

**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)  
(Company No: 582924-P)**

**Interim Financial Report for the twelve months period ended 31 December 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 (“AMLR”) 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 interim financial information for the twelve (12) months period ended 31 December 2014 has been reviewed by the Company’s auditors in accordance with International Standards on Review Engagement 2410- Review of Interim Financial Information by the Independent Auditor of the Company.

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 to 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 and equity securities during the period under the review and up to the date of this report except for 352,751,394 Rights Shares and 235,167,596 Rights Warrants issued and listed on the ACE Market of Bursa Securities as stated in Note B7 (i) 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. Manufacturing, Engineering Services 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 December 2014 are as follows:-

←-----Results for 12 months ended 31 December 2014-----→					
	Manufacturing RM	Engineering services RM	Food & Beverage RM	Others RM	Total RM
<b>Revenue</b>					
Segment revenue	26,661	5,244,316	6,939,741	-	12,210,718
Elimination- inter segment					-
Total revenue					<u>12,210,718</u>
Results from operating activities	(2,937,027)	(713,783)	(1,954,426)	(578,502)	(6,183,738)
Finance costs					(407,513)
Loss before taxation					(6,591,251)
Tax expense					(63,507)
Loss after taxation					<u>(6,654,758)</u>
<b>Assets and Liabilities</b>					
Segment assets	300,852	10,495,477	8,215,654	37,375	19,049,358
Goodwill on consolidation					2,331,544
Cash in hand and at banks					1,074,770
Deposits with licensed banks					35,076,925
Tax recoverable					261,060
Consolidated total assets					<u>57,793,657</u>
Segment liabilities	6,517	2,544,361	1,751,815	1,229,159	5,531,852
Provision for taxation					32,233
Deferred tax liabilities					207,692
Borrowings					2,733,288
Total liabilities					<u>8,505,065</u>
Capital expenditure					1,969,522
Depreciation of property, plant and equipment					1,582,443

	←-----Results for 12 months ended 31 December 2013-----→				
	Manufacturing RM	Engineering services RM	Food & Beverage RM	Others RM	Total RM
<b>Revenue</b>					
Segment revenue	19,078	4,767,753	3,960,366	-	8,747,197
Elimination- inter segment	-	-	-	-	-
Total revenue	<u>19,078</u>	<u>4,767,753</u>	<u>3,960,366</u>	<u>-</u>	<u>8,747,197</u>
Results from operating activities	(421,032)	(2,161,225)	(1,439,964)	(576,963)	(4,599,184)
Finance costs					(201,183)
Share of results in associates					-
Loss before taxation					<u>(4,800,367)</u>
Tax expense					<u>(215,745)</u>
Loss after taxation					<u><u>(5,016,112)</u></u>
<b>Assets and Liabilities</b>					
Segment assets	7,629,654	7,919,239	6,829,974	68,512	22,447,379
Goodwill on consolidation					2,331,544
Investment in associates					-
Cash in hand and at banks					3,427,371
Deposits with licensed banks					2,068,618
Tax recoverable					214,129
Consolidated total assets					<u><u>30,489,041</u></u>
Segment liabilities	6,580	1,287,967	1,789,007	1,078,593	4,162,147
Provision for taxation					207,692
Borrowings					4,952,229
Total liabilities					<u><u>9,322,068</u></u>
Capital expenditure					812,611
Depreciation of property, plant and equipment					1,286,662

#### **A9 SUBSEQUENT EVENTS**

There were no other material events during the current quarter of 31 December 2014 and up to the date of this report, which is likely to substantially affect the results of the operations of the Company.

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

On 9 June 2014, the land and building ("Property") held by Focus Dynamics Drives Sdn Bhd ("FDD") were valued at RM7.2 million by an independent firm of valuers. As a result of the valuation, the deficit arising from the valuation of RM0.38 million has been charged out to Income Statements in the 2<sup>nd</sup> quarter ended 30 June 2014. The valuation decreased the audited net assets per share of the Group from RM0.0600 per share as at 31 December 2013 (before the valuation) to RM0.0589 per share upon incorporation of the net valuation deficit, net of deferred tax of RM0.384 million.

The Property was subsequently disposed to Pan Asia Publications Sdn Bhd via sale and purchase agreement ("SPA") dated 10 June 2014 for a cash consideration of RM7.2 million. The disposal of the Property is deemed completed on 31 December 2014.

