

## **RAPID SYNERGY BERHAD**

(Company No. 325935-U)

(Incorporated in Malaysia)

### **NOTES TO THE QUARTERLY FINANCIAL STATEMENTS**

#### **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 31 March 2013, have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board 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 statements of the Group for the financial year ended 31 December 2012. 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 2012.

**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 2012 except for the adoption of the following with effect from 1 January 2013:

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits
- MFRS 127, Separate Financial Statements
- MFRS 128, Investments in Associates and Joint Ventures (2011)
- Amendments to MFRS 7, Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1, First-time Adoption of Financial Reporting Standards – Government Loan and Annual Improvements 2009-2011 Cycle
- Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132, Financial Instruments : Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The initial application of the above is not expected to have any material financial impact on the Group's result.

**A3** Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 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 except for the retail sales which are dependent on the festival season in Malaysia.
- 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 31 March 2013.
- 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 31 March 2013.
- A7 Debts and equity securities  
There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and financial year-to-date.
- 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 31 March 2013 and 31 March 2012 is as follows:-

#### **Business Segment**

<b>3 Months ended 31 March 2013</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	1,653	3,870	4,686	91	10,300
<b>Result</b>					
Segment results	94	4,630	(1,386)	(480)	2,858
Interest expense					(2,466)
Profit before taxation					392
<b>3 Months Ended 31 March 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	2,265	3,052	-	-	5,317
<b>Result</b>					
Segment results	(424)	1,171	-	-	747
Interest expense					(1,917)
Loss before taxation					(1,170)

- A10 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 2012.

- A11 Material events subsequent to balance sheet date  
There were no material events subsequent to the end of the period under review to 23 May 2013.
- A12 Changes in the composition of the Group  
There were no changes to the composition of the Group for the current quarter.
- A13 Changes in contingent liabilities or contingent assets as at 31 March 2013  
There were no changes in contingent liabilities or contingent assets since the end of the last reporting period as at 31 March 2013.
- A14 Property, plant and equipment  
Significant acquisition of items of property, plant and equipment for the current quarter ended 31 March 2013 was as follows:

	As at 31/03/2013 RM'000
Equipment	485

- A15 Capital commitments  
There were no capital commitments for the current quarter ended 31 March 2013

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	
		31.03.2013	31.03.2012	31.03.2013	31.03.2012
		RM'000	RM'000	RM'000	RM'000
	Manufacturing division				
	Revenue	1,653	2,265	1,653	2,265
	Profit/(Loss) before taxation	94	(424)	94	(424)
	Investment holding division				
	Revenue	3,870	3,052	3,870	3,052
	Profit/(Loss) before taxation	2,164	(746)	2,164	(746)
	Retail division				
	Revenue	4,686	-	4,686	-
	Loss before taxation	(1,386)	-	(1,386)	-
	Restaurant division				
	Revenue	91	-	91	-
	Loss before taxation	(480)	-	(480)	-
	Total				
	Revenue	10,300	5,317	10,300	5,317
	Profit/(Loss) before taxation	392	(1,170)	392	(1,170)

For the current financial quarter, the group recorded a revenue of RM10.30 million, an increase of RM4.98 million as compared to RM5.32 million in the preceding year corresponding quarter. The Group recorded profit before tax of RM0.39 million in the current quarter as compared to loss before tax of RM1.17 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 RM1.65 million in the current financial quarter as compared to RM2.27 million in the preceding year corresponding quarter. The lower revenue was due to the lower sales volume arising from the slowdown in the semiconductor industry. However, the division managed to break even and recorded a profit before tax of RM0.09 million compared to loss before tax of RM0.42 million in the preceding year corresponding quarter. The improvement is mainly contributed by cost reduction in the manufacturing process.

Investment holding division recorded an increase of 27 per cent in revenue from RM3.05 million in the preceding year corresponding quarter to RM3.87 million recorded in the current financial quarter. The investment holding division recorded profit before tax of RM2.16 million in the current financial quarter as compared to a loss before tax of RM0.75 million in the preceding year corresponding quarter. The improve results in both the revenue and profit before tax was mainly contributed by the additional rental received and disposal of properties with a gained of RM2.04 million.

