

**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 December 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 did not have any material financial impact to the Group's result.

At the date of authorization of this interim financial statement the following standards interpretations and amendments were issued but not yet effective and have not been applied by the Group.

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

- Amendments to MFRS 10, Consolidated Financial Statements
- Amendments to MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 127, Separate Financial Statements
- Amendments to MFRS 132, Financial Instruments : Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014**

- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124, Related Party disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)

### **MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- MFRS 9, Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

#### **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**

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 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 December 2013.

A7 Debts and equity securities  
There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during 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 December 2013 and 31 December 2012 is as follows:-

**Business Segment**

<b>12 Months ended 31 December 2013</b>	<b>Manufacturing RM'000</b>	<b>Investment Holding RM'000</b>	<b>Restaurant RM'000</b>	<b>Consolidated RM'000</b>
Revenue	10,100	15,841	244	26,185
<b>Result</b>				
Segment results	(1,292)	11,087	(1,176)	8,619
Interest expense				(9,694)
Loss before taxation				(1,075)
<b>12 Months ended 31 December 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	11,959	13,721	215	25,895
<b>Result</b>				
Segment results	(673)	6,778	(1,213)	4,892
Interest expense				(8,744)
Loss before taxation				(3,852)

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. The disposal had resulted in a gain of RM6.84 million to the Group.

The profit/(loss) attributable to the discontinued operations is as follows:

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Revenue	-	5,171	15,371	13,126
Cost of sales	-	(4,426)	(14,088)	(11,690)
<b>Gross profit</b>	-	745	1,283	1,436
Administrative expenses	-	(1,520)	(3,345)	(3,932)
Depreciation	-	(242)	(642)	(315)

Other expenses	-	163	(87)	(71)
Other income	-	66	435	133
<b>Operating loss</b>	-	(788)	(2,356)	(2,749)
Finance costs	-	-	-	(2)
<b>Loss before taxation</b>	-	(788)	(2,356)	(2,751)
Income tax expense	-	-	-	-
<b>Loss for the period</b>	-	(788)	(2,356)	(2,751)
Gain on sale of discontinued operations	-	-	6,837	-
Profit/(Loss) for the year	-	(788)	4,481	(2,751)

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

	3 months ended		12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Interest income	-	2	4	7
Rental income	-	49	135	107
Depreciation of property, plant and Equipment	-	(242)	(642)	(315)

Cash flows from/(used in) discontinued operation

	12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000
Operating cash flows	134	(3,325)
Investing cash flows	(108)	(4,411)
Financing cash flows	-	9,630
Net cash from discontinued operation	26	1,894

- 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 21 February 2014
- A13 Changes in the composition of the Group  
There were no changes in the composition of the Group for the current quarter ended 31 December 2013 except on 30 September 2013 Pasaraya Rapid Sdn. Bhd. has ceased to be a subsidiary of RSB
- A14 Changes in contingent liabilities or contingent assets as at 31 December 2013
- Unsecured:
- |   |        |
|---|--------|
| Corporate guarantee issued to banks for credit facilities granted to subsidiary companies | RM'000 |
|   | 92,148 |
- A15 Property, plant and equipment  
There were significant acquisitions of items of property, plant and equipment during the current quarter ended 31 December 2013.

	Current Quarter RM'000	Year to Date RM'000
Equipment	681	1,903

A16 Capital commitments

There were no capital commitments during the current quarter ended 31 December 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		12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)
Manufacturing division				
Revenue	4,284	2,004	10,100	11,959
(Loss)/Profit before taxation	119	(1,038)	(1,868)	(828)
Investment holding division				
Revenue	4,009	2,810	15,841	13,721
Profit/(Loss) before taxation	484	(377)	1,969	(1,811)
Restaurant division				
Revenue	51	170	244	215
Loss before taxation	(571)	(650)	(1,176)	(1,213)
Total				
Revenue	8,344	4,984	26,185	25,895
Profit/(Loss) before taxation	32	(2,065)	(1,075)	(3,852)

For the current financial quarter, the group recorded a revenue of RM8.34 million, an increase of RM3.36 million as compared to RM4.98 million in the preceding year corresponding quarter. The Group recorded profit before tax of RM0.03 million in the current quarter as compared to loss before tax of RM2.07 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 recorded a revenue of RM4.28 million in the current financial quarter, an increase of RM2.28 million as compared to RM2.00 million recorded in the preceding year corresponding quarter. The profit before tax recorded in the current quarter was RM0.12 million compared to loss before tax of RM1.04 million in the preceding year corresponding quarter. The improvement in both the revenue and profit before tax was mainly contributed by increase in tooling sales.

The investment holding division recorded an increase of RM1.20 million in revenue from RM2.81 million in the preceding year corresponding quarter to RM4.01 million recorded in the current financial quarter. The investment holding division recorded a profit before tax of RM0.48 million in the current financial quarter as compared to a loss before tax of RM0.38 million in the preceding year corresponding quarter. The increase in revenue and profit before tax in the current quarter was mainly due to increase in rental received.

