

**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)  
(Company No: 582924-P)  
Interim Financial Report for the three months period ended March 2014**

**PART A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING  
STANDARD 134 (“MFRS 134”) INTERIM FINANCIAL REPORTING**

**A1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards (“MFRSs”) No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) ACE Market Listing Requirements (“ACE Listing Requirements”) and should be read in conjunction with the audited financial statements of the Company and its subsidiaries (“Group”) for the financial year ended 31 December 2013. These explanatory notes attached to the 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 financial year ended 31 December 2013.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2013 except for the adoption of the following amendments to MFRSs issued by the MASB which are applicable to its financial statements.

Amendments too MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation -Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement -Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above amendments to MFRSs does not have any significant impact on the interim financial statements upon their initial application.

**A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report for the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2013 were not subject to any qualification.

**A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group’s business operational results were not materially affected by any major seasonal or cyclical factors.

**A4. UNUSUAL ITEM DUE TO THEIR NATURE, SIZE OR INCIDENCE**

During the current quarter under review, there were no unusual items or events that affecting the assets, liabilities, equity, net income or cash flows, to the effect that is unusual nature, size or incidence.

**A5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES**

There were no changes in estimates that have a material effect in the current quarter and financial period-to-date results under review.

**A6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuances, repurchases and repayment of debt securities during the period under the review and up to the date of this report

**A7. DIVIDEND DECLARED**

No dividend has been declared or paid by the Company during the current quarter under review.

The Directors do not recommend the payment of any dividend in respect of the current financial period under review.

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## A8. SEGMENT INFORMATION

Segment information is provided based on three (3) major business segments, i.e. engineering services, manufacturing and Food & Beverage. Expenses, assets and liabilities which are common and cannot be meaningfully allocated to the segments are presented under allocated expenses, assets and liabilities respectively.

Business segments in revenue and results of the Company and its subsidiaries (“Group”) for the current quarter and current year to date for 31 March 2014 are as follows:-

	←-----Results for 3 months ended 31 March 2014-----→				
	Manufacturing RM	Engineering services RM	Food & Beverage RM	Others RM	Total RM
<b>Revenue</b>					
Segment revenue	10,556	1,16,750	1,713,983	-	2,841,289
Elimination- inter segment	-	-	-	-	-
Total revenue				-	<u>2,841,289</u>
Results from operating activities	(535,551)	66,559	(563,439)	-	(1,204,739)
Finance costs					(80,373)
Impairment of goodwill					<u>(1,285,112)</u>
Loss before taxation					(21,660)
Tax expense					<u>(1,306,772)</u>
Loss after taxation					116,195
Add: Non-controlling interest					<u>(1,190,577)</u>
<b>Assets and Liabilities</b>					
Segment assets	7,602,449	8,279,604	6,721,719	182,4446	22,786,218
Goodwill on consolidation					2,331,544
Investment in associates					-
Cash in hand and at banks					939,389
Deposits with licensed banks					3,692,797
Tax recoverable					256,383
Consolidated total assets					<u>30,006,331</u>
Segment liabilities	6,517	1,823,050	1,949,406	1,129,917	4,908,890
Provision for taxation					21,660
Deferred tax liabilities					207,692
Borrowings					5,008,388
Total liabilities					<u>10,146,630</u>
Capital expenditure					132,410
Depreciation of property, plant and equipment					404,351
Amortisation of products development expenditure					-
Impairment loss on R&D					-