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

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 December 2014 are as follows:-

	<b>As at 31.12.2014 RM</b>
Property, plant and equipment	<u>3,460,582</u>

**A14 LIMITED REVIEW BY AUDITORS ON FOUR (4) QUARTERLY REPORTS**

On 11 June 2014, Bursa Securities publicly reprimanded Focus and its directors for breaching of AMLR and its executive chairman was fined RM25,000. It was reprimanded for failing to ensure that the company's announcement dated Feb 28, 2012 on the quarterly report for the 17 months financial period ended ("FPE") Dec 31, 2011, took into account the adjustment as stated on the company's announcement dated April 30, 2012.

On Feb 28, 2012, Focus had reported an unaudited loss after tax and minority interest of RM4.496 million in its unaudited results. However, on April 30, 2012, Focus announced an audited loss after tax and minority interest of RM7.952 million in its annual audited accounts for the FPE Dec 31, 2011. The difference of RM3.456 million between Focus' unaudited and audited results for the FPE Dec 31, 2011 represented a variance of 76.86%. The variance of RM3.456 million was mainly due to the provision for impairment losses on trade receivables and products development expenditure (PDE) amounting to RM2.901 million and RM546,000 respectively in the audited results subsequently.

Following the reprimand, Bursa Securities required Focus to engage its external auditors to carry out a limited review on its quarterly report submission ("Limited Review") to ensure the adequacy and effectiveness of its financial reporting function. The limited review must be performed by external auditors for four quarterly reports commencing no later from the quarterly report for the financial period ended March 31, 2014.

In addition, Focus must ensure all its directors and relevant personnel attend a training programme on compliance with the AMLR pertaining to financial statements. Bursa Securities views the contravention seriously as the requirement for listed companies to submit financial statements that are factual, clear, unambiguous, accurate, succinct and contained sufficient information to enable investors to make informed investment decisions is of paramount importance in ensuring the integrity and reliability of financial statements and a fair and orderly market for securities that are traded on Bursa Securities.

On 7 August 2014, the Appeal Committee of Bursa Securities has decided that Focus be required to carry out the limited review for four (4) quarterly reports commencing from the quarterly report for the FPE 30 June 2014 instead of 31 March 2014, following an appeal made by Focus to Bursa Securities on 9 July 2014.

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**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)  
(Company No: 582924-P)**

**Interim Financial Report for twelve (12) months period ended 31 December 2014**

**B. ADDITIONAL INFORMATION REQUIRED BY “BURSA SECURITIES”**

**B1. REVIEW OF PERFORMANCE**

**CURRENT QUARTER COMPARED TO THE CORRESPONDING QUARTER OF LAST YEAR (4Q 14 vs 4Q 13)**

	<b>3 months ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
Revenue	3,467,470	2,957,275
Loss before taxation (“LBT”)	2,552,935	1,988,016

For the 4<sup>th</sup> quarter ended 31 December 2014, the Group achieved sales revenue of RM3.47 million as against RM2.96 million of the corresponding quarter of last year.

The Group incurred a higher LBT of RM2.55 million in the current quarter as against RM1.99 million in the corresponding quarter due to impairment loss on trade receivables of RM0.89 million as compared to impairment loss on trade receivables of RM0.32 million on accounts of its subsidiary company.

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

**4Q 14 vs 3Q 14**

	<b>3 months ended</b>	<b>3-months ended</b>
	<b>31.12.2014</b>	<b>30.09.2014</b>
	<b>RM</b>	<b>RM</b>
Revenue	3,467,470	2,992,456
LBT	2,552,935	1,137,243

For the three months period ended 31 December 2014, the Group registered an increase in revenue from RM2.99 million in the previous quarter to RM3.47 million in the current quarter due to increase revenue contribution from DPC from RM1.33 million to RM1.77 million in the current quarter.

Despite the increase in revenue, the Group incurred higher LBT of RM2.5 million in the current quarter as against RM1.14 million in the previous quarter due to higher interest expense of RM0.16 million as against RM0.09 million and higher administrative expenses and impairment loss on trade receivables of RM0.89 million during the current quarter.

