

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) 134₂₀₀₄ Interim Financial Reporting

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (FRS) 134₂₀₀₄ 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

As at the date of this report, the Group has not adopted FRS 139, Financial Instruments : Recognition and Measurement and the consequential amendments resulting from FRS 139 which is effective for financial periods beginning on or after 1 January 2010.

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 but were significantly affected by the world financial crisis.
- 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 31 December 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 31 December 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 31 December 2008, the issued and paid up share capital has increased from 86,271,100 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 86,468,050 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>Price per share (RM)</u>	<u>Current Quarter</u>	<u>Year-to-date</u>
Number of ESOS exercised	1.02	196,950	573,500
Number of warrants converted to shares	1.00	-	228,700

- 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 31 December 2008 is set out below:-

	Manufacturing	Property Development & Construction	Investment Holding	Consolidated
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
External sales	16,049	183	4,420	20,652
	<hr/>	<hr/>	<hr/>	<hr/>
	16,049	183	4,420	20,652
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Result</u>				
Segment results	2,618	244	817	3,679
Interest Income				142
	<hr/>	<hr/>	<hr/>	<hr/>
				3,821

Interest Expense	(2,774)
Profit before taxation	1,047
Taxation	(968)
Profit after taxation	79
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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
There were no material events subsequent to the end of the period under review to 19 February 2009.

A11 Changes in the composition of the Group
There were no changes in the composition of the Group for the current quarter and financial year to date except for:

a) Sale of Suileem Realty Sdn Bhd

On 16 December 2008 RSB had entered into sale and purchase agreement to dispose its wholly owned subsidiary Suileem Realty Sdn Bhd for the amount of RM12,300,000. The profit of approximately RM10 million arising from the sale has not been recognized and will only be reflected upon the completion of the sale.

A12 Contingent liabilities/Contingent assets as at 31 December 2008

Unsecured:

Corporate guarantee issued to a bank for credit facilities granted to a subsidiary company	RM'000 39,685
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Save as disclosed above, there were no material contingent liabilities or contingent assets as at 31 December 2008.

A13 Property, plant and equipment
Significant acquisitions for the current quarter and year to date ended 31 December 2008

	Current Quarter RM'000	Year to date RM'000
Investment Property	17,855	67,367

A14 Capital commitments
There are no material capital commitments for the current quarter ended 31 December 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 recorded a revenue and loss before tax of RM3.7 million and RM2.4 million respectively. This represents a decrease of RM20.1 million in revenue compared to the revenue of RM23.8 million recorded in the previous year corresponding financial quarter. Consequently, the pretax profit declined to a loss before tax of RM2.4 million from a profit of RM16 million achieved in the previous year corresponding financial quarter. The current quarter loss was mainly attributed to the slower demand from the manufacturing division, higher interest expense, provision for diminution of marketable securities and the recognition of RM12.3 million which was a one-off gain from the disposal of land by Rapid Construction Contractor Sdn Bhd reflected in the corresponding previous year financial quarter.

B2 Material changes in profit before tax against preceding quarter
 For the current financial quarter there was a decrease in consolidated revenue of RM0.5 million from RM4.2 million in the preceding quarter to RM3.7 million in the current quarter. Accordingly the pretax profit for the current quarter declined to a loss of RM2.4 million from profit of RM0.115 million recorded in the preceding quarter. The decrease in revenue and loss in pretax profit in the current quarter as compared with the preceding quarter was due to the lower sales in the manufacturing division, provision of diminution of marketable securities and higher operating expenses.

B3 Prospects for the current year
 The significant slowdown in global growth and the continued volatility across global financial market had dampen the economic outlook for 2009. The group expects business conditions to be very challenging and uncertain for the year 2009.

B4 Profit forecast
 Not applicable as no profit forecast was published.

B5 Tax expense	3 months ended		Cumulative	
	31 December		31 December	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current	(83)	2,668	1,138	4,328
- Prior year	-	-	-	-
Deferred tax expense				
- Current	(70)	(38)	(170)	91
- Prior year	-	-	-	-
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	(153)	2,650	968	4,419
	=====	=====	=====	=====

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 31 December 2008:

	RM'000
- At cost	1,800
Less:	
Provision for diminution	<u>734</u>
- At carrying value/book value	1,066
- At market value	1,066

B8 Status of corporate proposals
 There were no corporate proposals for the current quarter ended 31 December 2008.

B9 Borrowing and debts securities	31 December 2008
	RM'000
Current	
Overdraft	17,058
Term loan - secured	3,891
Non-current	
Term loan - secured	55,359

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 19 February 2009.

B11 Changes in material litigation

- (i) The Writ of Summons filed by RSB against Relau Estate, mention date has been fixed on 29 April 2009.
- (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, mention date is fixed on 12 March 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 25 February 2009. The other guarantor has filed an application to set aside bankruptcy notice and the application has been fixed for mention on 2 March 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. Case management has been fixed on 15 April 2009.

B12 Dividends

- (a)(i) no dividend has been recommended for the quarter under review;
(ii) amount per share nil;
(iii) previous corresponding period 2 sen;
(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	
	31.12.08	31.12.07	31.12.08	31.12.07
Net profit/(loss) for the period (RM'000)	(2,238)	13,985	79	20,349
Weighted average number of ordinary shares in issue	86,574,150	85,580,798	86,124,128	73,389,062
Basic earnings per share (sen)	(2.59)	16.34	0.09	27.73

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

	3 months ended		Period Ended	
	31.12.08	31.12.07	31.12.08	31.12.07
Net profit for the period (RM'000)	(2,238)	13,371	79	19,735

Weighted average number of ordinary

shares each in issue	86,574,150	85,580,798	86,124,128	73,389,062
Adjustments for employees' share option	142,132	309,113	142,132	459,129
Adjustments for warrants granted	9,620,805	-	9,620,805	-
Adjusted weighted average number of ordinary shares in issue	96,337,087	85,890,109	95,887,065	73,848,191
Diluted earnings per share ordinary share (sen)	(2.32)	16.28	0.08	27.56

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: 25 February 2009