

RAPID SYNERGY BERHAD

(Company No. 325935-U)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**Condensed Consolidated Statement of Financial Position**

	UNAUDITED AS AT 30/06/2017 RM'000	AUDITED AS AT 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	3,043	3,389
Investment properties	252,505	245,566
Prepaid lease payments	2,373	2,409
Other investments	8,455	8,455
Deferred tax assets	274	282
	<u>266,650</u>	<u>260,101</u>
Current Assets		
Inventories	1,122	896
Receivables, deposits and prepayment	6,889	5,054
Current tax assets	205	419
Cash & bank balances	10,540	3,697
	<u>18,756</u>	<u>10,066</u>
TOTAL ASSETS	<u>285,406</u>	<u>270,167</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital		
Reserves	106,896	87,457
	<u>31,036</u>	<u>29,234</u>
Total equity	<u>137,932</u>	<u>116,691</u>
Non-current liabilities		
Loan and borrowings	110,644	106,502
Deferred income	1,044	1,071
Deferred tax liabilities	600	600
	<u>112,288</u>	<u>108,173</u>
Current liabilities		
Loan and borrowings	25,702	31,039
Payables and accruals	9,343	14,137
Provision for taxation	86	72
Deferred income	55	55
	<u>35,186</u>	<u>45,303</u>
Total liabilities	<u>147,474</u>	<u>153,476</u>
TOTAL EQUITY AND LIABILITIES	<u>285,406</u>	<u>270,167</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.29	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 SECOND QUARTER ENDED 30 JUNE 2017

The Board of directors is pleased to submit its quarterly report on the consolidated results of the group for the second quarter ended 30 June 2017. The figures have not been audited.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30/06/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2016 RM'000	CURRENT YEAR TO DATE 30/06/2017 RM'000	PRECEDING YEAR TO DATE 30/06/2016 RM'000
Continuing Operations				
Revenue	7,368	6,669	13,740	12,310
Cost of sales	(2,019)	(2,108)	(3,895)	(3,544)
Gross profit	5,349	4,561	9,845	8,766
Interest income	7	-	21	-
Gain from disposal of investment properties	1,414	1,562	3,527	1,562
Other income	49	42	70	72
Administrative and Distribution expenses	(1,312)	(1,248)	(2,601)	(2,024)
Depreciation of investment properties and PPE	(1,107)	(1,237)	(2,267)	(2,510)
Other expenses	(558)	(512)	(1,119)	(1,094)
Finance costs	(2,342)	(2,568)	(4,851)	(5,153)
Profit/(Loss) before taxation	1,500	600	2,625	(381)
Income tax expense	(550)	(233)	(823)	(623)
Profit/(Loss) for the period	950	367	1,802	(1,004)
Other comprehensive income, net of tax - fair value of available-for-sale financial assets	-	-	-	-
	950	367	1,802	(1,004)
Attributable to:				
Shareholders of the parent	950	367	1,802	(1,004)
minority interests	-	-	-	-
	950	367	1,802	(1,004)
Earning/(Loss) per share attributable to shareholders of the parent:				
Basic earnings/(loss) per ordinary share (sen)	0.89	0.42	1.69	(1.15)
Diluted earnings/(loss) per ordinary share (sen)	-	0.35	-	(0.96)

(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).

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

Condensed Consolidated Statement of Changes in Equity

	<-----Attributable to shareholders of the parent----->				Total RM'000
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings 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	-	-	-	(1,004)	(1,004)
Total comprehensive income for the period	-	-	-	(1,004)	(1,004)
Shares Issued pursuant to exercise of warrant at RM1.00 per share	11	-	-	-	11
At 30 June 2016	87,456	595	(171)	27,809	115,689
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	-	-	-	1,802	1,802
Total comprehensive income for the period	-	-	-	1,802	1,802
Shares Issued pursuant to exercise of warrant at RM1.00 per share	19,439	-	-	-	19,439
At 30 June 2017	106,896	595	1,468	28,973	137,932

(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).

