

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

Condensed Consolidated Statement of Financial Position

	UNAUDITED AS AT 31/03/2017 RM'000	AUDITED AS AT 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	3,199	3,389
Investment properties	242,647	245,566
Prepaid lease payments	2,391	2,409
Other investments	8,455	8,455
Deferred tax assets	278	282
	<u>256,970</u>	<u>260,101</u>
Current Assets		
Inventories	930	896
Receivables, deposits and prepayment	5,350	5,054
Current tax assets	535	419
Cash & bank balances	4,028	3,697
	<u>10,843</u>	<u>10,066</u>
TOTAL ASSETS	<u>267,813</u>	<u>270,167</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	87,651	87,457
Reserves	30,084	29,234
Total equity	<u>117,735</u>	<u>116,691</u>
Non-current liabilities		
Loan and borrowings	104,326	106,502
Deferred income	1,058	1,071
Deferred tax liabilities	600	600
	<u>105,984</u>	<u>108,173</u>
Current liabilities		
Loan and borrowings	28,484	31,039
Payables and accruals	15,453	14,137
Provision for taxation	102	72
Deferred income	55	55
	<u>44,094</u>	<u>45,303</u>
Total liabilities	<u>150,078</u>	<u>153,476</u>
TOTAL EQUITY AND LIABILITIES	<u>267,813</u>	<u>270,167</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.34	1.33

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements).

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

The Board of directors is pleased to submit its quarterly report on the consolidated results of the group for the first quarter ended 31 March 2017. The figures have not been audited.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 31/03/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2016 RM'000	CURRENT YEAR TO DATE 31/03/2017 RM'000	PRECEDING YEAR TO DATE 31/03/2016 RM'000
Continuing Operations				
Revenue	6,372	5,641	6,372	5,641
Cost of sales	<u>(1,876)</u>	<u>(1,436)</u>	<u>(1,876)</u>	<u>(1,436)</u>
Gross profit	4,496	4,205	4,496	4,205
Interest income	14	-	14	-
Gain on disposal of investment properties	2,113	-	2,113	-
Other income	21	30	21	30
Administrative and Distribution expenses	(1,289)	(770)	(1,289)	(770)
Depreciation of investment properties and PPE	(1,160)	(1,273)	(1,160)	(1,273)
Other expenses	(561)	(589)	(561)	(589)
Finance costs	(2,509)	(2,585)	(2,509)	(2,585)
Profit/(Loss) before taxation	<u>1,125</u>	<u>(982)</u>	<u>1,125</u>	<u>(982)</u>
Income tax expense	(275)	(388)	(275)	(388)
Profit/(Loss) for the period	<u>850</u>	<u>(1,370)</u>	<u>850</u>	<u>(1,370)</u>
Other comprehensive income, net of tax - fair value of available-for-sale financial assets	-	-	-	-
	<u>850</u>	<u>(1,370)</u>	<u>850</u>	<u>(1,370)</u>
Attributable to:				
Shareholders of the parent	850	(1,370)	850	(1,370)
minority interests	-	-	-	-
	<u>850</u>	<u>(1,370)</u>	<u>850</u>	<u>(1,370)</u>
Earning/(Loss) per share attributable to shareholders of the parent:				
Basic earnings/(loss) per ordinary share (sen)	0.94	(1.57)	0.94	(1.57)
Diluted earnings/(loss) per ordinary share (sen)	0.82	(1.31)	0.82	(1.31)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statement for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements).

RAPID SYNERGY BERHAD

(Company No. 325935-U)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**Condensed Consolidated Statement of Changes in Equity**

	<-----Attributable to shareholders of the parent----->				
	<-----Non-distributable----->			Distributable	
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 January 2016	87,445	595	(171)	28,813	116,682
Fair value of available-for-sale financial assets	-	-	-	-	-
Loss for the period	-	-	-	(1,370)	(1,370)
Total comprehensive income for the period	-	-	-	(1,370)	(1,370)
Shares Issued pursuant to exercise of warrant at RM1.00 per share	6	-	-	-	6
At 31 March 2016	<u>87,451</u>	<u>595</u>	<u>(171)</u>	<u>27,443</u>	<u>115,318</u>
At 1 January 2017	87,457	595	1,468	27,171	116,691
<i>Other comprehensive income</i>					
- fair value of available-for-sale financial assets	-	-	-	-	-
Profit for the period	-	-	-	850	850
Total comprehensive income for the period	-	-	-	850	850
Shares Issued pursuant to exercise of warrant at RM1.00 per share	194	-	-	-	194
At 31 March 2017	<u>87,651</u>	<u>595</u>	<u>1,468</u>	<u>28,021</u>	<u>117,735</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements).

