

**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 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 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008. The explanatory notes attached to the interim financial statements 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 2008.

The accounting policies and methods of computation adopted by the Group in this interim financial report is consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2008.

A2 Auditors' Report on Preceding Annual Financial Statements

The audit report of the preceding annual financial statements for the financial year ended 31 December 2008 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 assets, liabilities, equity, net income or cash flows of the Group in the current quarter ended 31 March 2009.

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 March 2009.

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 March 2009, the issued and paid up share capital has increased from 86,468,050 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 86,768,550 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	241,500	241,500
Number of warrants converted to shares	1.00	59,000	59,000

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 March 2009 is set out below:-

	<b>Manufacturing</b>	<b>Investment</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>Holding</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Revenue</u></b>			
External sales	762	1,268	2,030
	762	1,268	2,030
<b><u>Result</u></b>			
Segment results	(1,400)	597	(803)
Interest Income			3
			(800)
Interest Expense			(1,507)
Profit before taxation			(2,307)
Taxation			(53)
Profit after taxation			(2,360)
			=====

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 20 May 2009.

A11 Changes in the composition of the Group  
On 18 March 2009, Bestgift Sdn Bhd became the wholly owned subsidiary of the Company.

A12 Contingent liabilities/Contingent assets as at 31 March 2009  
There were no material contingent liabilities or contingent assets as at 31 March 2009.

A13 Property, plant and equipment  
There were no significant acquisitions for the current quarter ended 31 March 2009

A14 Capital commitments  
There were no material capital commitments for the current quarter ended 31 March 2009.

**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 RM2.03 million and RM2.31 million respectively. This represents a decrease of 3.45 million in revenue compared to the revenue of RM5.48 million recorded in the previous year corresponding financial quarter. The pretax profit declined to a loss before tax of RM2.31 million from a profit of RM1.05 million achieved in the previous year corresponding financial quarter. The current quarter loss was mainly attributed to the lower sales from the manufacturing division and higher interest expense.

B2 Material changes in profit before tax against preceding quarter  
 For the current financial quarter there was a decrease in consolidated revenue of RM1.71 million from RM3.74 million in the preceding quarter to RM2.03 million in the current quarter. The pretax profit for the current quarter recorded a loss of RM2.31 million compared to a loss of RM2.39 million recorded in the preceding quarter. The decrease in revenue in the current quarter as compared with the preceding quarter was due to the lower sales in the manufacturing division. The pretax profit recorded a lower loss compared to the preceding quarter due to increase in rental contributed by the property investment.

B3 Prospects for the current year  
 The global economic slowdown had dampened the sales of the manufacturing division and the Group do not foresee an early recovery in this division. The investment property division shows encouraging contribution to the Groups' performance and will buffer the low demand from the manufacturing division in 2009. The Group is cautiously optimistic for financial year 2009 as contributions from the investment property division is expected to accelerate in the second half of 2009.

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

B5 Tax expense	3 months ended		Cumulative	
	31 March		31 March	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current	53	359	53	359
- Prior year	-	-	-	-
Deferred tax expense				
- Current	-	49	-	49
- Prior year	-	-	-	-
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	53	408	53	408
	=====	=====	=====	=====

The group's effective tax rate for the quarter is higher than the statutory tax rate principally due to unqualified expenses being disallowed 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 31 March 2009:

	RM'000
- At cost	1,800
Less:	
Provision for diminution	<u>721</u>
- At carrying value/book value	1,079
- At market value	1,079

B8 Status of corporate proposals  
 There were no corporate proposals for the current quarter ended 31 March 2009.

B9 Borrowing and debts securities

	31 March 2009
	RM'000
Current	
Overdraft	7,128
Term loan - secured	4,861

Non-current	
Term loan - secured	69,389

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 20 May 2009.

B11 Changes in material litigation

(i) The Writ of Summons filed by RSB against Relau Estate, case management date has been fixed on 27 August 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 9 June 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. The mention date for setting aside of summary judgement is fixed on 2 June 2009. The other guarantor has filed an appeal to set aside the bankruptcy notice and has been fixed for mention on 8 October 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 16 June 2009.

B12 Dividends

(a)(i) no dividend has been recommended for the quarter under review;  
(ii) amount per share nil;  
(iii) previous corresponding period nil 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	
	31.03.09	31.03.08
Net profit/(loss) for the period (RM'000)	(2,360)	637
Weighted average number of ordinary shares in issue	86,721,297	85,968,306
Basic earnings per share (sen)	(2.72)	0.74

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

	3 months ended	
	31.03.09	31.03.08
Net profit for the period (RM'000)	(2,360)	637
Weighted average number of ordinary shares each in issue	86,721,297	85,968,306
Adjustments for employees' share option	34,854	260,662
Adjustments for warrants granted	9,918,608	9,642,835
Adjusted weighted average number of ordinary shares in issue	96,674,759	95,871,803
Diluted earnings per share ordinary share (sen)	(2.44)	0.66

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: 27 May 2009