

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

Condensed Consolidated Statement of Financial Position

	UNAUDITED AS AT 31/03/2018 RM'000	AUDITED AS AT 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	3,058	3,139
Investment properties	261,037	262,597
Prepaid lease payments	2,315	2,336
Other investments	10,881	10,881
Deferred tax assets	264	268
	<u>277,555</u>	<u>279,221</u>
Current Assets		
Inventories	-	631
Receivables, deposits and prepayment	21,093	7,724
Current tax assets	348	226
Assets classified as held for sale	622	-
Cash & bank balances	6,464	6,373
	<u>28,527</u>	<u>14,954</u>
TOTAL ASSETS	<u><u>306,082</u></u>	<u><u>294,175</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	107,491	107,491
Reserves	34,487	34,034
Total equity	<u>141,978</u>	<u>141,525</u>
Non-current liabilities		
Loan and borrowings	124,643	117,677
Deferred income	1,044	1,016
Deferred tax liabilities	315	315
	<u>126,002</u>	<u>119,008</u>
Current liabilities		
Loan and borrowings	27,243	23,373
Payables and accruals	10,701	10,163
Provision for taxation	144	51
Deferred income	14	55
	<u>38,102</u>	<u>33,642</u>
Total liabilities	<u>164,104</u>	<u>152,650</u>
TOTAL EQUITY AND LIABILITIES	<u><u>306,082</u></u>	<u><u>294,175</u></u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.32	1.32

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements).

RAPID SYNERGY BERHAD
(Company No. 325935-U)
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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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 2018. The figures have not been audited.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Individual Period (1st quarter)				Cumulative Period			
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To- date	Preceding Year Corresponding Period		
	31/3/2018	31/03/2017	31/3/2018	31/03/2017				
	RM'000	RM'000	RM'000	RM'000				
Continuing Operations								
Revenue	9,587	6,372	3,195	50	9,567	6,372	3,195	50
Cost of sales	(3,308)	(1,876)	(1,432)	(76)	(3,308)	(1,876)	(1,432)	(76)
Gross profit	6,259	4,496	1,763	39	6,259	4,496	1,763	39
Interest income	1	14	(13)	(93)	1	14	(13)	(93)
Gain from disposal of investment properties	-	2,113	(2,113)	(100)	-	2,113	(2,113)	(100)
Other income	21	21	-	-	21	21	-	-
Administrative and Distribution expenses	(1,181)	(1,289)	108	8	(1,181)	(1,289)	108	8
Depreciation of investment properties and PPE	(1,077)	(1,160)	83	7	(1,077)	(1,160)	83	7
Other expenses	(570)	(561)	(9)	(2)	(570)	(561)	(9)	(2)
Finance costs	(2,599)	(2,509)	(90)	(4)	(2,599)	(2,509)	(90)	(4)
Profit before taxation	854	1,125	(271)	(24)	854	1,125	(271)	(24)
Income tax expense	(402)	(275)	(127)	(46)	(402)	(275)	(127)	46
Profit for the period	452	850	(398)	(47)	452	850	(398)	(47)

Earning/(Loss) per share attributable to shareholders of the parent:

Basic earnings/(loss) per ordinary share (sen)	0.42	0.94	0.42	0.94
Diluted earnings/(loss) per ordinary share (sen)	-	0.82	-	0.82

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements).

RAPID SYNERGY BERHAD
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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

Condensed Consolidated Statement of Changes in Equity

	<-----Attributable to shareholders of the parent----->			Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000		
At 1 January 2017	87,457	595	1,468	27,171	116,691
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	87,651	595	1,468	28,021	117,735
At 1 January 2018	107,491	-	3,923	30,112	141,526
Profit for the period	-	-	-	452	452
Total comprehensive income for the period	-	-	-	452	452
At 31 March 2018	107,491	-	3,923	30,564	141,978

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements).