	←-----Results for 3 months ended 31 March 2013-----→				
	Manufacturing RM	Engineering services RM	Food & Beverage RM	Others RM	Total RM
<b>Revenue</b>					
Segment revenue	5,944	1,497,076	-	-	1,503,020
Elimination- inter segment	-	-	-	-	-
Total revenue	<u>5,944</u>	<u>1,497,076</u>	<u>-</u>	<u>-</u>	<u>1,503,020</u>
Results from operating activities	(105,403)	(366,316)	(425,524)	(101,096)	(998,339)
Finance costs					(10,796)
Share of results in associates					-
Loss before taxation					<u>(1,009,135)</u>
<b>Assets and Liabilities</b>					
Segment assets	7,711,313	9,033,316	1,511,864	93,238	18,349,731
Goodwill on consolidation					2,209,793
Investment in associates					-
Cash in hand and at banks					796,117
Deposits with licensed banks					3,109,795
Tax recoverable					401,634
Consolidated total assets					<u>24,867,070</u>
Segment liabilities	15,904	1,442,014	199,406	1,087,466	2,744,789
Provision for taxation					2,505
Borrowings					1,008,567
Total liabilities					<u>3,755,861</u>
Capital expenditure					283,454
Depreciation of property, plant and equipment					230,457
Amortisation of products development expenditure					-
Impairment loss on R&D					-

## A9 SUBSEQUENT EVENTS

There were no other material events during the current quarter of 31 March 2014 and up to the date of this report, which is likely to substantially affect the results of the operations of the Company, except the following which have been announced:-

- (i) On 7 February 2014, the Board of Directors ("Board") of the Company announced that Marquee International Holding Sdn Bhd ("MIHSB") had completed the Settlement and Share Purchase of the 49% equity interest in Max Wisdom Sdn Bhd ("MWSB") and MWSB has effectively become the wholly-owned subsidiary of MIHSB on the said date. There was no goodwill paid for to acquire the business of MWSB.
- (ii) On 3 March 2014, M& A Securities Sdn Bhd ("M&A Securities"), on behalf of the Board, announced that the Company proposes to undertake the following Proposals:-
  - (a) Proposed renounceable rights issue of up to 449,143,740 new ordinary shares of RM0.10 each in Focus ("Rights Shares") together with up to 299,429,160 free detachable warrants ("Warrants") at an issue price of RM0.10 per Rights Share on the basis of three (3) Rights Shares for every three (3) existing ordinary shares of RM0.10 each held in Focus ("Focus Shares" or "Shares") together with two (2) Warrants for every three (3) Rights Shares subscribed at an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue with Warrants");

- (b) Proposed diversification of the business of Focus into the food and beverage (“F&B”) business (“Proposed Diversification”);
- (c) Proposed establishment and implementation of an employees’ share option scheme (“ESOS”) for eligible employees and directors of Focus and its subsidiaries (“Focus Group” or “Group”) (“Proposed ESOS”);
- (d) Proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 1,000,000,000 Focus Shares to RM250,000,000 comprising 2,500,000,000 Focus Shares (“Proposed IASC”); and
- (e) Proposed amendments to the Memorandum and Articles of Association of the Company for the Proposed IASC (“Proposed Amendments”).

On 9 May 2014, M&A Securities, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 9 May 2014, resolved to approve the following:-

- (i) Admission to the Official List and the listing of and quotation for up to 290,429,160 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) Listing of up to 748,572,900 new Focus Shares arising from the following:-
  - Up to 449,143,740 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
  - Up to 299,429,160 new Focus Shares to be issued pursuant to the exercise of Warrants
- (iii) Listing of such number of new Focus Shares representing up to 30% of the issued and paid-up ordinary share capital of Focus (excluding treasury shares) to be issued pursuant to the exercise of ESOS options under the Proposed ESOS.

The approval of Bursa Securities for the Proposed Rights Issue with Warrants is subject to the following conditions:-

- (i) Focus and M&A Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements (“AMLR”) pertaining to the implementation of the Proposed Rights Issue with Warrants;
- (ii) Focus and M&A Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;
- (iii) Focus to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Rights Issue with Warrants is completed;
- (iv) Focus to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed (pursuant to the exercise of Warrants) as at the end of each quarter together with a detailed computation of listing fees payable; and
- (v) Focus to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed Rights Issue with Warrants.