The restaurant division recorded a revenue of RM0.01 million and loss before tax of RM0.57 million in the current quarter compared to RM0.17 million and RM0.65 million in preceding year corresponding quarter respectively. The decrease in revenue during the current quarter was mainly due to the discontinuation of operations of three non-profitable 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 RM8.34 million, an increase of RM2.18 million from RM6.16 million in the immediate preceding quarter. The increase in revenue was mainly contributed by the manufacturing division. The profit before tax recorded in the current quarter was RM0.03 million compared to the loss before tax of RM0.51 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	
	31.12.2013	30.9.2013 (Restated)
Manufacturing division		
Revenue	4,284	2,445
Profit/(Loss) before taxation	119	(1,207)
Investment holding division		
Revenue	4,009	3,679
Profit before taxation	484	962
Restaurant division		
Revenue	51	37
Loss before taxation	(571)	(268)
Total		
Revenue	8,344	6,161
Profit/(Loss) before taxation	32	(513)

Manufacturing division recorded an increase of RM1.84 million from RM2.45 million in the immediate preceding quarter to RM4.28 million in the current quarter. The improvement was due to higher sales from tooling department.

The investment holding division recorded a revenue of RM4.01 million compared to RM3.68 million in the immediate preceding quarter. The increase in revenue was mainly due to the increase in rental income received. The profit before tax recorded in the current quarter was RM0.48 million compared to profit before tax of RM0.96 million in the immediate preceding quarter. The higher profit before tax in the immediate preceding quarter was mainly due to gain from disposal of investment properties.

The restaurant division recorded a revenue RM0.05 million in the current quarter compared to RM0.04 million recorded in the immediate preceding quarter and loss before tax of RM0.57 million compared to loss before tax of RM0.27 million in the immediate preceding quarter. The increase in loss before tax was mainly due to the write down of RM263,000 on the equipment arising from the three discontinued outlets.

B3 Prospects for the current year

The manufacturing division continues to be influenced by global demand and it's performance would remain challenging given the intensifying competition and pricing war in the precision tooling business. 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. Barring any unforeseen circumstances the Board expects the business prospects for the Group in 2014 to remain positive.

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		12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)
(a) Profit on disposal of investment properties	-	-	3,423	115
(b) Interest expense	(2,569)	(2,422)	(9,694)	(8,744)
(c) Interest income	-	3	1	20
(d) Provision for write back/(off) of inventories	484	404	562	277
(e) (Loss)/Profit on foreign exchange-realised	51	7	101	(168)
-unrealised	(66)	(12)	39	(22)
(f) Depreciation and amortisation	(1,238)	(1,242)	(4,940)	(4,634)

B6 Tax expense

	3 months ended		12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)
Income tax expense				
-Current	261	98	1,046	1,146
-Prior year	47	-	47	(133)
Deferred tax expense				
-Current	(308)	(98)	(308)	(97)
-Prior year	-	-	-	1
	<u>-</u>	<u>-</u>	<u>785</u>	<u>917</u>

The effective tax rates for the period 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 2013 except for the disposal of one unit of shop and a piece of vacant land amounting to RM0.6 million and RM6.6 million respectively which yielded cumulative expected gain of about RM4.8 million.

B8 Marketable securities

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

B9 Status of corporate proposals

There were no corporate proposals for the current quarter ended 31 December 2013.

B10	Borrowing and debts securities	31 December 2013 RM'000
	Current	
	Hire purchase	186
	Overdraft	12,602
	Term loan - secured	10,221
	Non-current	
	Hire purchase	707
	Term loan - secured	113,583

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 2014.

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		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Net profit/(loss) for the period attributable to owners of the Company (RM'000)				
- from continuing operations	32	(2,065)	(1,075)	(4,769)
- from discontinued operations	-	(788)	4,481	(2,751)
	<u>32</u>	<u>(2,853)</u>	<u>2,621</u>	<u>(7,520)</u>
Weighted average number of ordinary shares in issue	87,334,350	87,279,000	87,334,350	87,326,319
Basic earnings/(loss) per share (sen)				
- from continuing operations	0.04	(2.37)	(2.13)	(5.46)
- from discontinuing operations	-	(0.90)	5.13	(3.15)
	<u>0.04</u>	<u>(3.27)</u>	<u>3.00</u>	<u>(8.61)</u>



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

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Net profit/(loss) for the period attributable to owners of the Company (RM'000)				
- from continuing operations	32	(2,065)	(1,075)	(4,769)
- from discontinued operations	-	(788)	4,481	(2,751)
	<u>32</u>	<u>(2,853)</u>	<u>2,621</u>	<u>(7,520)</u>
Weighted average number of ordinary shares in issue	87,334,350	87,279,000	87,334,350	87,326,319
Adjustments for warrants granted	<u>14,200,946</u>	<u>11,744,847</u>	<u>14,200,946</u>	<u>11,744,847</u>
Adjusted weighted average number of ordinary shares in issue	<u>101,535,296</u>	<u>99,023,847</u>	<u>101,535,296</u>	<u>99,071,166</u>
Diluted earnings/(loss) per share (sen)				
- from continuing operations	0.03	(2.37)	(1.83)	(5.46)
- from discontinued operations	-	(0.90)	4.41	(3.15)
	<u>0.03</u>	<u>(3.27)</u>	<u>2.58</u>	<u>(8.61)</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 2013 and 31 December 2012 is analysed as follows:

	31.12.2013	31.12.2012
	RM'000	RM'000
The retained profits of RSB and its subsidiaries:		
- Realised	44,991	39,420
-Unrealised	(38)	52
	<u>44,953</u>	<u>39,472</u>
Less: Consolidation adjustments	(10,877)	(8,017)
Total Group retained profits as per consolidated financial statements	<u>34,076</u>	<u>31,455</u>

By order of the Board  
 LEE CHIEW HIANG  
 Executive Director  
 Penang  
 Date: 28th February 2014