RAPID SYNERGY BERHAD
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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

Condensed Consolidated Statement of Cash Flows

Note	3 months period ended 31 March	
	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	854	1,125
Adjustment for:-		
Depreciation and amortisation	1,077	1,160
Interest income	(1)	(14)
Interest expense	2,599	2,509
Gain from disposal of Investment properties	-	(2,113)
Operating profit before working capital changes	4,529	2,667
Decrease/(Increase) in:		
Inventories	631	(34)
Receivables	(13,369)	(296)
Increase/(Decrease) in:		
Deferred income	(13)	(13)
Payables	538	411
Cash (used in)/generated from operating activities	(7,684)	2,735
Tax paid	(426)	(357)
Net cash (used in)/generated from operating activities	(8,110)	2,378
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	1	14
Acquisition of:		
- property, plant and equipment	(32)	(15)
- investment properties	(4)	-
Proceeds from disposal of investment properties	-	5,000
Net cash (used in)/generated from investing activities	(35)	4,999
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of finance lease liability	(72)	(72)
Interest paid	(2,599)	(2,509)
Drawdown of term loan	9,806	-
Repayment of term loan	(3,031)	(3,048)
Proceeds from conversion of warrants to shares	-	194
Withdrawal/(Placement) of pledged deposit	-	(596)
Net cash generated from/(used in) financing activities	4,104	(6,031)
Net (decrease)/increase in cash and cash equivalents	(4,041)	1,346
Cash and cash equivalents at 1 January	(5,898)	(15,430)
Cash and cash equivalents at 31 March	(9,939)	(14,084)

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018

Condensed Consolidated Statement of Cash Flows

	3 months period ended 31 March	
	2018 RM'000	2017 RM'000
Net Cash (Used In)/Generated From Operating Activities	(8,110)	2,378
Net Cash (Used In)/Generated From Investing Activities	(35)	4,999
Net Cash Generated From/(Used In) Financing Activities	4,104	(6,031)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(4,041)</u>	<u>1,346</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(5,898)	(15,430)
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u><u>(9,939)</u></u>	<u><u>(14,084)</u></u>
Cash and Cash Equivalents at 31 March consist of:-		
Cash and bank balances	6,464	4,028
Bank overdrafts	(14,714)	(16,457)
Less: Deposit pledged to the financial institutions	(1,689)	(1,655)
	<u><u>(9,939)</u></u>	<u><u>(14,084)</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 2017 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 2018 – 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 2018, 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 2017. 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 2017.

A2 Significant Accounting Policies

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following MFRS/Amendments/Interpretations effective 1 January 2018:

- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 15 Clarifications to MFRS 15
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group has adopted the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2018. The adoption of these new and revised MFRSs and IC interpretations have not resulted in any material impact on the financial statements of the Group.

The following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective and have not applied by the Group :

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MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16 Leases
- IC Interpretations 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 3 Business Combinations
- Amendments to MFRS 9 Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11 Joint Arrangements
- Amendments to MFRS 112 Income Taxes
- Amendments to MFRS 123 Borrowing Costs
- Amendments to MFRS 128 Investment in Associates and Joint Ventures – Long Term Interests in Associates and Joint Ventures

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17 Insurance Contracts

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10 Consolidated Financial Statements
- MFRS 128 Investment in Associates and Joint Ventures - Sale or Contribution by Assets between an Investor and its Associate or Joint Venture

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 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 first quarter ended 31 March 2018 (“Q1 FY18”).

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 2018.

A7 Debts and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and financial year-to-date.

A8 Dividend

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

A9 Segmental Reporting

Segmental reporting by quarter and cumulative year-to-date basis is as tabulated.

3 Months ended Q1	Manufacturing RM'000		Investment Holding RM'000		Consolidated RM'000	
	2018	2017	2018	2017	2018	2017
Revenue	4,534	2,670	5,033	3,702	9,567	6,372
Results						
Segment results	573	192	2,880	3,442	3,453	3,634
Interest expense	(160)	(158)	(2,439)	(2,351)	(2,599)	(2,509)
					854	1,125

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 2017.

A11 Material events subsequent to balance sheet date

There were no material events subsequent to the end of the period under review to 22 May 2018.

(Incorporated in Malaysia)

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 22 May 2018.

A13 Changes in contingent liabilities or contingent assets as at 31 March 2018

The contingent liabilities / assets as at 31 March 2018 is as tabulated:

Unsecured:	RM '000
Corporate guarantee issued to banks for credit facilities granted to subsidiary companies	125,340

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 2018.