**B3. COMMENTARY ON PROSPECTS**

The Group continues to expect Energy Efficiency Systems & Solutions to be one of the main contributor to its revenue. The Group had diversified into the Food and Beverage (“F&B”) business aimed to enhance its revenue stream and earnings base, thereby reducing reliance on other existing core business.

Moving forward, the Group intends to utilise major portion of the proceeds from the Proposed Rights Issue with Warrants for the expansion in the F&B business to open additional new outlets for both Stream Room Restaurants and LAVO Restaurant & Wine Bar of which the Group believes that the diversification and expansion into the food service industry will be beneficial to the Group’s future prospects and barring unforeseen circumstances, will be adequate to improve the Group’s financial condition.

**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**

	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
<b>Loss for the period is arrived at after charging</b>		
Depreciation	1,582,443	1,286,644
Impairment loss on goodwill	-	495,560
Impairment loss on other receivables	-	60,653
Impairment loss on trade receivables	891,777	322,331
Inventories written off	-	66,960
Interest expense	407,513	201,183
Loss on disposal of property, plant & equipment (“PPE”)	-	115
Loss on foreign exchange- unrealised	-	322
Property, plant and equipment written off	-	699
<b>And after crediting</b>		
Interest income	193,296	67,477
Gain on disposal of PPE	75,744	20,000
Gain on foreign exchange- realised	1,044	131
Lawsuit settlement	-	1,000,000

**B6. INCOME TAX EXPENSE**

	<b>3 months ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
Deferred tax		
Current tax	2,441	179,937
Tax Expenses	<u>2,441</u>	<u>179,937</u>

The income tax expense at the rate of 25% is chargeable on DPC’s net profit for the current quarter.



## B7. STATUS OF CORPORATE PROPOSALS

There are no corporate proposals announced but not completed as at the reporting date.

The following are the corporate proposals that were completed during the financial year ended 31 December 2014:-

- (i) The Rights Issue with Warrants is deemed completed on 14 November 2014 following the listing of and quotation for 352,751,394 Rights Shares and 235,167,596 Rights Warrants on the ACE Market of Bursa Securities
- (ii) On 17 December 2014, M&A Securities Sdn Bhd (“M&A Securities”), on behalf of the Board announced that Bursa Securities had vide its letter dated 17 December 2014 decided to grant the Company an extension of time up to 8 May 2015 to complete the implementation of the employees’ share option scheme (“ESOS”) for eligible employees and directors of Focus and its subsidiaries.

On 13 January 2015, M&A Securities, on behalf of the Board, announced that the effective date of implementation of the ESOS is on 13 January 2015.

On 11 February 2015, Focus announced that the company had offered 209,999,000 share options at the option price of RM0.10 to eligible employees of Focus in accordance with the By-Laws of the ESOS. The details of the offer of share options are as follows:-

(a)	Date of Offer	:	11 February 2015
(b)	Number of shares offered	:	209,999,000
(c)	Exercise price of shares offered	:	RM0.10
(d)	Closing price of Focus’s shares on the date of the Offer	:	RM0.075
(e)	Number of shares offered to the Company’s Directors under the ESOS		
	(i) Datuk Manan Bin Haji Md Said	:	14,319,200
	(ii) Ameerzan Bin Jamal	:	13,794,200
	(iii) Tan Aik Heang	:	6,119,200
	(iv) Abdul Menon Bin Arsad@ Abdul Manan Bin Arshad	:	6,119,200
	(v) Chang Vun Lung	:	5,594,200

- (iii) On 10 June 2014, M&A Securities, on behalf of the Board announced that, Focus Dynamics Drive Sdn Bhd (“FDD”), the wholly-owned subsidiary of Focus, had on even day entered into a sale and purchase agreement (“SPA”) with Pan Asia Publications Sdn Bhd (“Pan Asia”) for the proposed disposal of a property bearing postal address no 2-16, Jalan Subang Utama 8, Taman Perindustrian Subang, Section 22, 40300 Shah Alam, Selangor Darul Ehsan (“Property”) for a cash consideration of RM7.2 million (“Proposed Disposal of Property”). On 31 December 2014, M&A Securities, on behalf of the Board announced that the solicitors for the SPA for the Disposal of Property had vide its letter dated 31 December 2014 confirming that the SPA is deemed completed on 31 December 2014.
- (iv) On 13 January 2015, the Board announced that FDD, the wholly-owned subsidiary of Focus had on even date entered into SPA with Kim Ryong Cheor (Passport No: 7105378) (“the Purchaser”) for the disposal of its entire 40% equity interest, representing 200,000 ordinary shares in Tae Lim Construction Sdn Bhd (*formerly known as Focus L&N M&E Sdn Bhd*) (Company No: 806150-T) (“TLCSB”), the associated company of FDD for a sale consideration of RM2.00 (“Disposal”). The Disposal will result in a gain of RM2.00 at the Group level. Upon completion of the Disposal, TLCSB will cease to be an associated company of FDD.

