

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 30 June 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 30 June 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 30 June 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 30 June 2013 and 30 June 2012 is as follows:-

Business Segment

6 Months ended 30 June 2013	Manufacturing RM'000	Investment Holding RM'000	Retail RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	3,371	7,555	9,616	142	20,684
Result					
Segment results	(522)	7,197	(2,982)	(737)	2,956
Interest expense					(4,840)
Loss before taxation					(1,884)
6 Months Ended 30 June 2012	Manufacturing RM'000	Investment Holding RM'000	Retail RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	6,876	6,619	1,601	-	15,096
Result					
Segment results	775	2,912	(562)	-	3,125
Interest expense					(4,031)
Loss before taxation					(906)

- 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 20 August 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 30 June 2013

Unsecured:

Corporate guarantee issued to banks for credit facilities granted to subsidiary companies	RM'000 91,148
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A14 Property, plant and equipment
There were no significant acquisitions for the current quarter ended 30 June 2013.

	Current Quarter RM'000	Year to Date RM'000
Equipment	Nil	485

A15 Capital commitments
There were no capital commitments for the current quarter ended 30 June 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		6 months ended	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Manufacturing division				
Revenue	1,718	4,611	3,371	6,876
(Loss)/Profit before taxation	(616)	1,199	(780)	122
Investment holding division				
Revenue	3,685	3,567	7,555	6,619
Profit/(Loss) before taxation	293	(478)	2,715	(571)
Retail division				
Revenue	4,930	1,601	9,616	1,601
Loss before taxation	(1,696)	(457)	(3,082)	(457)
Restaurant division				
Revenue	51	-	142	-
Loss before taxation	(257)	-	(737)	-
Total				
Revenue	10,384	9,779	20,684	15,096
(Loss)/Profit before taxation	(2,276)	264	(1,884)	(906)

For the current financial quarter, the group recorded a revenue of RM10.38 million, an increase of RM0.60 million as compared to RM9.78 million in the preceding year corresponding quarter. The Group recorded loss before tax of RM2.28 million in the current quarter as compared to profit before tax of RM0.26 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 RM1.72 million in the current financial quarter as compared to RM4.61 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. The loss before tax recorded in the current quarter is RM0.62 million compared to profit before tax of RM1.20 million in the preceding year corresponding quarter was mainly contributed by lower sales from the manufacturing division.

The investment holding division recorded an increase in revenue of RM0.12 million from RM3.57 million in the preceding year corresponding quarter to RM3.69 million recorded in the current financial quarter. The investment holding division recorded profit before tax of RM0.29 million in the current financial quarter as compared to a loss before tax of RM0.48 million in the preceding year corresponding quarter. The improve results in the current quarter for both the revenue and profit before tax was mainly contributed by the additional rental received and disposal of properties with a gained of RM0.33 million.

The retail division recorded a revenue of RM4.93 million in the current financial quarter as compared to RM1.60 million recorded in the preceding year corresponding quarter (due to soft opening period). The loss before of tax of RM1.69 million in the current financial quarter as compared to a loss before tax of RM0.46 in the preceding year corresponding quarter. The higher loss before tax during the current quarter 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 RM0.05 million and RM0.26 million respectively in the current financial quarter.

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 RM10.38 million a slight increase from RM10.30 million in the immediate preceding quarter. The increase in revenue was mainly contributed by the retail division. The loss before tax recorded in the current quarter was RM2.28 million compared to the profit before tax of RM0.39 million in the immediate preceding quarter. The contributory factors to the above performances are explained in the respective operating business segments as follows :

Segment	3 months ended	
	30.6.2013	30.3.2013
Manufacturing division		
Revenue	1,718	1,653
(Loss)/Profit before taxation	(616)	94
Investment holding division		
Revenue	3,685	3,870
Profit before taxation	293	2,164
Restaurant division		
Revenue	51	91
Loss before taxation	(257)	(480)
Retail division		
Revenue	4,930	4,686
Loss before taxation	(1,696)	(1,386)
Total		
Revenue	10,384	10,300
(Loss)/Profit before taxation	(2,276)	392

Manufacturing division revenue increase by RM0.07 million from RM1.65 million in the immediate preceding quarter to RM1.72 million in the current quarter. Despite recording a higher revenue the loss before tax recorded was RM0.62 million which was mainly contributed by higher production cost due to changes in design and technologies required by customers during the current quarter.

