

**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 December 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 December 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 December 2009, the issued and paid up share capital has increased from 87,073,200 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 87,090,500 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	17,300	308,700

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 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><u>Revenue</u></b>			
External sales	6,784	8,475	15,259
	<hr/> 6,784	<hr/> 8,475	<hr/> 15,259
<b><u>Result</u></b>			
Segment results	(3,059)	15,000	11,941
Interest Income			3
			<hr/> 11,944
Interest Expense			(5,650)
Profit before taxation			<hr/> 6,294
Taxation			(28)
Profit after taxation			<hr/> 6,266
			=====

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 17 February 2010.

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 31 December 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 31 December 2009.

	Current Quarter	Year to date
	RM'000	RM'000
Properties	5,631	32,990

A14 Capital commitments  
On 15 December 2009 RSB had entered into sale and purchase agreement to acquire two units of properties for the amount of RM5,699,531, which have been recognized as prepayment as at 31 December 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 profit before tax of RM4.24 million and RM9.98 million respectively. This represents an increase of RM0.5 million in revenue compared to the revenue of RM3.74 million recorded in the previous year corresponding financial quarter. The pretax profit increased to a profit before tax of RM9.98 million from a loss of RM2.39 million recorded in the previous year corresponding financial quarter. The improved result was mainly due to the gain of approximately RM10 million from the disposal of a subsidiary as per the announcement dated 16 December 2008.
- B2 **Material changes in profit before tax against preceding quarter**  
 For the current financial quarter there was a decrease in consolidated revenue of RM1.29 million from RM5.53 million in the preceding quarter to RM4.24 million in the current quarter. The pretax profit for the current quarter is RM9.98 million compared to a loss of RM0.56 million recorded in the preceding quarter. The decrease in revenue was due to the lower sales from the manufacturing division. The increase in pretax profit was mainly due to the gain realized from the disposal of a subsidiary as stated above.
- B3 **Prospects for the current year**  
 The global demand for electronics products have turned positive and the group expects its manufacturing business condition to improve. The investment property division will continue to contribute positively to the group's performance. Barring any unforeseen circumstances the Board expects the Group's performance to be satisfactory for the year 2010.
- B4 **Profit forecast**  
 Not applicable as no profit forecast was published.

B5	Tax expense	3 months ended 31 December		Cumulative 31 December	
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
	Current tax expense				
	- Current	(256)	(83)	(487)	1,138
	- Prior year	(247)	-	(252)	-
	Deferred tax expense				
	- Current	626	(70)	626	(170)
	- Prior year	85	-	85	-
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		208	(153)	(28)	968
		=====	=====	=====	=====

The Group's effective tax rate is lower than the prima facie tax rate for the current quarter due to the gain in disposal of a subsidiary which is not taxable.

- B6 **Profits/(Losses) on sale of unquoted investments and/or properties**  
 There was a gain of approximately RM10.05 million from the disposal of a subsidiary and sale of two units of properties for the current quarter.
- B7 **Marketable securities**  
 There were no purchase or disposal of quoted securities for the current quarter ended 31 December 2009.
- B8 **Status of corporate proposals**  
 There were no corporate proposals for the current quarter ended 31 December 2009.

B9	Borrowing and debts securities		31 December 2009
			RM'000
	Current		
	Overdraft		8,791
	Term loan - secured		6,516
	Non-current		
	Term loan - secured		90,019

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 17 February 2010.

B11 Changes in material litigation

(i) The Writ of Summons filed by RSB against Relau Estate, case management date has been fixed on 3 March 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, the hearing date has been postponed until further notice. As to the case between RPT and Nychem, bankruptcy proceedings have been instituted against the two guarantors. On 18 February 2010 an adjudicating and receiving order (AORO ) was obtained against one of the guarantor. The other guarantor has filed an appeal to set aside the bankruptcy notice.

(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	
	31.12.09	31.12.08	31.12.09	31.12.08
Net profit/(loss) for the period (RM'000)	10,183	(2,238)	6,266	79

Weighted average number of ordinary shares in issue	87,047,175	86,574,150	86,913,891	86,124,128
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Basic earnings per share (sen)	11.70	(2.59)	7.21	0.09
The diluted earnings per share for the current quarter and cumulative year to date are computed as follows:				
	3 months ended		Period Ended	
	31.12.09	31.12.08	31.12.09	31.12.08
Net profit/(loss) for the period (RM'000)	10,183	(2,238)	6,266	79
Weighted average number of ordinary shares each in issue	87,047,175	86,574,150	86,913,891	86,124,128
Adjustments for employees' share option	11,414	142,132	11,414	142,132
Adjustments for warrants granted	9,607,636	9,620,805	9,607,636	9,620,805
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Adjusted weighted average number of ordinary shares in issue	96,666,225	96,337,087	96,532,941	95,887,065
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Diluted earnings per share ordinary share (sen)	10.53	(2.32)	6.49	0.08

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: 24 February 2010