

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 2009. 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 2009.

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 2009, except for the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC interpretation which are applicable to its financial statements :

- FRS 4, Insurance Contract
- FRS 7, Financial Instruments: Disclosures
- FRS 8, Operating Segments
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132, Financial Instruments: Presentation
 - Puttable Financial Instruments and Obligations Arising on Liquidation
 - Separation of Compound Instruments
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
 - Reclassification of Financial Assets
 - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the above FRSs, Amendments and Interpretations do not have any significant financial impact on the Group's results.

- A2 **Auditors' Report on Preceding Annual Financial Statements**
The audit report of the preceding annual financial statements for the financial year ended 31 December 2009 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.
- 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 2010.
- 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 2010.
- 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 2010, the issued and paid up share capital has increased from 87,095,700 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 87,161,600 shares by the issuance of shares pursuant to the 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 warrants converted to shares	1.00	65,900	71,100

- A7 **Dividend**
There was no dividend payment made for the current quarter under review.
- A8 **Segmental Reporting**
The segment information for business segments predominantly conducted in Malaysia for the financial period ended 30 June 2010 is as follows:-

Business Segment	Manufacturing	Investment	Consolidated
	RM'000	RM'000	RM'000
Revenue			
External sales	4,800	5,492	10,292
	<hr/>	<hr/>	<hr/>
	4,800	5,492	10,292
Result			
Segment results	(1,356)	2,626	1,270
	<hr/>	<hr/>	<hr/>
Interest Expense			(3,119)
Loss before taxation			<hr/> (1,849)
Taxation			(37)
Loss after taxation			<hr/> (1,886)
			=====

- 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 18 August 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 30 June 2010
Unsecured :
- | | |
|---|------------------|
| Corporate guarantee issued to banks for credit facilities granted to subsidiary companies | RM'000
95,402 |
|---|------------------|
- A13 Property, plant and equipment
There were no significant acquisitions for the current quarter ended 30 June 2010.
- A14 Capital commitments
There were no capital commitments for the current quarter ended 30 June 2010.

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 RM5.03 million and RM1.14 million respectively. This represents an increase of RM1.58 million in revenue compared to the revenue of RM3.45 million recorded in the previous year corresponding financial quarter. The pretax loss increased to a loss before tax of RM1.14 million compared to the loss of RM0.9 million recorded in the previous year corresponding financial quarter. The higher current quarter loss was mainly attributed to higher interest expense.
- B2 Material changes in profit before tax against preceding quarter
For the current financial quarter there was a decreased in consolidated revenue of RM0.23 million from RM5.26 million in the preceding quarter to RM5.03 million in the current quarter. The loss before tax for the current quarter increase to RM1.14 million compared to the loss of RM0.71 million recorded in the preceding quarter. The decreased in revenue was mainly due to lower sales from the manufacturing division. The increase in pretax loss for the current quarter compared to the preceding quarter was mainly due to higher operating expenses and interest expense.
- B3 Prospects for the current year
Despite signs of economic recovery, the Group's operating environment remain challenging and competitive. 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 30 June		Cumulative 30 June	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
	Current tax expense				
	- Current	4	74	147	127
	- Prior year	-	6	-	6
	Deferred tax expense				
	- Current	-	-	(123)	-
	- Prior year	-	-	13	-
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		4	80	37	133
		=====	=====	=====	=====

The Group's effective tax rate is higher than the prima facie tax rate for the current quarter due to certain expenses being disallowed for taxation purposes.

B6 Profits/(Losses) on sale of unquoted investments and/or properties
There were no disposal of unquoted investment and properties for the current quarter ended 30 June 2010.

B7 Marketable securities
There were no purchase or disposal of quoted securities for the current quarter ended 30 June 2010.

B8 Status of corporate proposals
There were no corporate proposals for the current quarter ended 30 June 2010.

B9 Borrowing and debts securities

	30 June 2010 RM'000
Current	
Overdraft	6,811
Term loan - secured	7,063
Non-current	
Term loan - secured	88,539

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 18 August 2010.

B11 Changes in material litigation

(i) The Writ of Summons filed by RSB against Relau Estate, the case management has been postponed to 2 September 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. One of the guarantors has withdrawn their application for stay of the adjudicating and receiving order (AORO) and with cost to be taxed. The other guarantor will be served with a bankruptcy notice.

- 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	
	30.06.10	30.06.09	30.06.10	30.06.09
Net loss for the period (RM'000)	(1,147)	(896)	(1,886)	(3,256)
Weighted average number of ordinary shares in issue	87,181,259	87,007,584	87,133,082	86,884,063
Basic earnings/(loss) per share (sen)	(1.32)	(1.03)	(2.16)	(3.75)

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

	3 months ended		Period Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
Net loss for the period (RM'000)	(1,147)	(896)	(1,886)	(3,256)
Weighted average number of ordinary shares in issue	87,181,259	87,007,584	87,133,082	86,884,063
Adjustments for employees' share option	-	22,014	-	22,014
Adjustments for warrants granted	9,314,423	10,085,180	9,314,423	10,085,180
Adjusted weighted average number of ordinary shares in issue	96,495,682	97,114,777	96,447,505	96,991,257
Diluted earnings/(loss) per share (sen)	(1.19)	(0.92)	(1.96)	(3.36)

- B14 Authorisation for issue
The interim financial statements were authorised for issue by the Board of Directors

By order of the Board
LAM VOON KEAN (MIA 4793)
Company Secretary
Penang
Date : 25 August 2010