The investment holding division recorded a revenue of RM3.69 million compared to RM3.87 million in the immediate preceding quarter. The decreased in the revenue in the current quarter was mainly due to the reduced in rental income received after disposal of certain properties of the group. The profit before tax recorded in the current quarter was RM0.29 million compared to profit before tax of RM2.16 million in the

immediate preceding quarter. The higher profit before of tax recorded in the immediate preceding quarter was mainly due one off gain of RM2.04 million from disposal of properties.

The restaurant division recorded a revenue RM0.05 million in the current quarter compared to RM0.09 million recorded in the immediate preceding quarter. The lower revenue recorded in the current quarter was mainly due to discontinue operation of three restaurant outlets which were not profitable. The restaurant division recorded loss before tax of RM0.26 million compared to loss before tax of RM0.48 million in the immediate preceding quarter. The improved results in the current quarter was mainly due to discontinue operation of three non-profitable restaurant outlets.

The retail division revenue increased from RM4.69 million in the immediate preceding quarter to RM4.93 million in the current quarter. The increase in revenue was mainly contributed by the higher sales from the retail outlets. The loss before tax recorded in the current quarter was RM1.67 million compared to the loss before tax of RM1.39 million in the preceding quarter. The higher loss before tax during the current quarter was mainly due to discount for promotional items and keen pricing competition from other supermarkets.

B3 Prospects for the current year

The business environment for the remaining quarters of 2013 remains challenging due to the prevailing global economic uncertainties. We expect the semiconductor industry continues to be influenced by global demand and it's performance would be dependent on the expected gradual recovery of the global economy. Our effort to contain costs and re-align our business model will continue for both the retail and restaurant divisions.

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		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
(a) Profit on disposal of investment properties	333	-	2,370	42
(b) Interest expenses	(2,374)	(2,114)	(4,840)	(4,031)
(c) Interest income	1	8	3	14
(d) Provision for write back/(off) of inventories	81	(185)	298	(260)
(e) (Loss)/Profit on foreign exchange-realised	2	(30)	4	(37)
-unrealised	12	(35)	50	(56)
(f) Depreciation and amortisation	(1,462)	(1,148)	(2,894)	(2,262)

B6 Tax expense

	3 months ended		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
-Current	191	579	494	804
-Prior year	(72)	-	(89)	-
Deferred tax expense				
-Current	7	47	7	17
-Prior year	-	1	-	1
	<u>126</u>	<u>627</u>	<u>412</u>	<u>822</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 one unit of condominium for the amount of RM0.63 million by the Group during current quarter ended 30 June 2013 .
- B8 Marketable securities
There were no purchase or disposal of quoted securities for the current quarter ended 30 June 2013.
- B9 Status of corporate proposals
There were no corporate proposals for the current quarter ended 30 June 2013.

B10	Borrowing and debts securities	30 June 2013 RM'000
	Current	
	Overdraft	15,709
	Term loan - secured	26,050
	Non-current	
	Term loan - secured	99,450

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 20 August 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) no dividend has been recommended for the quarter under review;
(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		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Net loss for the period (RM'000)	(2,402)	(363)	(2,296)	(1,728)
Weighted average number of ordinary shares in issue	87,334,350	87,279,668	87,334,350	87,326,319
Basic earnings/(loss) per share (sen)	(2.75)	(0.42)	(2.63)	(1.98)

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

	3 months ended		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Net loss for the period (RM'000)	(2,402)	(363)	(2,296)	(1,728)
Weighted average number of ordinary shares in issue	87,334,350	87,279,668	87,334,350	87,326,319
Adjustments for warrants granted	13,569,328	11,621,603	13,569,328	11,621,603
Adjusted weighted average number of ordinary shares in issue	<u>100,903,678</u>	<u>98,901,271</u>	<u>100,903,678</u>	<u>98,947,922</u>
Diluted earnings per share (sen)	<u>(2.38)</u>	<u>(0.37)</u>	<u>(2.28)</u>	<u>(1.75)</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 June 2013 and 31 December 2012 is analysed as follows:

	30.06.2013	31.12.2012
	RM'000	RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	39,683	39,420
-Unrealised	(29)	52
	<u>39,654</u>	<u>39,472</u>
Less: Consolidation adjustments	(10,494)	(8,017)
Total Group retained profits as per consolidated financial statements	<u>29,160</u>	<u>31,455</u>

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