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

Condensed Consolidated Statement of Cash Flows

	Note	3 months period ended 31 March	
		2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) before tax		1,125	(982)
Adjustment for:-			
Depreciation and amortisation		1,160	1,273
Interest income		(14)	-
Interest expense		2,509	2,585
Gain on disposal of Investment properties		(2,113)	-
Operating profit before working capital changes		<u>2,667</u>	<u>2,876</u>
Decrease/(Increase) in:			
Inventories		(34)	(160)
Receivables, deposits and prepayment		(296)	(1,760)
Increase/(Decrease) in:			
Deferred income		(13)	(14)
Payables and accruals	(i)	411	(363)
Cash generated from operating activities		<u>2,735</u>	<u>579</u>
Tax (paid)/refund		(357)	(320)
Net cash generated from operating activities		<u>2,378</u>	<u>259</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		14	-
Acquisition of:			
- property, plant and equipment		(15)	(3)
- investment properties		-	(20)
Proceeds from disposal of investment properties		5,000	-
Net cash generated from/(used in) investing activities		4,999	(23)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(72)	(68)
Interest paid		(2,509)	(2,585)
Repayment of term loan		(3,048)	(2,698)
Proceeds from conversion of warrants to shares		194	6
Placement of pledged deposit		(596)	-
Net cash used in financing activities		(6,031)	(5,345)
Net increase/(decrease) in cash and cash equivalents		<u>1,346</u>	<u>(5,109)</u>
Cash and cash equivalents at 1 January		<u>(15,430)</u>	<u>(13,099)</u>
Cash and cash equivalents at 31 March		<u>(14,084)</u>	<u>(18,208)</u>

Notes to statements of cash flows

- i) Included in the payables and accruals is an amount of RM905,000 relating to property gain tax payable arising from the disposal of investment property.

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements).

RAPID SYNERGY BERHAD
 (Company No. 325935-U)
 (Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

Condensed Consolidated Statement of Cash Flows

	3 months period ended 31 March	
	2017 RM'000	2016 RM'000
Net Cash Generated From Operating Activities	2,378	259
Net Cash Generated From/(Used In) Investing Activities	4,999	(23)
Net Cash Used In Financing Activities	(6,031)	(5,345)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>1,346</u>	<u>(5,109)</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(15,430)	(13,099)
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u><u>(14,084)</u></u>	<u><u>(18,208)</u></u>
Cash and Cash Equivalents at 31 March consist of:-		
Cash and bank balances	4,028	3,814
Bank overdrafts	(16,457)	(20,982)
Less: Deposit pledged to the financial institutions	<u>(1,655)</u>	<u>(1,040)</u>
	<u><u>(14,084)</u></u>	<u><u>(18,208)</u></u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER IN RESPECT OF FINANCIAL YEAR ENDING 31 MARCH
2017 – UNAUDITED**

**Part A: Selected explanatory notes pursuant to Malaysian Financial Reporting
Standards (“MFRS”) 134 Interim Financial Reporting**

A1 Basis of preparation

These condensed consolidated interim financial reports, for the period ended 31 March 2017, have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited annual financial statement of the Group for the financial year ended 31 December 2016. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

A2 Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2016 except for the newly issued Malaysian Financial Reporting Standards (“MFRS”) and amendments to standards to be applied by all Entities Other Than Private Entities for the financial periods beginning on or after 1 January 2017:

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows - Disclosure Initiative
- Amendments to MFRS 112, Income Taxes - Recognition of Deferred Tax Assets for Unrealised losses

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group.

A3 Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the audited financial statements for the financial year ended 31 December 2016 was not qualified.

A4 Seasonal or cyclical factors

The Group’s operations were not affected by any significant seasonal or cyclical factors in the current quarter.

A5 Unusual items Due to Their Nature, Size or Incidence

Other than disclosed in the financial statements, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter ended 31 March 2017 (“Q1 FY17”).

A6 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 31 March 2017.

A7 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.

During the current quarter ended 31 March 2017, the issued and paid up share capital increased from 87,457,150 ordinary shares to 87,651,250 ordinary shares following conversion of warrants to shares as tabulated:

Number of warrants converted	Number of ordinary shares issued	Issue price per ordinary share
194,100	194,100	RM1.00

A8 Dividend

There was no dividend payment made for the current quarter under review.

