

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 September 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 September 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 September 2009, the issued and paid up share capital has increased from 87,000,900 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 87,073,200 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	21,000	291,400
Number of warrants converted to shares	1.00	51,300	313,750

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 2009 is set out below:-

	Manufacturing	Investment	Consolidated
	RM'000	Holding	RM'000
<u>Revenue</u>	RM'000	RM'000	RM'000
External sales	5,170	5,845	11,015
	5,170	5,845	11,015
<hr/>			
<u>Result</u>			
Segment results	(2,733)	3,079	346
Interest Income			3
			349
Interest Expense			(4,030)
Loss before taxation			(3,681)
Taxation			(236)
Loss after taxation			(3,917)
			=====

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 11 November 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 September 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 September 2009.

	Current Quarter	Year to date
	RM'000	RM'000
Properties	5,545	27,175

A14 Capital commitments
There were no capital commitments for the current quarter ended 30 September 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 RM5.53 million and RM0.66 million respectively. This represents an increase of RM1.3 million in revenue compared to the revenue of RM4.23 million recorded in the previous year corresponding financial quarter. The pretax profit declined to a loss before tax of RM0.56 million from a profit of RM0.12 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 RM2.08 million from RM3.45 million in the preceding quarter to RM5.53 million in the current quarter. The pretax loss for the current quarter is RM0.56 million compared to a loss of RM0.82 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 RM0.26 million.

B3 Prospects for the current year

There is sign that the global downturn has bottomed out and global demand for electronics products are expected to turn positive. The group expects its manufacturing business condition to improve but remain challenging and competitive for the fourth quarter 2009.

The investment property division shows encouraging contribution to the group's performance and will cushioned the negative impact from the manufacturing division. The Board expects the group's performance for the remaining financial year to improve but remain challenging.

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

B5 Tax expense	3 months ended		Cumulative	
	30 September		30 September	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current	98	131	231	1,221
- Prior year	5	-	5	-
Deferred tax expense				
- Current	-	(29)	-	(100)
- Prior year	-	-	-	-
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	103	102	236	1,121
	=====	=====	=====	=====

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
 The group's dealing in marketable securities for the financial period ended 30 September 2009 is as follows:

	RM'000
Total sales proceeds	1,259
Total loss on disposal	541

Following the above disposal the Group does not hold any marketable securities as at 30 September 2009.

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

B9	Borrowing and debts securities	30 September 2009 RM'000
	Current	
	Overdraft	13,533
	Term loan - secured	6,180
	Non-current	
	Term loan - secured	91,745

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 11 November 2009.

B11 Changes in material litigation

(i) The Writ of Summons filed by RSB against Relau Estate, case management date has been fixed on 14 January 2010.

(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 6 January 2010. 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 other guarantor has filed an appeal to set aside the bankruptcy notice and has been fixed for mention on 9 December 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. Hearing has been fixed on 26 April to 30 April 2010.

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	
	30.09.09	30.09.08	30.09.09	30.09.08
Net profit/(loss) for the period (RM'000)	(661)	13	(3,917)	2,317
Weighted average number of ordinary shares in issue	87,047,500	86,471,534	86,914,136	86,117,982
Basic earnings per share (sen)	(0.76)	0.02	(4.51)	2.69

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

	3 months ended		Period Ended	
	30.09.09	30.09.08	30.09.09	30.09.08
Net profit/(loss) for the period (RM'000)	(661)	13	(3,917)	2,317
Weighted average number of ordinary shares each in issue	87,047,500	86,471,534	86,914,136	86,117,982
Adjustments for employees' share option	11,891	241,316	11,891	241,316
Adjustments for warrants granted	9,992,255	9,875,886	9,992,255	9,875,886
Adjusted weighted average number of ordinary shares in issue	97,051,646	96,588,736	96,918,282	96,235,184
Diluted earnings per share ordinary share (sen)	(0.68)	0.01	(4.04)	2.41

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: 18 November 2009