

**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 September 2013, have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") 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 adoption of the above standards and amendments are not expected to have any material financial impact to 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.

- A5 Unusual items Due to Their Nature, Size or Incidence  
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 2013 other than the profit attributable from discontinued operation of RM5.4 million resulted from the disposal of Pasaraya Rapid Sdn Bhd, a wholly owned subsidiary.
- 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 September 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 September 2013 and 30 September 2012 is as follows:-

**Business Segment**

<b>9 Months ended 30 September 2013</b>	<b>Manufacturing RM'000</b>	<b>Investment Holding RM'000</b>	<b>Restaurant RM'000</b>	<b>Consolidated RM'000</b>
Revenue	5,815	11,136	179	17,130
<b>Result</b>				
Segment results	(1,566)	10,787	(1,005)	8,216
Interest expense				(7,134)
Profit before taxation				1,082

<b>9 Months Ended 30 September 2012</b>	<b>Manufacturing RM'000</b>	<b>Investment Holding RM'000 (Restated)</b>	<b>Restaurant RM'000</b>	<b>Consolidated RM'000 (Restated)</b>
Revenue	9,955	10,483	46	20,484
<b>Result</b>				
Segment results	211	5,099	(565)	4,745
Interest expense				(6,324)
Loss before taxation				(1,579)

- A10 Discontinued Operations  
On 30<sup>th</sup> September 2013, the Company has entered into a Sale and Purchase Agreement with Triple-H Auto Parts Sdn Bhd for the disposal of 100% of the issued and paid-up ordinary share capital of Pasaraya Rapid Sdn Bhd for a cash consideration of RM1.0 million.

There is a profit attributable from discontinuing operations of RM5.4million and RM2.4 million to the group during the current quarter and period ended 30 September 2013 respectively, from the above disposal. The above profit attributable to the discontinuing operations had resulted in net

profit of RM4.39 million and RM2.59 million contributed to the Group for the current quarter and period ended 30 September 2013 respectively.

The income statement of the discontinued operations are as follows:

	3 months ended		9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000	30.09.2013 RM'000	30.09.2012 RM'000
Revenue	5,834	7,075	15,450	8,676
Cost of sales	(5,308)	(6,681)	(14,088)	(7,951)
<b>Gross profit</b>	526	394	1,362	725
Administrative expenses	(1,956)	(1,878)	(5,518)	(2,656)
Depreciation	(213)	(53)	(642)	(72)
Other expenses	-	(208)	(87)	(233)
Other income	172	61	435	67
<b>Operating loss</b>	(1,471)	(1,684)	(4,450)	(2,169)
Finance costs	-	-	-	(2)
<b>Loss before taxation</b>	(1,471)	(1,684)	(4,450)	(2,171)
Income tax expense	-	-	-	-
<b>Loss for the period</b>	(1,471)	(1,684)	(4,450)	(2,171)

The following amounts have been included in arriving at profit/(loss) before tax of the discontinued operation:

	3 months ended		9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000	30.09.2013 RM'000	30.09.2012 RM'000
Interest income	1	2	4	5
Rental income	36	55	135	58
Depreciation of property, plant and equipment	(213)	(53)	(642)	(72)

Cash flows from/(used in) discontinued operation

	9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000
Operating cash flows	134	551
Investing cash flows	(108)	(176)
Net cash from discontinued operations	26	375

- A11 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.
- A12 Material events subsequent to balance sheet date  
There were no material events subsequent to the end of the period under review to 18 November 2013.
- A13 Changes in the composition of the Group  
As disclosed in Note B9 Pasaraya Rapid Sdn Bhd has ceased to be a subsidiary of RSB on 30 September 2013.

A14 Changes in contingent liabilities or contingent assets as at 30 September 2013

Unsecured:

Corporate guarantee issued to banks for credit facilities granted to subsidiary companies	RM'000 92,148
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A15 Property, plant and equipment

There were Significant acquisitions of items of property, plant and equipment for the current quarter ended 30 September 2013.

