

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 September 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 September 2010.
- A6 **Debts and equity securities**
There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date.
- 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 September 2010 is as follows: -

Business Segment	Manufacturing RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue			
External sales	7,579	8,317	15,896
	<hr/>	<hr/>	<hr/>
	7,579	8,317	15,896
<hr/>			
Result			
Segment results	(1,771)	4,104	2,333
	<hr/>	<hr/>	<hr/>
Interest Expense			(4,747)
Loss before taxation			<hr/> (2,414)
Taxation			(203)
Loss after taxation			<hr/> (2,617) =====

- 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 November 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 September 2010
Unsecured :
Corporate guarantee issued to banks for credit facilities granted to subsidiary companies RM'000
99,047
- A13 Property, plant and equipment
There were no significant acquisitions for the current quarter ended 30 September 2010.
- A14 Capital commitments
There were no capital commitments for the current quarter ended 30 September 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 RM5.60 million and RM0.57 million respectively. This represents an increase of RM0.07 million in revenue compared to the revenue of RM5.53 million recorded in the previous year corresponding financial quarter. The pretax loss recorded a loss before tax of RM0.57 million compared to the loss of RM0.56 million recorded in the previous year corresponding financial quarter. The higher current quarter loss was mainly attributed to higher operational and interest expense.
- B2 Material changes in loss before tax against preceding quarter
For the current financial quarter there was an increased in consolidated revenue of RM0.57 million from RM5.03 million in the preceding quarter to RM5.60 million in the current quarter. The loss before tax for the current quarter was RM0.57 million compared to the loss of RM1.14 million recorded in the preceding quarter. The increased in revenue was mainly due to higher sales from the manufacturing division. The decreased in pretax loss for the current quarter compared to the preceding quarter was mainly due to contribution from both the manufacturing and investment property divisions.
- B3 Prospects for the current year
The group expects its manufacturing business condition to improve but remain challenging and competitive for the fourth quarter 2010.

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	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current	233	98	380	231
- Prior year	-	5	-	5
Deferred tax expense				
- Current	(67)	-	(190)	-
- Prior year	-	-	13	-
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	166	103	203	236
	=====	=====	=====	=====

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/or properties except for the sale of two units of properties which contributed a gain of about RM256,000 for the current quarter ended 30 September 2010.

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

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

B9 Borrowing and debts securities

	30 September 2010 RM'000
Current	
Overdraft	5,309
Term loan - secured	7,088
Non-current	
Term loan - secured	90,468

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 November 2010.

B11 Changes in material litigation

(i) The Writ of Summons filed by RSB against Relau Estate has been amicably settled on 11 October 2010.

(ii) On 6 January 2003, Rapid Mall Sdn Bhd (RMSB) (formerly known as Rapid Construction Contractor Sdn Bhd) 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 RMSB 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	
	30.09.10	30.09.09	30.09.10	30.09.09
Net loss for the period (RM'000)	(731)	(661)	(2,617)	(3,917)
Weighted average number of ordinary shares in issue	87,181,259	87,047,500	87,133,082	86,914,136
Basic earnings/(loss) per share (sen)	(0.84)	(0.76)	(3.00)	(4.51)
The diluted earnings per share for the current quarter and cumulative year to date are computed as follows:				
	3 months ended		Period Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
Net loss for the period (RM'000)	(731)	(661)	(2,617)	(3,917)
Weighted average number of ordinary shares in issue	87,181,259	87,047,500	87,133,082	86,914,136
Adjustments for employees' share option	-	11,891	-	11,891
Adjustments for warrants granted	9,314,423	9,992,255	9,314,423	9,992,255
Adjusted weighted average number of ordinary shares in issue	96,495,682	97,051,646	96,447,505	96,918,282
Diluted earnings/(loss) per share (sen)	(0.76)	(0.68)	(2.72)	(4.04)

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 : 19 November 2010