A9 Segmental Reporting

The segment information for business segments predominantly conducted in Malaysia for the financial period ended 31 March 2017 and 31 March 2016 are as follows:

3 Months ended 31 March 2017	Manufacturing RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	2,670	3,702	6,372
Result			
Segment results	193	3,441	3,634
Interest expense	(158)	(2,351)	(2,509)
Profit before taxation			1,125

3 Months ended 31 March 2016	Manufacturing RM'000	Investment Holding RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	1,367	4,252	22	5,641
Result				
Segment results	(385)	2,028	(40)	1,603
Interest expense	(164)	(2,421)		(2,585)
Loss before taxation				(982)

A10 Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendments from the audited financial statements for the year ended 31 December 2016.

A11 Material events subsequent to balance sheet date

There were no material events subsequent to the end of the period under review to 11 May 2017 except for the following:

- On 20 March 2017, Fresh Melody Sdn. Bhd., a wholly owned subsidiary of Rapid Synergy Berhad had entered into Sale and Purchase Agreement to acquire three units of 3-storey shops amounting to RM4.7 million. The acquisition would be completed in the second quarter of 2017.
- The detachable warrants which were issued to the subscribers of the Rights shares on 9 April 2007 had expired on 10 April 2017. During the period from 1 April to 10 April, 19,245,256 warrants were converted to ordinary shares. The paid up capital of the Company then increased from RM87,651,250 represented by 87,651,250 ordinary shares as at 31 March 2017 to RM106,896,506 represented by 106,896,506 ordinary shares after the above conversion.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group subsequent to the end of the period under review to 11 May 2017.

A13 Changes in contingent liabilities or contingent assets as at 31 March 2017

The contingent liabilities / assets as at 31 March 2017 is as tabulated:

Unsecured:	RM '000
Corporate guarantee issued to banks for credit facilities granted to subsidiary companies	105,340

A14 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment losses.

A15 Capital commitments

There was no capital commitment during the current quarter ended 31 March 2017 except for the acquisition of three units of 3-storey shops amounting to RM4.7 million.

Part B: Additional information required under Part A of Appendix 9B of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

B1 Review of the performance of the Company and its principal subsidiaries

The performance of the Group (the Company and its principal subsidiaries on a collective basis) is summarized below:

Segment	3-months ended		Period ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Manufacturing				
Revenue	2,670	1,367	2,670	1,367
Profit/(Loss) before taxation	35	(538)	35	(538)
Investment holding				
Revenue	3,702	4,252	3,702	4,252
Profit/(Loss) before taxation	1,090	(404)	1,090	(404)
Restaurant				
Revenue	-	22	-	22
Loss before taxation	-	(40)	-	(40)
Total				
Revenue	6,372	5,641	6,372	5,641
Profit/(Loss) before taxation	1,125	(982)	1,125	(982)

The Group recorded revenue of RM6.37 million for Q1 FY17, an increase of RM0.73 million as compared to RM5.64 million reported in the preceding year corresponding quarter. The Group returned to the black in the current quarter with profit before tax of RM1.13 million compared to loss before tax of RM0.98 million in the previous year corresponding quarter. The contributory factors to the above performance are explained in the respective business segments as follows:

- (a) The manufacturing division recorded a revenue and profit before tax of RM2.67 million and RM0.035 million respectively in the current financial quarter. The overall improved performance of the manufacturing division was attributed to higher orders received from existing customers.
- (b) The investment holding division reported a revenue of RM3.70 million for the current quarter, a marginal decrease of RM0.55 million as compared to RM4.25 million in the preceding year corresponding quarter. The reduction in revenue was mainly contributed by lesser rental received. Nonetheless, the investment division recorded profit before tax of RM1.09 million against loss before tax of RM0.40 million in preceding year corresponding quarter with improvement mainly due to the gain of approximately RM2.11 million arising from disposal of an investment property.

B2 Material changes in profit/(loss) before tax for the current quarter compared to immediate preceding quarter

The Group posted revenue of RM6.37 million in respect of the current financial quarter, an increase of RM0.80 million compared to RM5.57 million recorded in the immediate preceding quarter. Correspondingly, the Group recorded profit before tax of RM1.13 million compared to loss before tax of RM0.73 million in the immediate preceding quarter. The contributory factors to the above performance are explained in the respective business segments as follows:

Segment	3-months ended	
	31.03.2017 RM'000	31.12.2016 RM'000
Manufacturing		
Revenue	2,670	2,692
Profit before taxation	35	374
Investment holding		
Revenue	3,702	2,878
Profit/(Loss) before taxation	1,090	(1,107)
Total		
Revenue	6,372	5,570
Profit/(Loss) before taxation	1,125	(733)

