

**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 2005 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 2005.

Changes in Accounting Policies

The significant accounting policies adopted in these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (FRS) effective for financial period commencing 1 January 2006.

FRS 2	Share-based payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant & Equipment
FRS 121	Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentations
FRS 133	Earning Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition to the above, the group has also taken the option of early adoption of the new/revised FRS for the financial period beginning 1 January 2006;

FRS 117	Leases
FRS 124	Related Party Disclosure

The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

a) FRS 2 : Share-based Payment

This FRS requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan for the employees of the Group. Prior to 1 January 2006, no compensation expense was recognized in profit or loss for share options granted. With the adoption of FRS, the compensation expense relating to share options is recognized in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognized as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using the black-scholes model. At Balance Sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment in equity over the remaining vesting period.

Under the transitional provisions of FRS 2, share options granted after 31 December 2004 and has not yet vested on 1 January 2006 has to be applied retrospectively. However the comparatives amounts as at 31 December 2005 is insignificant to be restated to reflect this application.

The financial impact of this change in accounting policy for the current quarter is as follows:

	3 months 31.3.06 RM	3 months 31.3.05 RM
Decrease in profit for the period	(27,605)	-
Increase in Capital Reserve	27,605	-

(b) FRS 101: Presentation of Financial Statements

The current period's presentation of the Group's interim financial statements is based on the revised requirements of FRS 101. The standard requires an entity to present assets and liabilities in order of liquidity only when a liquidity presentation provides information that is reliable and is more relevant than current/ non-current presentation. This standard also requires disclosure, on the face of the statement of changes in equity, the total recognized income and expense for the period (including amounts recognized directly in equity).

(c) FRS 140: Investment Property

With the adoption of FRS 140, the Group's properties which are held to earn rental and previously included under property, plant and equipment and carried at valuation less accumulated depreciation are classified and accounted for as investment properties. Investment properties are now presented as a separate line item on the face of the Balance Sheet and are stated at cost. In accordance with the transitional provisions of FRS 140, the Group has applied this change in accounting policy prospectively from 1 January 2006 and have been accounted for by restating the following opening balance sheet as at 1 January 2006 ;

	<b>Previously stated</b>	<b>Effect of changes in accounting policy</b>	<b>Restated</b>
	RM'000	RM'000	RM'000
Balance sheet as of 31 December 2005			
Retained Earnings	22,352	(211)	22,141

(d) FRS 117 : The Leasehold Land

With the adoption of FRS 117 as from 1 January 2006, the leasehold interest in land is accounted for as being held under an operating lease and the prepaid lease payments amortized on a straight line basis over the remaining lease term of the land.

- 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 year ended 31 December 2005 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	3,141	1,082	165	4,388
	3,141	1,082	165	4,388
<b><u>Result</u></b>				
Segment results	259	398	80	737
Interest Income				163
Interest Expense				900 (54)
Profit before taxation				846
Taxation				(127)
Profit after taxation				719 ====

- 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  
Since the balance sheet date the following acquisitions and disposal had been approved by shareholders at the Extraordinary General Meeting duly held on 2 May 2006:

- 1) Disposal of a parcel of land in Mukim of Batu, Segambut, Kuala Lumpur for a cash consideration of RM16.17 million
- 2) Acquisition of a parcel of leasehold commercial land held under Pajak Negeri 185814 Lot No. 357015 located in the Mukim of Hulu Kinta, Daerah Kinta, Negeri Perak for a cash consideration of RM1,738,044
- 3) Acquisition of a parcel of freehold land held under H.S.(D) 23013, PT No. 10414 Mukim of Lumut, Daerah Manjung, Negeri Perak for a cash consideration of RM1,708,700
- 4) Acquisition of a parcel of freehold agricultural land held under Master Titles Nos. HS (D) 5624, 5625 and 5626, PTNos. 2812, 2813 and 2814 all located in the Mukim of Daerah Manjung, Negeri Perak for a cash consideration of RM8,212,455
- 5) Acquisition of the entire issued and paid-up share capital of Persiaran Eksklusif Sdn Bhd comprising 2 ordinary shares of RM1 each for a cash consideration of RM266,300.

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 24 May 2006.

A13 Property, plant and equipment  
There is no significant acquisition of items of property, plant and equipment for the current quarter and year-to-date ended 31 March 2006.

A14 Capital commitments

	<u>Group</u> <u>RM'000</u>
Acquisition of land referred to A10 2), A10 3), A10 4) above	
- Contracted but not provided for as at 31 March 2006	10,493

#### 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 RM4.388 million and a net profit of RM0.719 million for the first quarter ended 31 March 2006. These represent an increase of 2.4 per cent in revenue and a 72.8 per cent increase in net profit as compared to the revenue and net profit of RM4.285 million and RM0.416 million respectively for the previous corresponding period. The higher performance of the Group was mainly due to contribution from its tooling division and additional sales of residential houses which are near completion in Teluk Intan, Perak also contributed to the profit.

B2 Material changes in profit before tax against preceding quarter  
During the period under review, there was a decrease in consolidated revenue of RM3.152 million from RM7.540 million in the preceding quarter. The decrease in the Group's revenue was mainly attributable to lower tooling division sales. The overall drop in pretax profit by RM1.823 million to RM0.846 was mainly due to lower sales from its tooling division.

B3 Prospects for the current year  
The semiconductor business outlook for 2006 is still healthy. Barring any unforeseen circumstances the Board is optimistic that the tooling and property construction and development divisions will continue to contribute positively to the Group's performance for 2006.

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

B5	Tax expense	3 months ended		Cumulative	
		31 March		31 March	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
	Current tax expense				
	- Current	222	98	222	98
	- Prior year	-	-	-	-
	Deferred tax expense				
	- Current	(95)	(144)	(95)	(144)
	- Prior year	-	-	-	-
		-----	-----	-----	-----
		127	(46)	127	(46)
		=====	=====	=====	=====

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 31 March 2006.
- B8 Status of corporate proposals  
There was no outstanding corporate proposal for the current quarter.
- B9 Borrowing and debts securities
- |             | 31 March 2006 |
|-------------|---------------|
|             | RM'000        |
| Current     |               |
| Secured     |               |
| - Term loan | 1,198         |
| Non-current |               |
| Secured     |               |
| - Term loan | 1,248         |
- 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 May 2006.
- B11 Changes in material litigation
- (i) The Writ of Summons filed by RSB against Relau Estate is now fixed for hearing on 22 June 2006.
  - (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 27 June 2006. As to the case between RPT and Nychem, bankruptcy proceedings have been instituted against the two guarantors.

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

On 31 May 2006 shareholders have approved a first and final tax exempt dividend of 2 sen in respect of the year ended 31 December 2005 to be paid on 29 June 2006.

- (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 period ended 31 March	
	2006	2005
Net profit for the period (RM'000)	719	416
Weighted average number of ordinary shares of RM1.00 each in issue	41,997,900	41,997,900
Basic earnings per share (sen)	<u>1.71</u>	<u>0.99</u>

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

Net profit for the period (RM'000)	719	416
Weighted average number of ordinary shares of RM1.00 each in issue after taking into account the effect of share options	42,007,231	41,997,900
Diluted earnings per share (sen)	<u>1.71</u>	<u>0.99</u>

By order of the Board

LAM VOON KEAN  
Company Secretary  
Penang

Date: 31 May 2006

