

**RAPID SYNERGY BERHAD**

(Company No. 325935-U)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2008****Condensed Consolidated Balance Sheet**

	UNAUDITED AS AT 30/6/2008 RM'000	AUDITED AS AT 31/12/2007 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	9,006	9,368
Investment properties	96,492	77,944
Prepaid lease payments	34,023	34,261
Other investments	2,085	2,085
	<u>141,606</u>	<u>123,658</u>
<b>Current Assets</b>		
Inventories	4,403	3,872
Receivables, deposits and prepayments	13,638	16,650
Current tax assets	1,307	5,907
Cash & cash equivalents	2,627	12,631
	<u>21,975</u>	<u>39,060</u>
<b>TOTAL ASSETS</b>	<u><b>163,581</b></u>	<u><b>162,718</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	86,209	85,666
Reserves	38,755	38,110
<b>Total equity</b>	<u>124,964</u>	<u>123,776</u>
<b>Non-current liabilities</b>		
Loans and borrowings	21,396	22,457
Deferred tax liabilities	1,527	1,598
	<u>22,923</u>	<u>24,055</u>
<b>Current liabilities</b>		
Loans and borrowings	6,715	2,189
Payables and accruals	8,932	12,524
Current tax payable	47	174
	<u>15,694</u>	<u>14,887</u>
<b>Total liabilities</b>	<u>38,617</u>	<u>38,942</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>163,581</b></u>	<u><b>162,718</b></u>

(The condensed consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements).

**RAPID SYNERGY BERHAD**

(Company No. 325935-U)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2008****Condensed Consolidated Income Statement**

	3 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/6/2008 RM'000	COMPARATIVE QUARTER ENDED 30/6/2007 RM'000	CURRENT QUARTER ENDED 30/6/2008 RM'000	COMPARATIVE QUARTER ENDED 30/6/2007 RM'000
<b>Continuing Operations</b>				
Revenue	7,194	7,065	12,675	14,744
Cost of sales	<u>(3,183)</u>	<u>(3,345)</u>	<u>(5,951)</u>	<u>(7,725)</u>
<b>Gross profit</b>	4,011	3,720	6,724	7,019
Other income	19	660	117	1,127
Administrative and Distribution expenses	(362)	(692)	(829)	(1,110)
Other expenses	(937)	(553)	(1,790)	(1,067)
Finance costs	(453)	(307)	(899)	(340)
<b>Profit before tax</b>	<u>2,278</u>	<u>2,828</u>	<u>3,323</u>	<u>5,629</u>
Income tax expense	<u>(611)</u>	<u>(678)</u>	<u>(1,019)</u>	<u>(1,090)</u>
<b>Profit for the period</b>	1,667	2,150	2,304	4,539
Attributable to:				
Shareholders of the parent	1,667	2,150	2,304	4,539
Minority interests	-	-	-	-
	<u>1,667</u>	<u>2,150</u>	<u>2,304</u>	<u>4,539</u>
<b>Earning per share attributable to shareholders of the parent:</b>				
Basic earnings per ordinary share (sen)	1.93	2.70	2.68	8.23
Diluted earnings per ordinary share (sen)	1.73	2.68	2.39	8.16

(The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statement for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements).

**RAPID SYNERGY BERHAD**

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**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2008****Condensed Consolidated Statement of Changes in Equity**

	<-----Attributable to equity holders of the parent----->					Total RM'000
	<-----Non-distributable ----->			Distributable		
	Share Capital RM'000	Share Premium RM'000	Property Revaluation Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	
<b>At 1 January 2006, restated</b>	41,998	1,511	75	186	26,328	70,098
Profit for the period	-	-	-	-	4,539	4,539
Total recognised income and expense for the period	41,998	1,511	75	186	30,867	74,637
Issue of ordinary shares pursuant to ESOS	1,114	169	-	-	-	1,283
Capitalisation for the second call (right issue)	-	(1,664)	-	-	(6,794)	(8,458)
Issue of ordinary shares pursuant to Right Issue	42,292	-	-	-	-	42,292
Dividend paid	-	-	-	-	(1,697)	(1,697)
Share-based payment under ESOS	-	-	-	42	-	42
<b>At 30 June 2007</b>	<b>85,404</b>	<b>16</b>	<b>75</b>	<b>228</b>	<b>22,376</b>	<b>108,099</b>
<b>At 1 January 2007</b>						
As previously stated	85,666	169	75	293	37,572	123,775
Profit for the period	-	-	-	-	2,304	2,304
Total recognised income and expense for the period	85,666	169	75	293	39,876	126,079
Issue of ordinary shares pursuant to ESOS	364	8	-	-	-	372
Issue Conversion warrant to share	179	-	-	-	-	179
Dividend paid	-	-	-	-	(1,723)	(1,723)
Share-based payment under ESOS	-	-	-	57	-	57
<b>At 30 June 2008</b>	<b>86,209</b>	<b>177</b>	<b>75</b>	<b>350</b>	<b>38,153</b>	<b>124,964</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements).

