

**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 31 December 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 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 31 December 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 31 December 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 31 December 2012 and 31 December 2011 is as follows:-

**Business Segment**

<b>2012</b>	<b>Manufacturing RM'000</b>	<b>Investment Holding RM'000</b>	<b>Retail RM'000</b>	<b>Restaurant RM'000</b>	<b>Consolidated RM'000</b>
Revenue	11,959	14,459	13,159	215	39,792
<b>Result</b>					
Segment results	(673)	7,511	(3,482)	(1,213)	2,143
Interest expense					(8,746)
Loss before taxation					(6,603)

<b>2011</b>	<b>Manufacturing RM'000</b>	<b>Investment Holding RM'000</b>	<b>Retail RM'000</b>	<b>Restaurant RM'000</b>	<b>Consolidated RM'000</b>
Revenue	14,954	11,875	-	-	26,829
<b>Result</b>					
Segment results	2,301	7,132	-	-	9,433
Interest expense					(7,004)
Profit before taxation					2,429

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 February 2013.

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 31 December 2012

Unsecured :

Corporate guarantee issued to banks for credit facilities granted to subsidiary companies

RM'000  
92,000

A13 Property, plant and equipment  
Significant acquisition of items of property, plant and equipment for the current quarter ended 31 December 2012 are as follows:

	Current Quarter RM'000
Equipment	94

A14 Capital commitments  
There were no capital commitments for the current quarter ended 31 December 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	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
	Manufacturing division				
	Revenue	2,004	4,108	11,959	14,954
	(Loss)/Profit before taxation	(1,038)	482	(828)	1,948
	Investment holding division				
	Revenue	3,917	3,098	14,459	11,875
	(Loss)/Profit before taxation	91	(736)	(1,073)	481
	Retail division				
	Revenue	4,483	-	13,159	-
	Loss before taxation	(1,256)	-	(3,489)	-
	Restaurant division				
	Revenue	170	-	215	-
	Loss before taxation	(650)	-	(1,213)	-
	Total				
	Revenue	10,574	7,206	39,792	26,829
	Profit/(Loss) before taxation	(2,853)	(254)	(6,603)	2,429

For the current financial quarter, the group recorded a revenue of RM10.57 million, an increase of RM3.36 million as compared to RM7.21 million in the preceding year corresponding quarter. The Group recorded loss before tax of RM2.85 million in the current quarter as compared to loss before tax of RM0.25 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 RM2.00 million in the current financial quarter as compared to RM4.11 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 RM1.04 million compared to profit before tax of RM0.48 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 26 per cent in revenue from RM3.1 million in the preceding year corresponding quarter to RM3.92 million recorded in the current financial quarter. The investment holding division recorded profit before tax of RM0.09 million in the current financial quarter as compared to a loss before tax of RM0.74 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 investment properties.

The retail division recorded a revenue of RM4.48 million and loss before of tax of RM1.26 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 discount for promotional items and keen competition from other supermarkets.

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 RM0.17 million and RM0.65 million respectively in the current financial quarter. The loss before tax was mainly due to the initial set up expenses.

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 RM10.57 million a decrease of RM3.55 million from RM14.12 million in the immediate preceding quarter. The loss before tax is RM2.85 million in the current quarter compared to the loss before tax of RM2.84 million in the immediate preceding quarter. The increase in loss before tax was due to lower sales from the manufacturing and retail divisions.

Segment	3 months ended	
	31.12.2012	30.09.2012
Manufacturing division		
Revenue	2,004	3,079
Loss before taxation	(1,038)	(564)
Investment holding division		
Revenue	3,917	3,922
Profit/(Loss) before taxation	91	(16)
Retail division		
Revenue	4,483	7,075
Loss before taxation	(1,256)	(1,739)
Restaurant division		
Revenue	170	46
Loss before taxation	(650)	(525)
Total		
Revenue	10,574	14,122
Loss before taxation	(2,853)	(2,844)

Manufacturing division revenue decreased by 35 per cent to RM2.00 million in the current quarter compared to the revenue of RM3.08 million in immediate preceding quarter. The decrease in revenue was mainly due to decrease in orders from customers. The loss before tax of RM1.04 million for the current quarter was mainly due to decrease in orders and keen competition from Korea.