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

Condensed Consolidated Statement of Cash Flows

	Note	6 months period ended 30 June	
		2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) before tax		2,625	(381)
Adjustment for:-			
Depreciation and amortisation		2,267	2,510
Dividend received		(18)	(18)
Interest income		(21)	-
Interest expense		4,851	5,153
Gain from disposal of Investment properties		(3,527)	(1,562)
Operating profit before working capital changes		<u>6,177</u>	<u>5,702</u>
Decrease/(Increase) in:			
Inventories		(226)	(171)
Receivables, deposits and prepayment		(1,835)	1,975
Increase/(Decrease) in:			
Deferred income		(28)	(28)
Payables and accruals	(i)	(5,773)	(58)
Cash generated from operating activities		<u>(1,685)</u>	<u>7,420</u>
Tax (paid)/refund		(587)	(794)
Net cash (used in)/generated from operating activities		<u>(2,272)</u>	<u>6,626</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		21	-
Dividend received		18	18
Acquisition of:			
- property, plant and equipment		(26)	(3)
- investment properties		(11,178)	(2,020)
Proceeds from disposal of investment properties		6,887	2,603
Net cash generated from investing activities		(4,278)	598
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(145)	(138)
Interest paid		(4,851)	(5,153)
Redemption of term loan		(8,353)	-
Drawdown of term loan		18,000	-
Repayment of term loan		(6,227)	(5,557)
Proceeds from conversion of warrants to shares		19,439	11
Placement of pledged deposit		(596)	-
Net cash generated from/(used in) financing activities		17,267	(10,837)
Net increase/(decrease) in cash and cash equivalents		<u>10,717</u>	<u>(3,613)</u>
Cash and cash equivalents at 1 January		(15,430)	(13,099)
Cash and cash equivalents at 30 June		<u>(4,713)</u>	<u>(16,712)</u>

Notes to statements of cash flows

- i) Included in the payables and accruals is an amount of RM979,000 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
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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

Condensed Consolidated Statement of Cash Flows

	6 months period ended 30 June	
	2017 RM'000	2016 RM'000
Net Cash (Used In)/Generated From Operating Activities	(2,272)	6,626
Net Cash Generated From Investing Activities	(4,278)	598
Net Cash Generated From/(Used In) Financing Activities	17,267	(10,837)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>10,717</u>	<u>(3,613)</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(15,430)	(13,099)
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>(4,713)</u></u>	<u><u>(16,712)</u></u>
Cash and Cash Equivalents at 30 June consist of:-		
Cash and bank balances	10,540	6,574
Bank overdrafts	(13,597)	(22,246)
Less: Deposit pledged to the financial institutions	(1,656)	(1,040)
	<u><u>(4,713)</u></u>	<u><u>(16,712)</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 SECOND QUARTER IN RESPECT OF FINANCIAL YEAR ENDING 30 JUNE
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 30 June 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.

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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 30 June 2017 in respect of financial year ending 31 December 2017 ("Q2 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 30 June 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 30 June 2017, the issued share capital increased from RM87,651,250 to RM106,896,506 following conversion of warrants to shares as tabulated:

Number of warrants converted	Number of ordinary shares issued	Issue price per ordinary share
19,245,256	19,245,256	RM1

A8 Dividend

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

A9 Segmental Reporting

The segmental information for business segments predominantly conducted in Malaysia for the financial period ended 30 June 2017 and 30 June 2016 are as follows:

6 Months ended 30 June 2017	Manufacturing RM'000	Investment Holding RM'000	Consolidated RM'000
Revenue	6,025	7,715	13,740
Result			
Segment results	773	6,703	7,476
Interest expense	(240)	(4,611)	(4,851)
Profit before taxation			2,625

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6 Months ended 30 June 2016	Manufacturing RM'000	Investment Holding RM'000	Restaurant RM'000	Consolidated RM'000
Revenue	4,062	8,223	25	12,310
Result				
Segment results	(349)	5,196	(75)	4,772
Interest expense	(342)	(4,811)	-	(5,153)
Loss before taxation				(381)

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 financial 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 August 2017.

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 August 2017.

A13 Changes in contingent liabilities or contingent assets as at 30 June 2017

The contingent liabilities / assets as at 30 June 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 30 June 2017.

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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		6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Manufacturing				
Revenue	3,354	2,695	6,025	4,062
Profit/(Loss) before taxation	496	(153)	533	(691)
Investment holding				
Revenue	4,014	3,972	7,715	8,223
Profit before taxation	1,004	793	2,092	385
Restaurant				
Revenue	-	2	-	25
Loss before taxation	-	(40)	-	(75)
Total				
Revenue	7,368	6,669	13,740	12,310
Profit/(Loss) before taxation	1,500	600	2,625	(381)

The Group recorded revenue of RM7.37 million for Q2 FY17, an increase of RM0.70 million from RM6.67 million reported in the preceding year corresponding quarter. Group profit before tax ("PBT") was RM1.50 million compared to RM0.60 million reported for Q2 FY16. The contributory factors to the above performance are explained in the respective business segments as follows:

- (a) The manufacturing division recorded a revenue of RM3.35 million compared to RM2.70 million in the preceding year corresponding quarter. The PBT recorded was RM0.50 million, an improvement over the loss before tax of RM0.15 million for the preceding year corresponding quarter. The overall improve performance of the manufacturing division was attributed to higher orders received from existing customers.