**RAPID SYNERGY BERHAD**

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**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2008****Condensed Consolidated Cash Flow Statement**

	6 months period ended 30 June	
	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	3,323	5,629
Adjustment for:-		
Depreciation	1,252	852
Interest expense	899	340
Interest income	(117)	(664)
Share-based payments	57	42
Gain on disposal of fixed assets	-	(10)
Operating profit before working capital changes	5,414	6,189
Decrease/(Increase) in:		
Inventories	(531)	565
Receivables	3,012	(7,499)
(Decrease)/Increase in payables	(3,592)	157
Cash generated from/(used in) operating activities	4,303	(588)
Tax paid	3,382	(905)
Interest paid	(899)	(340)
Net cash generated from/(used in) operating activities	6,786	(1,833)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	117	664
Additions to properties, plant & equipment & land held for development	(250)	(4,340)
Purchase of investment property	(18,950)	(11,111)
Proceeds from disposal of fixed assets	-	10
Proceeds from ESOS Subscription	371	1,283
Proceeds from Rights Issue Subscription	-	33,834
Proceeds from conversion warrant to share	179	-
Net cash generated (used in)/from investing activities	(18,533)	20,340
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of term loan	(1,260)	(866)
Dividend paid	(1,723)	(1,697)
Drawdown term loan	-	15,000
Net cash generated (used in)/from financing activities	(2,983)	12,437
Net (decrease)/increase in cash and cash equivalents	(14,730)	30,944
Cash and cash equivalents at 1 January	12,631	6,638
Cash and cash equivalents at 30 June	(2,099)	37,582

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements).

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**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 2007 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 2007.

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 2007 except for the adoption of the following FRS, Amendment to FRS and IC Interpretations issued by MASB that is effective for the Groups and the Company's annual financial period commencing 1 January 2008.

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The effects of Change in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interest arising from Decommissioning, Restoration and Environment Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in Specific Market – waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC interpretation 8	Scope of FRS 2

FRS 139, Financial Instruments : Recognition and Measurement has not been adopted by the Group in which the effective date has yet to be announced.

The adoption of the above FRS, Amendments to FRS and IC Interpretation does not have any material impact on the financial statements of the Group and the Company.

A2 Auditors' Report on Preceding Annual Financial Statements

The audit report of the preceding annual financial statements for the financial year ended 31 December 2007 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 affecting assets, liabilities, equity, net income or cash flows of the Group in the current quarter ended 30 June 2008.
- 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 2008.
- 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 2008, the issued and paid up share capital has increased from 86,003,850 ordinary shares of RM1.00 each in Rapid Synergy Berhad to 86,208,700 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>Number of Shares Issued</u>	<u>Price per share (RM)</u>
49,700 ("ESOS")	1.02
155,150 ("Warrants")	1.00

- A7 Dividend  
A first and final tax exempt dividend of 2 sen per share for the year ended 31 December 2007 was paid out on 27 June 2008 totaling RM1,723,190.
- A8 Segment information  
The segment analysis for the financial period ended 30 June 2008 is set out below:-

	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>&amp; Construction</b>	<b>Holding</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>	
<b><u>Revenue</u></b>				
External sales	10,544	-	2,131	12,675
	10,544	-	2,131	12,675
<b><u>Result</u></b>				
Segment results	3,189	(13)	929	4,105
Interest Income				117
Interest Expense				4,222 (899)
Profit before taxation				3,323
Taxation				(1,019)
Profit after taxation				2,304
				=====

- 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 14 August 2008
- A11 Changes in the composition of the Group  
There were no changes to the composition of the Group for the current quarter ended 30 June 2008.
- A12 Contingent liabilities/Contingent assets as at 30 June 2008  
Unsecured:  
Corporate guarantee issued to a bank for credit facilities granted to a subsidiary company RM'000  
8,000
- Save as disclosed above, there were no material contingent liabilities or contingent assets as at 30 June 2008.

