and RM0.5million respectively in the current financial quarter. The loss before tax was mainly due to the initial set up expenses and expect to improve with attractive promotions.

B3 Prospects for the current year
The global economic slowdown has affected the business sentiment. The management will continue its effort in improving the efficiency and maintain competitiveness in the market to improve the revenue and earnings in the coming quarter.

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	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
(a) Profit on disposal of investment properties	73	-	115	2,657
(b) Interest expenses	(2,296)	(1,830)	(6,324)	(5,060)
(c) Interest income	3	-	17	-
(d) Provision for and write off of inventories	132	(75)	(127)	(325)
(e) (Loss)/Profit on foreign exchange-realised	(138)	(12)	(175)	(27)
-unrealised	47	23	(10)	152
(f) Depreciation and amortisation	(1,222)	(1,041)	(3,465)	(3,043)

B6 Tax expense

	3 months ended		Cumulative period ended	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
-Current	183	180	1,048	511
-Prior year	(133)	-	(133)	20
Deferred tax expense				
-Current	(16)	161	1	440
-Prior year	-	(36)	1	77
	<u>34</u>	<u>305</u>	<u>917</u>	<u>1,048</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 was no disposal of unquoted investment for the current quarter ended 30 September 2012 except for the disposal of one unit of shop house by Fresh Melody Sdn Bhd a wholly owned subsidiary of the Company for the gain of about RM73,000.00

B8 Marketable securities
There were no purchase or disposal of quoted securities for the current quarter ended 30 September 2012.

B9 Status of corporate proposals
There were no corporate proposals for the current quarter ended 30 September 2012.

	30.09.12	30.09.11	30.09.12	30.09.11
Net (loss)/Profit for the period (RM'000)	(2,878)	(414)	(4,667)	1,678
Weighted average number of ordinary shares in issue	87,279,668	87,191,700	87,326,319	87,184,636
Adjustments for warrants granted	11,408,167	8,032,892	11,408,167	8,032,892
Adjusted weighted average number of ordinary shares in issue	<u>98,687,835</u>	<u>95,224,592</u>	<u>98,734,486</u>	<u>95,217,528</u>
Diluted earnings per share (sen)	<u>(2.92)</u>	<u>(0.43)</u>	<u>(4.73)</u>	<u>1.76</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 30 September 2012 and 31 December 2011 is analysed as follows:

	30.09.2012 RM'000	31.12.2011 RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	45,296	49,986
-Unrealised	4	(19)
	<u>45,300</u>	<u>49,967</u>
Less: Consolidation adjustments	(10,992)	(10,992)
Total Group retained profits as per consolidated financial statements	<u>34,308</u>	<u>38,975</u>

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