

RAPID SYNERGY BERHAD

(Company No. 325935-U)

(Incorporated in Malaysia)

Notes to the interim financial report for the period ended 30 September 2005

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134 “Interim Financial Reporting” and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements. The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the year ended 31 December 2004.

The same accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2004.

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

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 Segment information

The segment analysis for the financial period ended 30 September 2005 is set out below:-

	Manufacturing RM’000	Property Development & Construction RM’000	Investment Holding RM’000	Consolidated RM’000
<u>Revenue</u>				
External sales	11,200	3,437	434	15,071
	11,200	3,437	434	15,071

Result	Manufacturing RM'000	Property Development & Construction RM'000	Investment Holding RM'000	Consolidated RM'000
Segment results	1,974	317	128	2,419
Interest Income				376

Interest Expense				2,795 (207)
Profit before taxation				----- 2,588
Tax expense				(349)
Profit after taxation				----- 2,239 =====

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 10 November 2005.

A11 Changes in the composition of the Group
There were no changes in the composition of the Group for the current quarter and financial year to date.

A12 Changes in contingent liabilities
There was no change in contingent liability since the last annual balance sheet date until 10 November 2005.

A13 Property, plant and equipment
Significant acquisition of items of property, plant and equipment for the current quarter and year-to-date ended 30 September 2005 are as follows :

	Current Quarter <u>RM'000</u>	Year to Date <u>RM'000</u>
Plant & equipment	NIL	1,312

A14 Capital commitments

- Contracted but not provided for as at 30 September 2005	Group RM'000 NIL
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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 profit before tax of RM1.371 million for the current quarter as compared to RM1.353 million for the previous corresponding period. The slight increase in the Group's profit was mainly due to the increase in precision tooling revenue.

B2 Variation of results against preceding quarter
There was an increase in consolidated revenue of RM0.356 million from RM5.215 million in the preceding quarter period to RM5.571 million in the current quarter. The current quarter recorded an increase of RM0.524 million in pretax profit over the preceding quarter pretax profit of RM0.847 million. The increase is attributable to favourable product mix with higher revenue coming from manufacturing.

B3 Prospects for the current year
The manufacturing division will continue to contribute positively towards the Group's performance. On the property development division the project at Teluk Intan is also moving towards its completion stage. The Board foresees an overall stronger performance for the balance of the current financial year.

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

B5	Tax expense	3 months ended		Cumulative	
		30 September		30 September	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
	Current tax expense				
	- Current	325	300	594	793
	Deferred tax expense				
	- Current	6	(41)	(245)	1
	- Prior year		75		75
		-----	-----	-----	-----
		331	334	349	869
		=====	=====	=====	=====

The Group's effective tax rate is lower than the prima facie tax rate in relation to the results of the current quarter mainly due to the 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 September 2005.

B8 Status of corporate proposals
On 27 April 2004, RSB announced the proposed establishment of an employees' share option scheme for eligible employees and executive directors of RSB and its subsidiary companies. The proposed ESOS has been approved by shareholders at the Extraordinary General Meeting held on 30 May 2005.

B9	Borrowing and debts securities	30 September 2005
		RM'000
	Current	
	Secured	
	- Term loan	1,184

		1,184
		=====
	Non-current	
	Secured – term loan	1,858
		=====

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 10 November 2005.

B11 Changes in material litigation

- (i) The Writ of Summons filed by RSB against Relau Estate, the case management has completed and awaiting the court to fix a date for hearing.
- (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 28 November 2005. As to the case between RPT and Nychem, bankruptcy proceedings have been instituted against the two guarantors. One of the guarantors have filed an appeal and has been fixed for decision on 22 November 2005.

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) No interim dividend has been recommended for the current quarter ended 30 September 2005;
 - (v) not applicable
- (b) the total dividend for the current financial year NIL

B13 Earnings per share

Basic Earnings Per Share

The basic earnings per share for the current quarter and year to-date have been calculated based on the net profit of RM1,040,263 and RM2,238,873 attributable to ordinary shareholders respectively and the number of ordinary shares outstanding during the quarter of 41,997,900.

Diluted Earnings Per Share

Not applicable.

By order of the Board

LAM VOON KEAN (MIA 4793)

Company Secretary

Penang

Date: 16 November 2005