The retail division recorded a revenue of RM4.69 million and loss before of tax of RM1.39 million in the current financial quarter. The loss before tax was mainly due to discount for promotional items and keen competition from other supermarkets.

The restaurant division recorded a revenue and loss before tax of RM0.09 million and RM0.48 million respectively in the current financial quarter. The management has decided to discontinue the operation of three restaurant outlets which are not profitable and keeping one outlet in operation which is located in Seremban.

**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 RM10.30 million a decrease of RM0.96 million from RM11.26 million in the immediate preceding quarter. The profit before tax is RM0.39 million in the current quarter compared to the loss before tax of RM2.85 million in the immediate preceding quarter. The lower revenue was mainly due to decrease in revenue from the manufacturing and retail division. The overall improvement in profit before tax was mainly due to disposal of properties by the investment holding division.

**B3** Prospects for the current year

The operating environment remains challenging due to the prevailing global economic uncertainties. We expect the semiconductor industry to improve in the second quarter of 2013. Our effort to contain costs and re-align our business model will continue for both the retail and restaurant divisions and we expect to see improvements to the performance of the Group in 2013.

**B4** Profit forecast  
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		Period ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
(a) Profit on disposal of investment properties	2,037	42	2,037	42
(b) Interest expenses	(2,466)	(1,917)	(2,466)	(1,917)
(c) Interest income	2	6	2	6
(d) Provision for write back/(off) of inventories	217	(75)	217	(75)
(e) (Loss)/Profit on foreign exchange-realised	2	(6)	2	(6)
-unrealised	10	(22)	10	(22)
(f) Depreciation and amortisation	(1,432)	(1,114)	(1,432)	(1,114)

B6	Tax expense	3 months ended		Cumulative period ended	
		31.03.2013 RM'000	31.03.2012 RM'000	31.03.2013 RM'000	31.03.2012 RM'000
	Income tax expense				
	-Current	304	225	304	225
	-Prior year	(18)	-	(18)	-
	Deferred tax expense				
	-Current	-	(30)	-	(30)
	-Prior year		-		-
		<u>286</u>	<u>195</u>	<u>286</u>	<u>195</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 except for the disposal of six units of double storey shops for the amount of RM3.6 million by the Group during current quarter ended 31 March 2013 .

B8 Marketable securities  
There were no purchase or disposal of quoted securities for the current quarter ended 31 March 2013.

B9 Status of corporate proposals  
There were no corporate proposals for the current quarter ended 31 March 2013.

B10 Borrowing and debts securities

	31 March 2013 RM'000
Current	
Overdraft	16,387
Term loan - secured	25,980
Non-current	
Term loan - secured	101,628

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 23 May 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	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Net Profit/(loss) for the period (RM'000)	106	(1,365)	106	(1,365)
Weighted average number of ordinary shares in issue	87,334,350	87,325,651	87,334,350	87,325,651
Basic earnings/(loss) per share (sen)	0.12	(1.56)	0.12	(1.56)

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

	3 months ended		Period ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Net Profit/(loss) for the period (RM'000)	106	(1,365)	106	(1,365)
Weighted average number of ordinary shares in issue	87,334,350	87,325,651	87,334,350	87,325,651
Adjustments for warrants granted	13,249,179	11,006,386	13,249,179	11,006,735
Adjusted weighted average number of ordinary shares in issue	100,583,529	98,332,386	100,583,529	98,332,386
Diluted earnings per share (sen)	0.11	(1.39)	0.11	(1.39)

- 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 March 2013 and 31 December 2012 is analysed as follows:

	31.03.2013 RM'000	31.12.2012 RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	39,504	39,420
-Unrealised	61	52
	<hr/> 39,565	<hr/> 39,472
Less: Consolidation adjustments	(8,003)	(8,017)
	<hr/>	<hr/>
Total Group retained profits as per consolidated financial statements	<u>31,562</u>	<u>31,455</u>

By order of the Board  
LEE CHIEW HIANG  
Executive Director  
Penang  
Date : 31st May 2013