The approval by Bursa Securities for the Proposed ESOS is subject to the following conditions:-

- (i) M&A is required to submit a confirmation to Bursa Securities of full compliance of the ESOS pursuant to Rule 6.44 (1) of the ALMR and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders approving the Proposed ESOS in general meeting; and
- (ii) Focus is required to furnish Bursa Securities on a quarterly basis a summary of the total number of ESOS shares listed as at the end of each quarter together with a detailed computation of listing fees payable.

Focus is required to ensure full compliance of all the requirements as provided under the AMLR at all times.

**A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There were no changes in the valuation of property, plant and equipment since the latest audited financial statements for the financial year ended 31 December 2013.

**A11. CHANGES IN THE COMPOSITION OF THE GROUP**

Following the completion of the acquisition of additional 49% interest in MWSB by MIHSB on 7 February 2014, MWSB has become the wholly owned subsidiary of MIHSB with effect from 7 February 2014.

Save as above, there are no changes in the composition of the Group during the quarter under review

**A12. CONTINGENT ASSETS AND LIABILITIES**

There were no changes in contingent liabilities or contingent assets, since the last financial year ended 31 December 2013.

**A13. CAPITAL COMMITMENTS**

Capital expenditure commitments contracted and not provided for in the interim financial statements as at 31 March 2014 are as follows:-

	<b>As at 31.03.2014 RM</b>
Property, plant and equipment	<u>1,147,615</u>

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**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)  
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**B. ADDITIONAL INFORMATION REQUIRED BY “BURSA SECURITIES”**

**B1. REVIEW OF PERFORMANCE**

**CURRENT QUARTER COMPARED TO THE CORRESPONDING QUARTER OF LAST YEAR (1Q 14 vs 1Q 13)**

	<b>3 months ended</b>	
	<b>31.03.2014</b>	<b>31.03.2013</b>
	<b>RM</b>	<b>RM</b>
Revenue	2,814,289	1,503,020
Loss before taxation (“LBT”)	1,285,112	1,009,135

For the 1<sup>st</sup> quarter ended 31 March 2014, the Group achieved sales revenue of RM2.81 million as against RM1.50 million of the corresponding quarter of last year. The increase in revenue is mainly due to the contribution of RM1.31 million from MWSB, the newly acquired subsidiary, which is engaged in the restaurant, food and beverage (“F&B”) business.

With the new line of business, the gross profit (“GP”) margin for the current quarter rose to 54.79% from 17.68% in the corresponding quarter in 2013. The higher GP margin is mainly contributed from F&B business.

Despite the increase in revenue and higher GP margin, the Group suffered a higher LBT of RM1.29 million in the current quarter as against RM1.00 million of the corresponding quarter of last year due to the high administrative and interest expenses.

**B2. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER**

**1Q 14 vs 4Q 13**

	<b>3 months ended</b>	<b>3-months ended</b>
	<b>31.03.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
Revenue	2,814,289	2,952,276
LBT	1,285,112	1,911,260

For the three months period ended 31 March 2014, the Group registered a 4.67% reduction of revenue from RM2.95 million in the previous quarter to RM2.81 million in the current quarter.

Nevertheless, the Group incurred a lower LBT of RM1.29 million as against RM1.91 million in the previous quarter. In the previous quarter, the Group had make the following provision:-

- (i) impairment of trade receivable of RM0.32 million by its subsidiary, DPC Industrial Systems Sdn Bhd (“DPC”); and
- (ii) impairment of goodwill of RM0.50 million by the Company on its investment in DPC.

### B3. COMMENTARY ON PROSPECTS

The Board believes that the Group will continue to operate in competitive environment. The Group intends to focus on the following:-

- (i) Engineering services sector

The Group will focus on growing the LED lighting industries and energy efficiency management segment; and

- (ii) Food and beverage sector

The Group, via MIHSB, holds 100% equity interest in MWSB. MWSB owns a total of four restaurant which located in well-known shopping mall i.e. Sunway Giza Mall, One Mont Kiara Mall, Viva Home Mall and Paradigm Mall with average 3 years of operation. The Board sees great value in MWSB through the feedbacks from regular customers, walk-in diners, local media reviews and food bloggers. As such, this will be beneficial to the Group's food & beverage business as the brand has been established with four successful outlets in the heart of Klang Valley.