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

B1 Group's Financial Performance Review and Segmental Analysis

(a) Overall review of Group's financial performance by quarter

Segment	←3 months ended 31 March→			
	Current year quarter 1Q FY18	Preceding year corresponding quarter 1Q FY17	Changes in amount RM'000	Changes in %
	Manufacturing			
Revenue	4,534	2,670	1,864	70
Operating profit	413	34	379	1,115
Profit Before Interest and Tax	573	192	381	198
Profit Before Tax	413	34	379	1,115
Profit After taxation	242	29	213	734

(Incorporated in Malaysia)

Segment	←3 months ended 31 March→			
	Current year quarter 1Q FY18	Preceding year corresponding quarter 1Q FY17	Changes in amount RM'000	Changes in %
Investment holding				
Revenue	5,033	3,702	1,331	36
Operating profit	441	1,091	(650)	(60)
Profit Before Interest and Tax	2,880	3,442	(562)	(16)
Profit Before Tax	441	1,091	(650)	(60)
Profit After taxation	210	821	(611)	(74)
Total				
Revenue	9,567	6,372	3,195	50
Operating profit	854	1,125	(271)	(24)
Profit Before Interest and Tax	3,453	3,634	(182)	(5)
Profit Before Tax	854	1,125	(271)	(24)
Profit After Tax	452	850	(398)	(47)

(i) **Statement of Profit or Loss and Other Comprehensive Income**

The Group recorded revenue of RM9.57 million for Q1 FY18, an increase of RM3.2 million from RM6.37 million reported in the preceding year corresponding quarter with growth contributed by both operating divisions. The Group recorded profit before tax ("PBT") of RM0.85 million compared to RM1.13 million reported for Q1 FY17. In the preceding year corresponding quarter, the higher PBT was mainly contributed by the gain from disposal of investment properties.

(ii) **Statement of Financial Position**

As at 31 March 2018, the total equity attributable to owners of the Company increased to RM141.97 million from RM141.53 million as at FY17 mainly due to higher profit after tax achieved for the Q1 FY18. Total borrowings of the Group increased to RM151.89 million against RM141.05 million as at FY17 mainly due to drawdown of term loan amounting to RM9.81 million.

(Incorporated in Malaysia)

(iii) **Statement of Cash Flows**

The deficit in operating activities of the Group was RM8.11 million for the three months ended 31 March 2018 against net cash generated of RM2.38 million in Q1 FY17. The reduction in cash generated from operating activities were due to deposit paid to acquire some investment properties and increase in receivables.

The net cash used in investing activities was RM0.03 million against RM5.00 million generated in corresponding quarter in 2017. Net cash generated from financing activities increased to RM4.10 million against RM6.03 million net cash used in the corresponding quarter in 2017. On overall, cash and cash equivalents improved to RM9.94 million as compared to RM14.08 million as at Q1 FY17.

(b) **Segmental Analysis**

Current quarter compared with previous corresponding quarter

The manufacturing division recorded a revenue and PBT of RM4.53 million and RM0.41 million compared with RM2.67 million and RM0.03 million respectively in the preceding year corresponding quarter. The overall improvement in performance of the division is attributed to the backlog orders brought forward from FY17.

The investment holding division recorded a revenue of RM5.03 million for the current quarter, an increase of RM1.33 million from RM3.70 million in the preceding year corresponding quarter. The increase in revenue was mainly due to procurement of new tenants for existing investment properties. The investment holding division recorded PBT of RM0.44 million, a decrease of RM0.65 million from RM1.09 million recorded in the preceding year corresponding quarter. The higher PBT achieved in Q1 FY17 was mainly due to gain in disposal of investment property.

B2 Financial review for current quarter compared with immediate preceding quarter

The Group posted revenue of RM9.57 million in respect of the current financial quarter, an increase of RM0.95 million from RM8.62 million as recorded in the immediate preceding quarter. The Group PBT decrease to RM0.85 million as compared to RM1.02 million reported in the immediate preceding quarter. The contributory factors to the above performance are explained in the respective business segments as follows:

(Incorporated in Malaysia)

