

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) 134₂₀₀₄ Interim Financial Reporting

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (FRS) 134₂₀₀₄ 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

For the current quarter ended 30 September 2007, the issued and paid up share capital has increased from 85,403,700 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 85,548,400 shares by the issuance of 144,700 shares pursuant to the exercise of options granted under the Employees' Share Option Scheme at the following option price:

<u>Number of Shares Issued</u>	<u>Option price per share (RM)</u>
144,700	1.02

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 2007 is set out below:-

	Manufacturing RM'000	Property Development & Construction RM'000	Investment Holding RM'000	Consolidated RM'000
<u>Revenue</u>				
External sales	18,862	389	2,489	21,740
	18,862	389	2,489	21,740
<u>Result</u>				
Segment results	5,796	66	1,688	7,550
Interest Income				1,209
				8,759
Interest Expense				(626)
				8,133
Profit before taxation				(1,769)
Taxation				6,364
Profit after taxation				6,364

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 9 November 2007, Fresh Melody Sdn Bhd, a wholly owned subsidiary of RSB had entered into a sales and purchase agreement with Commerce Powerhouse Sdn Bhd to acquire a piece of land known as H.S. (D) 148577 PT No. 207737 in the Mukim of Hulu Kinta, Perak.

A11 Changes in the composition of the Group
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.
On 29 October 2007 Fresh Melody Sdn Bhd became the wholly owned subsidiary of Rapid Synergy Berhad.

A12 Changes in contingent liabilities
There were no change in contingent liability since the last annual balance sheet date until 24 November 2007.

A13 Capital commitments

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

	Current Quarter RM'000	Year To Date RM'000
Equipment	154	3,511
Investment Property	-	9,600

ADDITIONAL INFORMATION REQUIRED BY THE KLSE'S LISTING REQUIREMENTS

B1 Review of the performance of the company and its principal subsidiaries
For the current financial quarter, the Group achieved revenue of RM7.0 million and pretax profit of RM2.5 million. These represent an increase of 2.5 per cent in revenue and 3.6 per cent in pretax profit as compared to the revenue and pretax profit of RM6.8 million and RM2.4 million respectively for the previous corresponding period. The increase in revenue and profit before tax was contributed by increase in rental income from its investment properties.

B2 Material changes in profit before tax against preceding quarter
For the current financial quarter there was a reduction in consolidated revenue and pretax profit of RM0.069 million and RM0.32 million from RM7.07 million and RM 2.83 million respectively in the preceding quarter. The reduction in revenue and pretax profit was mainly due to lower sales in tooling division.

B3 Prospects for the current year
Barring any unforeseen circumstances the Board is optimistic that both the tooling and property division performance will remain favourable for this year with continuous efforts to secure more orders from its tooling division.

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

B5 Tax expense	3 months ended		Cumulative	
	30 September		30 September	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current	668	457	1,678	1,322
- Prior year	-	-	-	-
Deferred tax expense				
- Current	11	20	91	(211)
- Prior year	-	-	-	-
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	679	477	1,769	1,111
	=====	=====	=====	=====

The Group's effective tax rate is higher than the prima facie tax rate for the current quarter due to the rental income from holding company which are taxable and cannot be set off against losses by other subsidiaries.

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
Particulars of investment in marketable securities as at 30 September 2007 :

	RM'000
- At cost	1,800
- At carrying value/book value	1,800
- At market value	1,794

B8 Status of corporate proposals
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 September 2007, the Group had utilized RM15,581,390 for working capital expenses and progress payments for the construction of the shop lots, hypermarket and a drive in restaurant.

B9 Borrowing and debts securities

30 September 2007
RM'000

Current

Term loan - secured

1,819

Non-current

Term loan - secured

13,304

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 November 2007.

B11 Changes in material litigation

(i) The Writ of Summons filed by RSB against Relau Estate is now fixed for full trial on 4 March 2008.

(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 11 March 2008. 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 the hearing application is fixed on 19 February 2008.

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 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:

	3months ended		Period ended	
	30.9.07	30.09.06	30.9.07	30.09.06
Net profit for the period (RM'000)	1,825	1,940	6,364	4,332
Weighted average number of ordinary shares in issue	79,956,952	41,997,900	59,113,813	41,997,900

Basic earnings per share (sen)	2.28	4.62	10.77	10.31
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The diluted earnings per share for the current quarter and cumulative year to date are computed as follows:

	3months ended		Period ended	
	30.9.07	30.09.06	30.9.07	30.09.06
Net profit for the period (RM'000)	1,825	1,940	6,364	4,332
Weighted average number of ordinary shares each in issue	79,956,952	41,997,900	59,113,813	41,997,900
Adjustments for employees' share option	759,643	*	469,070	*
Adjusted weighted average number of ordinary shares in issue	80,716,595	41,997,900	59,582,882	41,997,900
Diluted earnings per share ordinary share (sen)	2.26	4.62	10.68	10.31

*The effect of share options was anti-dilutive in 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: 29 November 2007