	Current Quarter RM'000	Year to Date RM'000
Equipment	136	621

A16 Capital commitments

The capital commitments for the current quarter ended 30 September 2013 was as follows:

	Current Quarter RM'000
Equipment	545

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		9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000 (Restated)	30.09.2013 RM'000	30.09.2012 RM'000 (Restated)
Manufacturing division				
Revenue	2,445	3,079	5,815	9,955
(Loss)/Profit before taxation	(1,207)	(564)	(1,989)	211
Investment holding division				
Revenue	3,679	3,867	11,136	10,483
Profit/(Loss) before taxation	962	(71)	4,076	(1,225)
Restaurant division				
Revenue	37	46	179	46
Loss before taxation	(268)	(525)	(1,005)	(565)
Total				
Revenue	6,161	6,992	17,130	20,484
Profit/(Loss) before taxation	(513)	(1,160)	1,082	(1,579)

For the current financial quarter, the group recorded a revenue of RM6.16 million, a decrease of RM0.83 million as compared to RM6.99 million in the preceding year corresponding quarter. The Group recorded loss before tax of RM0.50 million in the current quarter as compared to loss before tax of RM1.16 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 RM2.45 million in the current financial quarter as compared to RM3.08 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 RM1.21 million compared to loss before tax of RM0.56 million in the preceding year corresponding quarter was mainly contributed by lower sales from the manufacturing division.

The investment holding division recorded a decrease in revenue of RM0.19 million from RM3.87 million in the preceding year corresponding quarter to RM3.68 million recorded in the current financial quarter. The decrease in revenue in current quarter as compared to preceding year corresponding quarter was mainly due to decrease in rental received as the Group had capitalized on certain properties which had appreciated. The investment holding division recorded profit before tax of RM0.96 million in the current financial quarter as compared to a loss before tax of RM0.07 million in the preceding year corresponding quarter. The improve results in the current quarter was mainly contributed by the disposal of investment properties.

The restaurant division recorded a revenue of RM0.04 million compared to RM0.05 million in the preceding year corresponding quarter. The division managed to reduced loss before tax in the current quarter to RM0.27 million compared to loss before tax of RM0.53 million during the preceding year corresponding quarter due to discontinue operation of three non-profitable restaurant outlets.

**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 RM6.16 million, a slight increase of RM0.80 million from RM5.36 million in the immediate preceding quarter. The increase in revenue was mainly contributed by the manufacturing division. The loss before tax recorded in the current quarter was RM0.51 million compared to the loss before tax of RM0.58 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	
	30.9.2013	30.6.2013 (Restated)
Manufacturing division		
Revenue	2,445	1,718
Loss before taxation	(1,207)	(616)
Investment holding division		
Revenue	3,679	3,586
Profit before taxation	962	293
Restaurant division		
Revenue	37	51
Loss before taxation	(268)	(257)
Total		
Revenue	6,161	5,355
Loss before taxation	(513)	(580)

Manufacturing division revenue increase by RM0.73 million from RM1.72 million in the immediate preceding quarter to RM2.45 million in the current quarter. Despite recording a higher revenue the loss before tax recorded was RM1.21 million compared to loss before tax of RM0.62 million recorded in the immediate preceding quarter. The increase in the loss before tax was mainly contributed by cost relating to engineering, research and development in new design and technologies in fabrication of precision tooling required by customers.

The investment holding division recorded a revenue of RM3.68 million compared to RM3.59 million in the immediate preceding quarter. The increased in the revenue in the current quarter was mainly due to the increased in rental income received as compared to immediate preceding quarter. The profit before tax recorded in the current quarter was RM0.96 million compared to profit before tax of RM0.29 million in the immediate preceding quarter. The increased in profit before tax of RM0.67 million was mainly due to gain from disposal of investment properties.

The restaurant division recorded a revenue RM0.04 million in the current quarter compared to RM0.05 million recorded in the immediate preceding quarter and loss before tax of RM0.27 million compared to loss before tax of RM0.26 million in the immediate preceding quarter.