**B8. GROUP BORROWINGS AND DEBT SECURITIES**

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

	<b>As at 31.12.2014 RM</b>	<b>As at 31.12.2013 RM</b>
<b>Current</b>		
Term loan- secured	335,679	754,708
Bank overdraft- secured	1,657,514	1,500,000
Hire purchase unsecured	201,255	276,602
	<u>2,194,448</u>	<u>2,531,310</u>
<b>Non-current</b>		
Term loan-secured	110,258	1,794,000
Hire purchase-unsecured	428,582	626,919
	<u>538,840</u>	<u>2,420,919</u>
Total Bank borrowings	<u>2,733,288</u>	<u>4,952,229</u>

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

**B9. MATERIAL LITIGATION**

The Group is not engaged in any material 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.

**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 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>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Loss attributable to equity holders of the parent (RM)	2,555,376	2,181,366	6,538,563	4,873,824
Weighted average number of Ordinary shares in issue	399,140,624	321,385,961	399,140,624	321,385,961
Basic Loss per Ordinary Share (sen)	0.64	0.68	1.64	1.52

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 December 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	3,792	481	31.12.2015
Defraying expenses	100	83	17	31.12.2015
	<u>4,373</u>	<u>3,875</u>	<u>498</u>	

The Board has on 26 November 2014 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2015.

### (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 December 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	31.12.2015
Defraying expenses	100	88	12	31.12.2015
	<u>3,207</u>	<u>1,088</u>	<u>2,119</u>	

The Board has on 26 November 2014 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2015.

### (c) Rights Issue with Warrants

On 14 November 2014, the Company had completed the Renounceable Rights Issues by issuance of 352,751,394 new ordinary shares of RM0.10 each ("Rights Issues") on the basis of three (3) Rights Share for every three (3) existing ordinary share of RM0.10 each in the Company held on 14 November 2014 at an issue price of RM0.10 per Rights Share, together with the issuance of 235,167,596 new free detachable warrants ("Warrants") on the basis of two (2) Warrants for every three (3) Rights Shares subscribed.

The status of the utilisation of the proceeds raised from the Rights Issue with Warrants of 352,751,394 Rights Shares at an issue price of RM0.10 per share amounting to RM35,275,139 as at 31 December 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>
Repayment of bank borrowings	3,100	1,273	1,827	31.08.2015
Capital expenditure for F&B business	25,918	2,580	23,338	13.11.2016
Future working capital/ Investment	5,757	721	5,036	13.11.2016
Defraying expenses	500	500	-	
	<u>35,275</u>	<u>5,074</u>	<u>30,201</u>	

The Board has on 25 February 2015 approved the utilisation of the proceeds derived from Rights Issue for the repayment of bank borrowings to be extended to 31 August 2015.

**(d) Disposal of Property**

On 31 December 2014, the Company had completed the disposal of the Property held by FDD, a wholly-owned subsidiary of Focus to Pan Asia for a cash consideration of RM7,200,000. The status of the utilisation of the disposal proceeds of RM7,200,000 as at 31 December 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>
Repayment of bank borrowings	1,900	1,900	-	
Future working capital/ investment	5,000	485	4,515	30.12.2015
Defraying expenses	300	300	-	
	<u>7,200</u>	<u>2,685</u>	<u>4,515</u>	

Part of the total proceeds of RM7,200,000 which amounted to RM2,425,211 has been received from Pan Asia on 5 January 2015.

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

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

	<b>As at 31.12.2014</b>	<b>As at 31.12.2013</b>
	<b>RM</b>	<b>RM</b>
Total accumulated loss of the Company and its subsidiaries:-		
- Realised	(24,028,114)	(18,101,528)
- Unrealised	-	(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>(24,228,114)</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