	Current Quarter ended 31.03.2018 RM'000	Immediate Preceding Quarter ended 31.12.2017 RM'000	Changes in amount RM'000	Changes in %
Manufacturing				
Revenue	4,534	3,888	646	17
Operating Profit	413	623	(210)	(34)
Profit before Interest and Tax	572	764	(192)	(25)
Profit before Tax	413	623	(210)	(34)
Profit after Tax	242	516	(274)	(53)
Investment holding				
Revenue	5,033	4,731	302	6
Operating Profit	441	392	49	13
Profit before Interest and Tax	2,880	2,633	247	9
Profit before Tax	441	392	49	13
Profit after Tax	210	424	(214)	(50)
Total				
Revenue	9,567	8,619	948	11
Operating Profit	854	1,015	(161)	(16)
Profit before Interest and Tax	3,452	3,397	55	2
Profit before Tax	854	1,015	(161)	(16)
Profit after Tax	452	940	(488)	(52)

- (a) The manufacturing division recorded revenue of RM4.53 million and PBT of RM0.41 million in the current quarter compared to RM3.89 million and RM0.62 million in the immediate preceding quarter respectively. The higher revenue was mainly due backlog orders from manufacturing customers brought forward from year 2017. The lower PBT was mainly due to rework and higher production costs.

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- (b) During the current quarter the investment holding division reported revenue of RM5.03 million and PBT of RM0.44 million as compared to RM4.73 million and RM0.39 million achieved in the immediate preceding quarter respectively. The increase in revenue was mainly contributed by increase in rental received from existing tenant. The lower PBT was mainly due to higher cost of interest.

B3 Prospects for FY2018

The manufacturing division's performance is still very much dependent on continued orders from existing customers in the electrical and electronics industry and are expected to contribute positively in line with the continuous effort to improve production efficiency.

The investment holding division which derived its revenue through rental income from investment properties would be a challenge due to unfavorable global economic conditions, inflationary impact from general increase in cost of living which has reduced the purchasing powers tremendously coupled with depreciation of the Malaysian Ringgit.

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-----→	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
(a) Gain on disposal of investment properties	-	2,113	-	2,113
(b) Interest expense	(2,599)	(2,509)	(2,599)	(2,509)
(c) Interest income	1	14	1	14
(d) Allowance for write (down)/back of inventories	(75)	(75)	(75)	(75)

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	←-----3 months ended-----→		←-----Period ended-----→	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
(e) Gain/(loss) on foreign exchange				
– realised	(19)	15	(19)	15
– unrealised	7	(30)	7	(30)
(f) Depreciation and amortisation	(1,077)	(1,160)	(1,077)	(1,160)

B6 Tax expense

	←-----3 months ended-----→		←-----Period ended-----→	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Income tax expense				
-Current	399	271	399	271
Deferred tax expense				
-Current	3	4	3	4
	<u>402</u>	<u>275</u>	<u>402</u>	<u>275</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 or loss on sale of unquoted investment and/or properties in the current quarter ended 31 March 2018.

On 28 March 2018, the Company had entered into sale and purchase agreement for the disposal of one unit of condominium with an estimated gain of RM0.48 million. The gain of RM0.48 million would be recognized upon the completion of the disposal which is expected to be in the Q2 FY18.

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B8 Marketable securities

There were no purchase or disposal of quoted securities during the current quarter ended 31 March 2018.

B9 Status of corporate proposals

There were no corporate proposals for the current quarter ended 31 March 2018.

B10 Borrowing and debts securities

All borrowings of the Group are denominated in Ringgit Malaysia.

	3 months ended 31.03.2018 (RM'000)		
	Long Term	Short Term	Total Borrowings
Bank Overdraft	-	14,714	14,714
Bank Loan	124,643	12,223	136,866
Finance Lease Liability	-	306	306
Total	124,643	27,243	151,886

	3 months ended 31.03.2017 (RM'000)		
	Long Term	Short Term	Total Borrowings
Bank Overdraft	-	16,457	16,457
Bank Loan	104,015	11,743	115,758
Finance Lease Liability	311	284	595
Total	104,326	28,484	132,810

B11 Off balance sheet financial instruments

The Group does not have any financial instruments with off-balance sheet risk as at 22 May 2018.

B12 Changes in material litigation

There was no material litigation during the current quarter and period ended 31 March 2018.

B13 Dividends

No dividend has been recommended for the quarter under review.

(Incorporated in Malaysia)

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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Net profit for the period attributable to owners of the Company (RM'000)	452	850	452	850
Weighted average number of ordinary shares in issue	107,491,228	87,604,239	107,491,228	87,604,239
Basic earnings per share (sen)	0.42	0.94	0.42	0.94

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 warrants on had expired on 10 April 2017.

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
 29 May 2018