### B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group did not publish any profit forecast or profit guarantee

### B5. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31.03.2014 RM	31.03.2013 RM
<b>Loss for the period is arrived at after charging</b>		
Amortisation and depreciation	404,351	230,457
Interest expense	80,373	10,796
Impairment on trade receivables		-
Impairment loss on R&D expenses	-	
Impairment of goodwill		
Realised foreign exchange loss		
Property, plant and equipment written off		
Inventories written off		
<b>And after crediting</b>		
Bad debts recovered	-	-
Gain on disposal of quoted and unquoted investments	-	-
Gain on disposal of property, plant and equipment	15,932	20,000
Gain on foreign exchanged- realised	-	-
Other income	-	-
Interest income	8,499	26,474
Lawsuit settlement	-	-



**B6. INCOME TAX EXPENSE**

	3 months ended	
	31.03.2014	31.03.2013
	RM	RM
Deferred tax	-	-
Current tax	21,660	16,243-
Tax Expenses	<u>21,60</u>	<u>-</u>

The Company's wholly-owned subsidiary, DPC Industrial Systems Sdn. Bhd. ("DPC") was granted Pioneer Status under the Promotion of Investments Act, 1986 ("Pioneer Status") on 21 January 2008. The said Pioneer Status was expired on 20 January 2013. DPC's net profit for the current quarter is subject to taxation at the rate of 25%.

**B7. STATUS OF CORPORATE PROPOSALS**

There are no corporate proposals announced but not completed as at the reporting date save and except for the Proposed Rights Issue with Warrants announced on 3 March 2014.

**B8. GROUP BORROWINGS AND DEBT SECURITIES**

The details of the Group's borrowings as at 31 March 2014 are as follows:

	As at	As at
	31.03.2014	31.03.2013
	RM	RM
<b>Current</b>		
Term loan- secured	649,185	408,042
Bank overdraft- secured	1,434,204	-
Hire purchase unsecured	281,519	113,769
	<u>2,364,908</u>	<u>521,811</u>
<b>Non-current</b>		
Term loan-secured	2,037,505	-
Hire purchase-unsecured	605,975	486,756
	<u>2,643,480</u>	<u>486,756</u>
Total Bank borrowings	<u>5,008,388</u>	<u>1,008,567</u>

The Group does not have any foreign borrowings as at the date of this report.

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## **B9. MATERIAL LITIGATION**

Save for the following, the Group is not engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary companies and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary companies as at the date of this report:-

**(i) Pan Asia Publications Sdn Bhd (“PAPSB” or “Plaintiff”) vs Focus Dynamics Drives Sdn Bhd (“FDD” or Defendant”) (High Court of Shah Alam Civil Suit No; 22-1424-2010)**

PAPP initiated a legal action against FDD, a wholly-owned subsidiary of the Company, in the High Court of Malaya, Shah Alam on 3 November 2010. FDD filed the Memorandum of Appearance on 23 December 2010. PAPSB in this suit prays for a declaration that the Agreement to Purchase dated 26 April 2010 between PAPSB and FDD (“the said Agreement”) where FDD agreed to sell and PAPSB agreed to purchase a property known as industrial building with single storey warehouse and 3 storey office / assembly area located at No. 2-16, Jalan SU 8 (Lion Industrial Park), Seksyen 22, 40300 Shah Alam, Selangor held under individual title GRN177271, Lot 38170, Pekan Baru Hicom District of Petaling, State of Selangor (“the said Property”) in consideration of RM6,150,000 is a valid, binding and enforceable agreement. PAPSB also prays for a specific performance of the said Agreement and damages for breach of contract as PAPSB alleged that pursuant to the said Agreement PAPSB duly paid the earnest deposit of RM129,150.00 (2.1% of the sale and purchase price) to Reapfield Properties (S.J.) Sdn. Bhd., the so call agent of FDD (“Reapfield) and yet FDD failed, neglected and / or refuse to respond on the draft formal Sale and Purchase Agreement which was prepared by their solicitors. The solicitors in charge of this matter are of the view that since Reapfield has no authority to act on FDD behalf and there was no board resolution to sell the said Property to PAPSB, FDD has an arguable dispute against the claim. Currently, the solicitors of PAPSB and FDD are finalising the pleadings.