B3 Prospects for the current year

The business environment for the remaining year 2013 remains challenging due to the prevailing global economic condition. The manufacturing division 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 will continue for the manufacturing division. The investment holding division is expected to continue to contribute positively to the group.

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		9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000 (Restated)	30.09.2013 RM'000	30.09.2012 RM'000 (Restated)
(a) Profit on disposal of investment properties	1,053	73	3,423	115
(b) Interest expense	(2,294)	(2,296)	(7,134)	(6,324)
(c) Interest income	1	1	1	12
(d) Provision for write back/(off) of inventories	(225)	132	160	(127)
(e) (Loss)/Profit on foreign exchange-realised	46	(138)	50	(175)
-unrealised	54	47	105	(10)
(f) Depreciation and amortisation	(1,236)	(1,169)	(3,701)	(3,392)

B6 Tax expense

	3 months ended		9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000 (Restated)	30.09.2013 RM'000	30.09.2012 RM'000 (Restated)
Income tax expense				
-Current	537	183	1,031	1,048
-Prior year	(74)	(133)	(163)	(133)
Deferred tax expense				
-Current	3	(16)	10	1
-Prior year	-	-	-	1
	<u>466</u>	<u>34</u>	<u>878</u>	<u>917</u>

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 five units of shop office for the amount of RM4.07 million by the Group during current quarter ended 30 September 2013 .

B8 Marketable securities

There were no purchase or disposal of quoted securities for the current quarter ended 30 September 2013.

B9 Status of corporate proposals  
On 30<sup>th</sup> September 2013, the Company had entered into a Sale and Purchase Agreement with Triple-H Auto Parts Sdn Bhd ("THA") for the disposal of 100% of the issued and paid-up share capital of Pasaraya Rapid Sdn Bhd, its wholly owned subsidiary which comprises 2,000,000 ordinary shares of RM1.00 each for a cash consideration of RM1.0 million.

B10 Borrowing and debts securities

30 September 2013  
RM'000

Current	
Hire purchase	365
Overdraft	11,042
Term loan - secured	10,103
Non-current	
Term loan - secured	116,250

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 18 November 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

No dividend has been recommended for the quarter under review;

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		9 months ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Net profit/(loss) for the period attributable to owners of the Company (RM'000)				
- from continuing operations	(979)	(1,194)	204	(2,496)
- from discontinued operations	5,366	(1,684)	2,387	(2,171)
	<u>4,387</u>	<u>(2,878)</u>	<u>2,591</u>	<u>(4,667)</u>
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)

- from continuing operations	(1.12)	(1.37)	0.23	(2.85)
- from discontinuing operations	6.14	(1.93)	2.73	(2.49)
	5.02	(3.30)	2.96	(5.34)

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

	3 months ended		9 months ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Net profit/(loss) for the period attributable to owners of the Company (RM'000)				
- from continuing operations	(979)	(1,194)	204	(2,496)
- from discontinued operations	5,366	(1,684)	2,387	(2,171)
	4,387	(2,878)	2,591	(4,667)
Weighted average number of ordinary shares in issue	87,334,350	87,279,668	87,334,350	87,326,319
Adjustments for warrants granted	13,969,524	11,408,167	13,969,524	11,408,167
Adjusted weighted average number of ordinary shares in issue	101,303,874	98,687,835	101,303,874	98,734,486
Diluted earnings/(loss) per share (sen)				
- from continuing operations	(0.97)	(1.21)	0.20	(2.53)
- from discontinued operations	5.30	(1.71)	2.36	(2.20)
	4.33	(2.92)	2.56	(4.73)

#### 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 2013 and 31 December 2012 is analysed as follows:

	30.09.2013	31.12.2012
	RM'000	RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	46,613	39,420
-Unrealised	(87)	52
	46,526	39,472
Less: Consolidation adjustments	(12,480)	(8,017)
Total Group retained profits as per consolidated financial statements	34,046	31,455

By order of the Board  
LEE CHIEW HIANG  
Executive Director  
Penang  
Date : 27th November 2013