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- (b) The investment holding division recorded a revenue of RM4.01 million for the current quarter, a marginal increase of RM0.04 million from RM3.97 million in the preceding year corresponding quarter. PBT was RM1.00 million against RM0.79 million in preceding year corresponding quarter. The slight improvement to the revenue and profit before tax during the current quarter was mainly due to higher rental received and lower expenses recorded.

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

The Group posted revenue of RM7.37 million in respect of the current financial quarter, an increase of RM1.00 million from RM6.37 million recorded in the immediate preceding quarter. Correspondingly, the Group PBT grew to RM1.50 million compared to RM1.12 million reported 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	
	30.06.2017 RM'000	31.03.2017 RM'000
Manufacturing		
Revenue	3,354	2,670
Profit before taxation	496	35
Investment holding		
Revenue	4,014	3,702
Profit before taxation	1,004	1,090
Total		
Revenue	7,368	6,372
Profit before taxation	1,500	1,125

- (a) The manufacturing division recorded revenue of RM3.35 million and PBT of RM0.50 million in the current quarter compared to RM2.67 million and RM0.035 million in the immediate preceding quarter respectively. The higher revenue and corresponding PBT in the quarter under review was mainly due to increase in orders from existing customers.
- (b) The investment holding division reported revenue of RM4.01 million in the current quarter, an increase of RM0.31 million from RM3.70 million in the immediate preceding quarter. The increase in revenue was mainly due to higher rental from increase in occupancy rates. The investment holding division posted PBT of RM1.00 million which was almost the same as reported in the immediate preceding quarter.

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B3 Current Year Prospects

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 increase 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		6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
(a) Gain on disposal of investment properties	1,414	1,562	3,527	1,562
(b) Interest expense	(2,342)	(2,568)	(4,851)	(5,153)
(c) Interest income	7	-	21	-
(d) Allowance for write (down)/back of inventories	(75)	(11)	(150)	(21)
(e) Gain/(loss) on foreign exchange				
- realised	34	125	49	126
- unrealised	(13)	(78)	17	(209)
(f) Depreciation and amortisation	(1,107)	(1,237)	(2,267)	(2,510)

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B6. Tax expense

	3 months ended		6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Income tax expense				
-Current	547	205	817	592
-Prior year	-	33	-	33
Deferred tax expense				
-Current	3	(5)	6	(2)
	<u>550</u>	<u>233</u>	<u>823</u>	<u>623</u>

The effective tax rate for the current quarter is higher than the statutory tax rate mainly due to certain expenses which are not tax deductible.

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 30 June 2017 except for the gain of approximately RM1.41 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 30 June 2017.

B9 Status of corporate proposals

There were no corporate proposals for the current quarter ended 30 June 2017.

B10 Borrowing and debts securities

All borrowings of the Group are denominated in Ringgit Malaysia.

		6 months ended 30.06.2017 RM'000
Current	Overdraft	13,597
	Term loan - secured	12,105
Non-current	Term loan - secured	110,644

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B11 Off balance sheet financial instruments

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

B12 Changes in material litigation

There were no material litigation during the current quarter ended 30 June 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		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	950	367	1,802	(1,004)
Weighted average number of ordinary shares in issue	106,896,506	87,447,962	106,896,506	87,453,224
Basic earnings/(loss) per share (sen)	0.89	0.42	1.69	(1.15)

The diluted earnings per share for the current quarter and cumulative year-to-date is no longer applicable as the detachable warrants which were issued to subscribers of the Rights shares on 9 April 2017 had expired on 10 April 2017.

B15 Realised & Unrealised Profit/(Losses) Disclosure

The retained earnings as at 30 June 2017 and 31 December 2016 are analyze as follows:

	30.06.2017	31.12.2016
	RM'000	RM'000
The retained earnings of RSB and its subsidiaries:		
- Realised	39,114	37,686
- Unrealised	158	(222)
	39,272	37,464
Less: Consolidation adjustments	(10,299)	(10,293)
	28,973	27,171
	28,973	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

18 August 2017