

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 30 June 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 30 June 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 30 June 2009, the issued and paid up share capital has increased from 86,768,550 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 87,000,900 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	28,900	270,400
Number of warrants converted to shares	1.00	203,450	262,450

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 June 2009 is set out below:-

	Manufacturing	Investment	Consolidated
	RM'000	Holding	RM'000
		RM'000	RM'000
<u>Revenue</u>			
External sales	2,641	2,841	5,482
	2,641	2,841	5,482
<u>Result</u>			
Segment results	(2,256)	1,683	(573)
Interest Income			3
			(570)
Interest Expense			(2,553)
Loss before taxation			(3,123)
Taxation			(133)
Loss after taxation			(3,256)
			=====

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 12 August 2009.

A11 Changes in the composition of the Group
There were no changes in composition of the Group for the current quarter under review.

A12 Contingent liabilities as at 30 June 2009
Unsecured :
Corporate guarantee issued to banks for credit facilities granted to subsidiary companies RM'000
93,102

A13 Property, plant and equipment
Significant acquisitions for the current quarter and year to date ended 30 June 2009.

	Current Quarter	Year to date
	RM'000	RM'000
Properties	21,630	21,630

A14 Capital commitments
There were no material capital commitments for the current quarter ended 30 June 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 RM3.45 million and RM0.82 million respectively. This represents a decrease of 3.74 million in revenue compared to the revenue of RM7.19 million recorded in the previous year corresponding financial quarter. The pretax profit declined to a loss before tax of RM0.82 million from a profit of RM2.28 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 an increase in consolidated revenue of RM1.42 million from RM2.03 million in the preceding quarter to RM3.45 million in the current quarter. The pretax loss for the current quarter is RM0.82 million compared to a loss of RM2.31 million recorded in the preceding quarter. The increase in revenue was due to the increase in sales from both the manufacturing and investment property division resulting in the loss improvement of RM1.49 million.
- B3 Prospects for the current year
With the ongoing uncertainty in the global economic conditions the Group expects its manufacturing division to remain challenging. Future outlook remains unclear as many customers continue to adopt a prudent approach towards capital expenditure.
The investment property division shows encouraging contribution to the Groups' performance and will buffer the low demand from the manufacturing division in 2009. Under the current recessionary condition, the Board expects the financial year for the Group to remain challenging.

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

B5 Tax expense	3 months ended		Cumulative	
	30 June		30 June	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current	74	731	127	1,090
- Prior year	6	-	6	-
Deferred tax expense				
- Current	-	(120)	-	(71)
- Prior year	-	-	-	-
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	80	611	133	1,019
	=====	=====	=====	=====

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 30 June 2009:
- | | RM'000 |
|--------------------------------|------------|
| - At cost | 1,800 |
| Less: | |
| Provision for diminution | <u>541</u> |
| - At carrying value/book value | 1,259 |
| - At market value | 1,259 |

B8 Status of corporate proposals
There were no corporate proposals for the current quarter ended 30 June 2009.

B9 Borrowing and debts securities

30 June 2009
RM'000

Current	
Overdraft	9,504
Term loan - secured	7,226
Non-current	
Term loan - secured	84,766

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 12 August 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 28 Sept 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 15 September 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 28 August 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		Period Ended	
	30.06.09	30.06.08	30.06.09	30.06.08
Net profit/(loss) for the period (RM'000)	(896)	1,667	(3,256)	2,304

Weighted average number of ordinary shares in issue	87,007,584	86,172,177	86,884,063	86,093,879
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Basic earnings per share (sen)	(1.03)	1.93	(3.75)	2.68
The diluted earnings per share for the current quarter and cumulative year to date are computed as follows:				
	3 months ended		Period Ended	
	30.06.09	30.06.08	30.06.09	30.06.08
Net profit/(loss) for the period (RM'000)	(896)	1,667	(3,256)	2,304
Weighted average number of ordinary shares each in issue	87,007,584	86,172,177	86,884,063	86,093,879
Adjustments for employees' share option	22,014	249,012	22,014	249,012
Adjustments for warrants granted	10,085,180	9,975,245	10,085,180	9,975,245
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Adjusted weighted average number of ordinary shares in issue	97,114,777	96,396,434	96,991,257	96,318,136
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Diluted earnings per share ordinary share (sen)	(0.92)	1.73	(3.36)	2.39

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: 19 August 2009