- A13 Property, plant and equipment  
There is no acquisition for the current quarter ended 30 June 2008
- |                     | Current Quarter | Year to Date |
|---------------------|-----------------|--------------|
|                     | RM'000          | RM'000       |
| Investment Property | Nil             | 18,700       |

- A14 Capital commitments  
The following acquisitions had been contracted but not provided as at 30 June 2008 :
- On 5 and 16 June 2008, Fresh Melody Sdn Bhd, a wholly owned subsidiary of RSB had entered into sale and purchase agreement to acquire two parcels of vacant freehold land for a cash consideration of 4,645,000 and RM1,708,700 respectively.
- On 24 June 2008, Persiaran Eksklusif Sdn Bhd a wholly-owned subsidiary of RSB had entered into a sale and purchase agreement to acquire a parcel of freehold land for a cash consideration of RM15,842,750.

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 achieved revenue of RM7.2 million and pretax profit of RM2.3 million. These represent a slight increase of 1.8 per cent in revenue and a decline of 19.4 per cent in pretax profit as compared to the revenue and pretax profit of RM7.1 million and RM2.8 million respectively for the previous corresponding period. The increase in revenue was mainly due to contribution from investment property division and lower profit before tax was due to lower interest income.
- B2 Material changes in profit before tax against preceding quarter  
For the current financial quarter there was an increase in consolidated revenue and pretax profit by RM1.7 million and RM1.2 million from RM5.5 million and RM1.0 million in the preceding quarter to RM7.2 million and RM2.3 million in the current quarter respectively. The increase in revenue and pretax profit in the current quarter as compared with the preceding quarter was due to the increase in sale in the manufacturing division.
- B3 Prospects for the current year  
Under the prevailing competitive business environment and amidst weak growth in the US, the manufacturing division performance remains challenging in the current year. Investment property

activities will continue actively. The Board expects the Group's performance for 2008 to be satisfactory.

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

B5	Tax expense	3 months ended		Cumulative	
		30 June		30 June	
		2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000
	Current tax expense				
	- Current	731	543	1,090	1,011
	- Prior year	-	-	-	-
	Deferred tax expense				
	- Current	(120)	135	(71)	79
	- Prior year	-	-	-	-
		-----	-----	-----	-----
		611	678	1,019	1,090
		=====	=====	=====	=====

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

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 June 2008:	RM'000
	- At cost	1,800
	- At carrying value/book value	1,800
	- At market value	1,374

B8 Status of corporate proposals  
There were no corporate proposals for the current quarter ended 30 June 2008.

B9	Borrowing and debts securities	30 June 2008
		RM'000
	Current	
	Overdraft	4,725
	Term loan - secured	1,990
	Non-current	
	Term loan - secured	21,396

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 14 August 2008.

B11 Changes in material litigation  
(i) The Writ of Summons filed by RSB against Relau Estate is now fixed for full trial on 18 and 19 November 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 17 October 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 decision on the appeal will be heard on 29 October 2008.

- (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. On 6 May 2008 Fico B.V. has filed in their defence and counter claim on RPT. On 17 June 2008 the amended statement of claim was served on FICO.

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) A first and final tax exempt dividend of 2 sen per share for the year ended 31 December 2007 was paid out on 27 June 2008 totaling RM1,723,190.  
(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	
	30.06.08	30.06.07	30.06.08	30.06.07
Net profit for the period (RM'000)	1,667	2,150	2,304	4,539
Weighted average number of ordinary shares in issue	86,172,177	79,726,918	86,093,879	55,136,513
Basic earnings per share (sen)	1.93	2.70	2.68	8.23

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

	3 months ended		Period Ended	
	30.06.08	30.06.07	30.06.08	30.06.07
Net profit for the period (RM'000)	1,667	2,150	2,304	4,539
Weighted average number of ordinary shares each in issue	86,172,177	79,726,918	86,093,879	55,136,513
Adjustments for employees' share option	249,012	420,685	249,012	471,562
Adjustments for warrants granted	9,975,245	-	9,975,245	-
Adjusted weighted average number of ordinary shares in issue	96,396,434	80,147,603	96,318,136	55,608,075
Diluted earnings per share ordinary share (sen)	1.73	2.68	2.39	8.16

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: 20 August 2008