

**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<sub>2004</sub> 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<sub>2004</sub> Interim Financial Reporting, and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (BMSB). The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and these explanatory notes attached to the interim financial statements as they 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 2006.

**Changes in Accounting Policies**

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for year ended 31 December 2006. We have made early adoption of FRS 124 Related Party Disclosures and FRS 117 Leases in 2006 and the resulting change in the accounting policy has been reflected in the financial year ended 31 December 2006.

**A2 Declaration of qualification of audit report**

The audit report of the preceding annual financial statements of the Group 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 affecting assets, liabilities, equity, net income or cash flows**

Other than disclosed in the financial statements there were no unusual items affecting the financial statements for the financial period under review.

**A5 Change in accounting estimates**

There was no material change in accounting estimates used in the preparation of financial statements in the current financial period as compared with the previous financial period or previous financial year.

**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.

**(a) Issuance of Shares**

On 9 April 2007 the Company's proposed renounceable two-call rights issue of 42,291,900 new ordinary shares of RM1.00 each ("Rights Shares") in the company together with 21,145,950 free detachable warrants ("Warrants") were allotted to shareholders and were subsequently quoted on Bursa Securities on 16 April 2007.

For the current quarter ended 30 June 2007 the issued and paid up share capital has increased from 42,291,900 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 85,403,700 shares by the issuance of 43,111,800 shares pursuant to the issue of 42,291,900 rights shares and 819,900 options granted under the Employees' Share Option Scheme at the following option price:

Number of Shares IssuedOption price per share (RM)

819,900

1.02

## A7 Dividend

A first and final tax exempt dividend of 2 sen per share for the year ended 31 December 2006 was paid out on 29 June 2007 totaling RM1,697,128.

## A8 Segment information

The segment analysis for the financial year ended 30 June 2007 is set out below:-

	<b>Manufacturing RM'000</b>	<b>Property Development &amp; Construction RM'000</b>	<b>Investment Holding RM'000</b>	<b>Consolidated RM'000</b>
<b><u>Revenue</u></b>				
External sales	12,984	199	1,561	14,744
	<hr/>	<hr/>	<hr/>	<hr/>
	12,984	199	1,561	14,744
<hr/>				
<b><u>Result</u></b>				
Segment results	4,040	29	1,197	5,266
Interest Income				703
				<hr/>
				5,969
Interest Expense				(340)
				<hr/>
Profit before taxation				5,629
Taxation				(1,090)
				<hr/>
Profit after taxation				4,539
				=====

## 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

On 10 August 2007, RSB had entered into a sale and purchase agreement to acquire the entire issued and paid-up capital of Fresh Melody Sdn Bhd comprising 50,000 ordinary shares of RM1.00 each for a cash consideration of RM6,588,800.00.

## A11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 June 2007.

## A12 Changes in contingent liabilities

There were no changes in contingent liability since the last annual balance sheet date until 24 August 2007.

## A13 Property, plant and equipment

Significant acquisition of items of property, plant and equipment for the current quarter ended 30 June 2007 are as follows :

	<b>Current Quarter RM'000</b>	<b>Year To Date RM'000</b>
Equipment	1,086	3,357
Investment Property	9,600	9,600

A14 Capital commitments

Group  
RM'000

- Contracted but not provided for as at 30 June 2007 NIL

ADDITIONAL INFORMATION REQUIRED BY THE KLSE'S LISTING REQUIREMENTS

B1 Review of the performance of the company and its principal subsidiaries  
The Group recorded a revenue of RM7.07 million and a net profit of RM2.15 million for the second quarter ended 30 June 2007. These represent a decrease 20 per cent in revenue and an increase of 29% in net profit compared to the revenue and net profit of RM8.841 million and RM1.67 million respectively for the previous corresponding period. The higher productivity in the manufacturing division contributed the bulk of the increase in profit after tax of the Group.

B2 Material changes in profit before tax against preceding quarter  
For the current financial quarter there was a reduction in consolidated revenue of RM0.61 million from RM7.68 million in the preceding quarter. The reduction in revenue was mainly due to lower sales in tooling division. The pretax profit increased slightly by RM0.03 million to RM2.83 million due to higher profit in tooling division.

B3 Prospects for the current year  
The tooling division is expected to see a challenging second half of 2007 in view of the softening semiconductor sector. The investment properties will continue to contribute positively to the Group's performance. Barring any unforeseen circumstances the Board is optimistic that both the tooling and property division performance will remain favourable for this year.

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

B5 Tax expense	3 months ended 30 June		Cumulative 30 June	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax expense				
- Current	543	643	1,011	865
- Prior year	-	-	-	-
Deferred tax expense				
- Current	135	(136)	79	(231)
- Prior year	-	-	-	-
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	678	507	1,090	634
	=====	=====	=====	=====

The Group's effective tax rate is lower than the prima facie tax rate for the current quarter due to availability of certain tax incentives granted to a subsidiary.

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 Quoted securities  
There was no purchase and disposal of quoted securities for the current quarter and financial year-to-date. There was no investment in quoted shares as at 30 June 2007.

B8 Status of corporate proposals

Status of Utilisation of Proceeds

The proceeds of RM33,383,520 from the issuance of 42,291,900 ordinary shares of RM0.80 each from the Company's proposed renounceable two-call rights issue to be utilized for working capital requirements and to defray expenses relating to the proposals. As at 30 June 2007, the Group had utilized RM5,093,602 for working capital expenses and progress payments for the construction of the shop lots and a drive in restaurant.

B9 Borrowing and debts securities

30 June 2007  
RM'000

Current

Term loan - secured

2,093

Non-current

Term loan - secured

13,610

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 24 August 2007.

B11 Changes in material litigation

- (i) The Writ of Summons filed by RSB against Relau Estate is now fixed for full trial on 11 September 2007.
- (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 is now fixed for Case Management on 26 October 2007. As to the case between RPT and Nychem, bankruptcy proceedings have been instituted against the two guarantors. An application for stay of proceedings have been fixed on 21 August 2007 for one of the guarantors. The other guarantor has filed an application to set aside the bankruptcy notice and the hearing application is fixed on 21 September 2007.

B12 Dividends

- (a)(i) No dividend has been recommended for the quarter under review;
- (ii) amount per share nil;
- (iii) previous corresponding period nil;
- (iv) the first and final tax exempt dividend of 2 sen per share for the year ended 31 December 2006 was paid out on 29 June 2007 totaling RM1,696,128;
- (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	
30.06.07	30.06.06	30.6.07	30.06.06
RM'000	RM'000	RM'000	RM'000

Net profit for the period (RM'000)	2,150	1,673	4,539	2,392
Weighted average number of ordinary shares in issue	79,726,918	41,997,900	55,136,513	41,997,000
Basic earnings per ordinary share (sen)	2.70	3.98	8.23	5.70
The diluted earnings per share for the current quarter and cumulative year to date are computed as follows:				
	3 months ended		Period ended	
	30.06.07	30.06.06	30.6.07	30.06.06
	RM'000	RM'000	RM'000	RM'000
Net profit for the period (RM'000)	2,150	1,673	4,539	2,392
Weighted average number of ordinary share in issue	79,726,918	41,997,900	55,136,513	41,997,000
Adjustments for employees' share option	420,685	*	471,562	*
Adjusted weighted average number of ordinary shares in issue	80,147,603	41,997,900	55,608,075	41,997,900
Diluted earnings per ordinary share (sen)	2.68	3.98	8.16	5.70

\*The effect of share options was anti-dilutive in year 2006

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: 30 August 2007