

**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<sub>2004</sub> Interim Financial Reporting**

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (FRS) 134<sub>2004</sub> Interim Financial Reporting, and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (BMSB). The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and these explanatory notes attached to the interim financial statements as they provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

Changes in Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for year ended 31 December 2007 except for the adoption of the following FRS, Amendment to FRS and IC Interpretations issued by MASB that is effective for the Groups and the Company's annual financial period commencing 1 January 2008.

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The effects of Change in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interest arising from Decommissioning, Restoration and Environment Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in Specific Market – waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC interpretation 8	Scope of FRS 2

FRS 139, Financial Instruments : Recognition and Measurement has not been adopted by the Group in which the effective date has yet to be announced.

The adoption of the above FRS, Amendments to FRS and IC Interpretation does not have any material impact on the financial statements of the Group and the Company.

A2 Auditors' Report on Preceding Annual Financial Statements

The audit report of the preceding annual financial statements for the financial year ended 31 December 2007 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.
- A4 Unusual items Due to Their Nature, Size or Incidence  
Other than disclosed in the financial statements there were no unusual items affecting the affecting assets, liabilities, equity, net income or cash flows of the Group in the current quarter ended 30 September 2008.
- 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 30 September 2008.
- 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.

Issuance of Shares

For the current quarter ended 30 September 2008, the issued and paid up share capital has increased from 86,208,700 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 86,271,100 shares by the issuance of shares pursuant to the exercise of options granted under the Employees' Share Option Scheme ("ESOS") and conversion of warrants to shares ("Warrants") as follows :

<u>Number of Shares Issued</u>	<u>Price per share (RM)</u>
12,400 ("ESOS")	1.02
50,000 ("Warrants")	1.00

- A7 Dividend  
There was no dividend payment made for the current quarter under review.

- A8 Segment information  
The segment analysis for the financial period ended 30 September 2008 is set out below:-

	<b>Manufacturing</b>	<b>Property Development &amp; Construction</b>	<b>Investment Holding</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Revenue</u></b>				
External sales	13,659	-	3,251	16,910
	13,659	-	3,251	16,910
<b><u>Result</u></b>				
Segment results	3,614	(43)	1,322	4,893
Interest Income				124
				5,017
Interest Expense				(1,579)
				3,438
Profit before taxation				(1,121)
Taxation				
				2,317
Profit after taxation				=====

- A9 Valuations of land held for development, property, plant and equipment  
The valuations of land held for development, property, plant and equipment have been brought forward, without amendments from the previous annual report.
- A10 Material events subsequent to balance sheet date  
On 5 November 2008 RSB had entered into a sale and purchase agreement with Pesta Pelindung Sdn Bhd to acquire a piece of vacant land for a cash consideration of RM7,413,000.
- A11 Changes in the composition of the Group  
There were no changes to the composition of the Group for the current quarter ended 30 September 2008.
- A12 Contingent liabilities/Contingent assets as at 30 September 2008  
Unsecured:
- |  |                  |
|--|------------------|
| Corporate guarantee issued to a bank for credit facilities granted to a subsidiary company | RM'000<br>25,500 |
|--|------------------|
- Save as disclosed above, there were no material contingent liabilities or contingent assets as at 30 September 2008.

- A13 Property, plant and equipment  
Significant acquisitions for the current quarter ended 30 September 2008

	Current Quarter	Year to Date
	RM'000	RM'000
Investment Property	30,812	49,512

- A14 Capital commitments  
There are no material capital commitments for the current quarter ended 30 September 2008.

Additional information required by the Listing Requirements of Bursa Malaysia Securities Berhad

- B1 Review of the performance of the company and its principal subsidiaries  
For the current financial quarter, the Group achieved revenue of RM4.2 million and pretax profit of RM0.115 million. These represent a decrease of 39.5 per cent in revenue and 95.4 per cent in pretax profit as compared to the revenue and pretax profit of RM7.0 million and RM2.5 million respectively for the previous corresponding period. The decrease in revenue and profit before tax was mainly due to lower sales in the manufacturing division and lower interest income.
- B2 Material changes in profit before tax against preceding quarter  
For the current financial quarter there was a decrease in consolidated revenue and pretax profit by RM2.9 million and RM2.2 million from RM7.2 million and RM2.3 million in the preceding quarter to RM4.2 million and RM0.115 million in the current quarter respectively. The decrease in revenue and pretax profit in the current quarter as compared with the preceding quarter was due to the lower sales in the manufacturing division.
- B3 Prospects for the current year  
The global financial turmoil has greatly affected the confidence of both consumers and investors worldwide. The group expects business conditions to be very challenging and competitive for the fourth quarter 2008 due to global economy slowdown. Barring any unforeseen circumstances the Board expects the Group's performance for 2008 to be satisfactory.
- B4 Profit forecast  
Not applicable as no profit forecast was published.

