

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 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 MASB issued a total of 21 new and amended Financial Reporting Standards and other interpretations (FRSs) effective for financial statements commencing 1 January 2006 for 18 Financial Reporting Standards and 3 other Standards with effective date for periods commencing on or after 1 October 2006. The Group has decided for the early adoption of 2 other Standards of FRSs namely FRS 117 – Leases and FRS 124 – Related Party Disclosures issued by Malaysian Accounting Standard Board (MASB).

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 and early adoption of two other Standards. The comparative figures in respect of 2005 have therefore been restated to reflect the relevant adjustments

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 31.12.06 RM	12 months 31.12.06 RM	12 months 31.12.05 RM
Decrease in profit for the period	(64,185)	(185,646)	-
Increase in Capital Reserve	64,185	185,646	-

(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 rentals and/or capital appreciation 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:

(i)

	Previously stated RM'000	Effect of changes in accounting policy RM'000	Restated RM'000
Balance sheet as of 31 December 2005			
Revaluation Reserves	583	(508)	75
Retained Earnings	20,258	142	20,400
Total Reserves	20,841	(366)	20,475

(ii)

	Previously stated RM'000	Reclassification RM'000	Restated RM'000
Balance sheet as of 31 December 2005			
Property, plant & equipment	15,489	(9,495)	5,994
Land held for development	15,561	(7,716)	7,845
Investment properties	0	13,633	13,633
Prepaid lease payments	0	3,212	3,212
Total	31,050	(366)	30,684

(d) FRS 117 : The Leasehold Land

The adoption of FRS 117 as from 1 January 2006 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The upfront payment made for the leasehold land is accounted for as being held under an operating lease and the prepaid lease payments and are amortised on a straight-line basis over the remaining lease term of the land. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at valuation less accumulated depreciation and impairment losses. With the adoption of FRS 117 at 1 January 2006, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments.

(e) FRS 124 : Related Party Transaction

The Group had entered into Sale and Purchase Agreements with Kar Sin Berhad to acquire three properties for the amount of RM11,659,199 and with Dato' Dr Yu Kuan Chon and Mr Yu Kuan Huat to acquire Persiaran Eksklusif Sdn Bhd for the amount of RM266,300 during the second quarter of 2006. There is an outstanding amount of RM50,111.70 due to the related parties as at 31 December 2006 (at 31 December 2005 : RM Nil).

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 2006 is set out below:-

	Manufacturing RM'000	Property Development & Construction RM'000	Investment Holding RM'000	Consolidated RM'000
<u>Revenue</u>				
External sales	23,964	2,851	994	27,809
	<hr/>	<hr/>	<hr/>	<hr/>
	23,964	2,851	994	27,809
	<hr/>	<hr/>	<hr/>	<hr/>

<u>Result</u>	Manufacturing RM'000	Property Development & Construction RM'000	Investment Holding RM'000	Consolidated RM'000
Segment results	6,794	160	(52)	6,902
Interest Income				1,384
				8,286
Interest Expense				(186)
				8,100
Profit before taxation				(1,332)
Taxation				6,768
				=====

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 with the exception of investment properties which were reclassified and restated using the cost model as referred to in note A1(c) above.

A10 Material events subsequent to balance sheet date
On 29 January 2007 in the Extraordinary General Meeting, Rapid Synergy Berhad ("Rapid") had obtained the shareholders' approval to the proposed renounceable two-call rights issue of up to 46,197,690 new ordinary shares of RM1.00 each ("Rights Shares") in the company together with up to 23,098,845 free detachable warrants ("Warrants") at an issue price of RM1.00 per Rights Share on the basis of two (2) Rights Shares together with one (1) free warrant for every two (2) existing ordinary shares of RM1.00 each held in Rapid at an entitlement date to be determined later.

A11 Changes in the composition of the Group
There were no changes in the composition of the Group for the current quarter ended 31 December 2006.

A12 Changes in contingent liabilities
There were no change in contingent liability since the last annual balance sheet date until 22 February 2007.

A13 Property, plant and equipment
Significant acquisition of items of property, plant and equipment for the current quarter and year-to-date ended 31 December 2006 are as follows :

	Current Quarter RM'000	Year To Date RM'000
Investment Properties	6,382	21,362
Equipment	77	1,903

A14 Capital commitments

	Group RM'000
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- Contracted but not provided for as at 31 December 2006	558
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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 higher revenue of RM7.753 million and a higher net profit of RM2.436 million for the fourth quarter ended 31 December 2006. These represent an increase of 2.84 per cent in revenue and an 36.55 per cent increase in net profit as compared to the revenue and net profit of RM7.539 million and RM1.784 million respectively for the previous corresponding period. The higher performance of the Group was mainly due to contribution from its tooling division.

- B2 Material changes in profit before tax against preceding quarter
During the period under review, there was an increase in consolidated revenue by RM0.926 million from RM6.827 million in the preceding quarter. The increased in revenue was mainly due to higher tooling division sales. Pretax profit also grew by RM0.24 million to RM2.657 million due to higher sales in tooling division.
- B3 Prospects for the current year
The current outlook for the semiconductor business in 2007 is still strong and barring any unforeseen circumstances the Board is optimistic that the tooling division with its continuous effort to upgrade the production capacities will continue to contribute positively in 2007. The property investment activities are expected to be more active and this division is expected to provide steady long term returns to the Group.
- B4 Profit forecast
Not applicable as no profit forecast was published.

B5	Tax expense	3 months ended		Cumulative	
		31 December		31 December	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
	Current tax expense				
	- Current	590	800	1,912	1,394
	- Prior year	-	-	-	-
	Deferred tax expense				
	- Current	(369)	85	(580)	(160)
	- Prior year	-	-	-	-
		-----	-----	-----	-----
		221	885	1,332	1,234
		=====	=====	=====	=====

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 December 2006.
- B8 Status of corporate proposals
There was no outstanding corporate proposal for the current quarter.
- B9 Borrowing and debts securities
- | | 31 December 2006 |
|------------------|------------------|
| | RM'000 |
| Current | |
| Secured | |
| - Bank overdraft | 289 |
| - term loan | 1,212 |
| Non-current | |
| Secured | |
| - term loan | 357 |

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 22 February 2007.
- B11 Changes in material litigation
- (i) The Writ of Summons filed by RSB against Relau Estate is now fixed for hearing 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 3 April 2007. As to the case between RPT and Nychem, bankruptcy proceedings have been instituted against the two guarantors.
- B12 Dividends
- (a)(i) a first and final tax-exempt dividend has been recommended subject to members' approval;
 - (ii) amount per share 2 sen;
 - (iii) previous corresponding period 2 sen;
 - (iv) the date payable – to be determined at a later date;
 - (v) not applicable
- (b) the total dividend for the current financial year 2 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 31 Dec		12 months ended 31 Dec	
	2006	2005	2006	2005
Net profit for the period (RM'000)	2,436	1,784	6,768	4,023
Weighted average number of ordinary shares of RM1.00 each in issue	41,997,900	41,997,900	41,997,900	41,997,900
Basic earnings per share (sen)	5.80	4.25	16.12	9.58

There is no dilution in the earnings per share on the options granted under the Employees Share Option Scheme as the exercise price is higher than the average market price.

- 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: 28 February 2007