Investment holding division recorded a revenue of RM3.92 million for the current quarter. The profit before tax recorded in the current quarter was RM0.09 million compared to the loss before tax of RM0.02 million in the preceding quarter. The improve results was mainly due to additional rental received from the lease of the retail space of a property at Seremban.

The retail division revenue decreased from RM7.08 million in the immediate preceding quarter to RM4.48 million in the current quarter. The decrease in revenue was mainly contributed by the partial closure of the second supermarket outlet located at Seremban for renovation. The loss before tax recorded in the current quarter was RM1.26 million compared to the loss before tax of RM1.74 million in the preceding quarter. The slight improvement in the loss was mainly due additional week end sales in the current quarter.

The restaurant division is a new operation to the group which commenced business in July 2012. The restaurant division recorded a revenue RM0.17 million in the current quarter compared to RM 0.05 million in the immediate preceding quarter. The increase in revenue was mainly contributed by the opening of additional two outlets. The loss before tax of RM0.65 million in the current quarter compared to loss before tax of RM0.53 million was mainly due to discount and promotion given to customers.

B3 Prospects for the current year

The operating environment remains challenging due to global economic uncertainties. We expect the semiconductor industry to improve in year 2013. The improvement will contribute and improve the performance of the Group. Our effort to contain costs and re-align our business model will continue for both the retail and restaurant divisions and we expect these divisions will contribute positively to the performance of the Group in financial year 2013.

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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
(a) Profit on disposal of investment properties	-	-	115	2,606
(b) Interest expenses	(2,422)	(1,937)	(8,746)	(7,004)
(c) Interest income	3	-	20	-
(d) Provision for write back/(off) of inventories	404	315	277	(9)
(e) (Loss)/Profit on foreign exchange-realised	7	(29)	(168)	(55)
-unrealised	(12)	(42)	(22)	110
(f) Depreciation and amortisation	(1,484)	(1,073)	(4,949)	(4,047)

B6 Tax expense

	3 months ended		Cumulative period ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
-Current	98	472	1,146	976
-Prior year	-	199	(133)	219
Deferred tax expense				
-Current	(98)	101	(97)	525
-Prior year	-	(16)	1	77
	<u>-</u>	<u>756</u>	<u>917</u>	<u>1,797</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 and/or properties for the current quarter ended 31 December 2012 except for the disposal of 3 units of condominium amounting to RM2.39 million. The revenue and profit of the disposal has not been recognized during the current quarter. The revenue and profit of the disposal will only be recognized when the proceeds are completely received.

B8 Marketable securities

There were no purchase or disposal of quoted securities for the current quarter ended 31 December 2012.

B9 Status of corporate proposals

There were no corporate proposals for the current quarter ended 31 December 2012.

B10 Borrowing and debts securities

	31 December 2012 RM'000
Current	
Overdraft	12,746
Term loan - secured	9,930
Non-current	
Term loan - secured	121,206

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 February 2013.

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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Net (loss)/Profit for the period (RM'000)	(2,853)	(1,010)	(7,520)	632
Weighted average number of ordinary shares in issue	87,279,000	87,284,961	87,326,319	87,191,468
Basic earnings/(loss) per share (sen)	-	-	-	0.72

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

	3 months ended		Period ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Net (loss)/Profit for the period (RM'000)	(2,853)	(1,010)	(7,520)	632
Weighted average number of ordinary shares in issue	87,279,000	87,284,961	87,326,319	87,191,468
Adjustments for warrants granted	11,744,847	8,593,897	11,744,847	8,557,304
Adjusted weighted average number of ordinary shares in issue	<u>99,023,847</u>	<u>95,878,858</u>	<u>99,071,166</u>	<u>95,748,772</u>
Diluted earnings per share (sen)	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.66</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 31 December 2012 and 31 December 2011 is analysed as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	42,550	49,986
-Unrealised	<u>(103)</u>	<u>(19)</u>
	42,447	49,967
Less: Consolidation adjustments	(10,992)	(10,992)
Total Group retained profits as per consolidated financial statements	<u>31,455</u>	<u>38,975</u>

By order of the Board  
LEE CHIEW HIANG  
Executive Director  
Penang  
Date : 28 February 2013