B5	Tax expense	3 months ended 30 September		Cumulative 30 September	
		2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000
	Current tax expense				
	- Current	131	668	1,221	1,678
	- Prior year	-	-	-	-
	Deferred tax expense				
	- Current	(29)	11	(100)	91
	- Prior year	-	-	-	-
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		102	679	1,121	1,769
		=====	=====	=====	=====

The Group's effective tax rate is higher than the prima facie tax rate for the current quarter due to non allowable expenses for taxation purposes.

B6 Profits/(Losses) on sale of unquoted investments and/or properties  
There was no profit/(loss) on sale of unquoted investments and/or properties for the current quarter.

B7 Marketable securities  
Particulars of investment in marketable securities as at 30 September 2008:

	RM'000
- At cost	1,800
- At carrying value/book value	1,800
- At market value	1,195

B8 Status of corporate proposals  
There were no corporate proposals for the current quarter ended 30 September 2008.

B9 Borrowing and debts securities

	30 September 2008 RM'000
Current	
Overdraft	14,459
Term loan - secured	3,208
Non-current	
Term loan - secured	35,863

The above borrowings are denominated in Ringgit Malaysia.

B10 Off balance sheet financial instruments  
The Group does not have any financial instruments with off balance sheet risk as at 21 November 2008.

B11 Changes in material litigation

(i) The Writ of Summons filed by RSB against Relau Estate is now fixed for case management on 4 February 2009 for clarification of certain issues.

(ii) On 6 January 2003, Rapid Construction Contractor Sdn Bhd (RCC) 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 RCC and Nychem is now fixed for Case Management on 10 February 2009. As to the case between RPT and Nychem, bankruptcy proceedings have been instituted against the two guarantors. One of the guarantors has filed an application to set aside the bankruptcy notice and application has been dismissed on 8 October 2008.

Creditor's petition hearing is fixed on 3 December 2008. The other guarantor has filed an application to set aside bankruptcy notice and the application has been fixed for mention on 15 January 2009.

- (iii) On 9 April 2008 Rapid Precision Technologies Sdn Bhd ("RPT"), a wholly owned subsidiary of the Company, has filed a civil suit against FICO B.V. to invalidate a patent granted by the Registrar of Patents Malaysia. On 6 May 2008 Fico B.V. has filed in their defence and counter claim on RPT. On 17 June 2008 the amended statement of claim was served on FICO. On 29 August 2008 FICO responded to the amended defence and counter claim and on 11 November 2008 RPT replied the same.

B12 Dividends

- (a)(i) no dividend has been recommended for the quarter under review;  
(ii) amount per share nil;  
(iii) previous corresponding period nil;  
(iv) the date payable – not applicable;  
(v) not applicable
- (b) the total dividend for the current financial year nil sen per share

B13 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	
	30.09.08	30.09.07	30.09.08	30.09.07
Net profit for the period (RM'000)	13	1,825	2,317	6,364
Weighted average number of ordinary shares in issue	86,471,534	79,956,952	86,117,982	59,113,813
Basic earnings per share (sen)	0.02	2.28	2.69	10.77
The diluted earnings per share for the current quarter and cumulative year to date are computed as follows:				
	3 months ended		Period Ended	
	30.09.08	30.09.07	30.09.08	30.09.07
Net profit for the period (RM'000)	13	1,825	2,317	6,364
Weighted average number of ordinary shares each in issue	86,471,534	79,956,952	86,117,982	59,113,813
Adjustments for employees' share option	241,316	759,643	241,316	469,070
Adjustments for warrants granted	9,875,886	-	9,875,886	-
Adjusted weighted average number of ordinary shares in issue	96,588,736	80,716,595	96,235,184	59,582,882
Diluted earnings per share ordinary share (sen)	0.01	2.26	2.41	10.68

B14 Authorisation for issue

The interim financial statements were authorized for issue by the Board of Directors.

By order of the Board

LAM VOON KEAN (MIA 4793)

Company Secretary

Penang

Date: 28 November 2008