The Defendant’s application to strike-out the Plaintiff’s action was dismissed by the Court with no order to costs at the hearing held on 12 December 2013. The Trial date for the Main Suit originally set on 2 and 3 April 2014 has been vacated and parties will appear before the court on 30 May 2014 for case management to fix new trial dates.

## **B10. PROPOSED DIVIDEND**

No dividend has been declared or paid during the current quarter under review and financial year-to-date.

**B11. EARNINGS/ (LOSS) PER SHARE****Basic**

Basic loss per ordinary share is calculated by dividing the net loss for the financial period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	<b>3 months ended</b>		<b>Current year to date</b>	
	<b>31.03.2014</b>	<b>31.03.2013</b>	<b>31.03.2014</b>	<b>31.03.2013</b>
Loss attributable to equity holders of the parent (RM)	1,190,577	1,025,378	1,190,577	1,025,378
Weighted average number of Ordinary shares in issue	352,751,400	320,683,100	352,751,400	320,683,100
Basic Loss per Ordinary Share (sen)	0.34	0.32	0.34	0.32

The fully diluted loss per ordinary share for the Group for the current financial period is not presented as the warrants would be anti-dilutive as the exercise price is higher than the fair value of the Company's shares.

**B12. STATUS OF UTILISATION OF PROCEEDS****(a) Private placement 1**

The status of the utilisation of the proceeds raised from the private placement of 29,153,050 Shares at an issue price of RM0.15 per share amounting to RM4,372,950 as at 31 March 2014 is as follows:-

	<b>Proposed utilisation RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Balance of proceeds RM'000</b>	<b>Time frame for the utilisation of proceeds RM'000</b>
Working capital	4,273	2,870	1,403	31.12.2014
Defraying expenses	100	83	17	31.12.2014
	<u>4,373</u>	<u>2,953</u>	<u>1,420</u>	

The Board has on 30 December 2013 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2014.

**(b) Private Placement 2**

The status of the utilisation of the proceeds raised from the private placement of 32,068,300 Shares at an issue price of RM0.10 per share amounting to RM3,206,830 as at 31 March 2014 is as follows:-

	<b>Proposed utilisation RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Balance of proceeds RM'000</b>	<b>Time frame for the utilisation of proceeds RM'000</b>
Working capital	3,107	1,000	2,107	27.12.2014
Defraying expenses	100	88	12	27.12.2014
	<u>3,207</u>	<u>1,088</u>	<u>2,119</u>	

**B13. REALISED AND UNREALISED PROFIT OR LOSSES**

Breakdown of the Group's realised profit or losses as at 31 March 2014 is as follows:-

	<b>As at 31.03.2014 RM</b>	<b>As at 31.12.2013 RM</b>
Total accumulated loss of the Company and its subsidiaries:-		
- Realised	(19,292,104)	(18,101,528)
- Unrealised	(73,193)	(73,193)
Total share of accumulated losses from associate		
- Realised	(200,000)	(200,000)
- Unrealised		
Less: Consolidation adjustments	-	-
<b>Total accumulated loss as per statement of financial position</b>	<b>(19,565,297)</b>	<b>(18,374,721)</b>

**B14. AUTHORITY FOR ISSUE**

The interim financial report were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

By order of the Board

**TEO SOON MEI**  
Company Secretary