- (a) The manufacturing division recorded a revenue of RM2.67 million and profit before tax of RM0.03 million in the current quarter compared to RM2.69 million and RM0.37 million respectively in the immediate preceding quarter. The higher profit before tax in the immediate preceding quarter was mainly due to reversal of over-provision of expenses.
- (b) The investment holding division recorded a revenue of RM3.70 million in the current quarter, an increase of RM0.82 million compared to RM2.88 million in the immediate preceding quarter. The increase in revenue was mainly due to higher rental received. The investment holding division posted profit before tax of RM1.09 million compared to loss before tax of RM1.11 million in the immediate preceding quarter. The profit position was mainly attributed to the gain of approximately RM2.11 million from the disposal of an investment property.

B3 Prospects for the following financial year

The manufacturing division's performance is very much dependent on continued orders from existing customers and the anticipated gradual recovery in the global economy. The fluctuations in exchange rates and raw material prices will continue to challenge the Group's efforts to improve performance.

The main income stream for the Group is from the investment holding division which is derived through rental income from investment properties. The retail business in Malaysia remains tough due to unfavorable global economic conditions, inflationary impact from general increases in cost of living which reduce purchasing powers tremendously coupled with depreciation of the Malaysian Ringgit. The continued dismal outlook will be a challenge to the investment holding division to secure better rental rates.

B4 Profit forecast

This was not applicable as no profit forecast was published.

B5 Profit/(Loss) before taxation

Profit/(Loss) before taxation is arrived at after crediting/ (charging) the following income/ (expenses):

	3 months ended		Period ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
(a) Gain on disposal of investment properties	2,113	-	2,113	-
(b) Interest expense	(2,509)	(2,585)	(2,509)	(2,585)
(c) Interest income	14	-	14	-
(d) Allowance for write (down)/back of inventories	(75)	(11)	(75)	(11)

(e) Gain/(loss) on foreign exchange				
- realised	15	2	15	2
- unrealised	(30)	(131)	(30)	(131)
(f) Depreciation and amortisation	(1,160)	(1,273)	(1,160)	(1,273)

B6 Tax expense

	3 months ended		Period ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Income tax expense				
-Current	271	385	271	385
Deferred tax expense				
-Current	4	3	4	3
	<u>275</u>	<u>388</u>	<u>275</u>	<u>388</u>

The effective tax rate for the current quarter is approximately the statutory tax rate.

B7 Gain/(losses) on sale of unquoted investments and/or properties

There were no gain/losses on sale of unquoted investment and/or properties in the current quarter ended 31 March 2017 except for the gain of approximately RM2.11 million from the disposal of an investment property.

B8 Marketable securities

There were no purchase or disposal of quoted securities during the current quarter ended 31 March 2017.

B9 Status of corporate proposals

There were no corporate proposals for the current quarter ended 31 March 2017.

B10 Borrowing and debts securities

All borrowings of the Group are denominated in Ringgit Malaysia.

		3 months ended 31.03.2017 RM'000
Current	Overdraft	16,457
	Term loan - secured	12,027
Non-current	Term loan - secured	104,326

B11 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at 11 May 2017.

B12 Changes in material litigation

There were no material litigation during the current quarter ended 31 March 2017.

B13 Dividends

No dividend has been recommended for the quarter under review;

B14 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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	850	(1,370)	850	(1,370)
Weighted average number of ordinary shares in issue	87,604,239	87,450,762	87,604,239	87,450,762
Basic earnings/(loss) per share (sen)	0.94	(1.57)	0.94	(1.57)

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

	3 months ended		Period ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	850	(1,370)	850	(1,370)
Weighted average number of ordinary shares in issue	87,604,239	87,450,762	87,604,239	87,450,762
Adjustments for warrants granted	16,471,128	16,898,182	16,471,128	16,898,182
Adjusted weighted average number of ordinary shares in issue	104,075,367	104,348,944	104,075,367	104,348,944
Diluted earnings/(loss) per share (sen)	0.82	(1.31)	0.82	(1.31)

B15 Realised & Unrealised Profit/(Losses) Disclosure

The retained earnings as at 31 March 2017 and 31 December 2016 are analyze as follows:

	31.03.2017 RM'000	31.12.2016 RM'000
The retained earnings of RSB and its subsidiaries:		
- Realised	38,178	37,686
- Unrealised	142	(222)
	38,320	37,464
Less: Consolidation adjustments	(10,299)	(10,293)
Total Group retained earnings as per consolidated financial statements	28,021	27,171

B16 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

By order of the Board
LEE CHIEW HIANG
Executive Director
Penang
18 May 2017