

**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)
(Company No: 582924-P)
Interim Financial Report for the three months period ended 30 September 2015**

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 2014. 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 2014.

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 2014.

New MFRs and Amendments/ Improvements to MFRSs that are issued, but, not yet effective and have not been early adopted.

The Group and the Company have not adopted the following new MFRs and amendments/ improvements to MFRSs that have been issued by the MASB as at the date of authorization of these financial statements but are not yet effective for the Group and the Company.

New MFRs	Effective for financial periods beginning on or after
MFRS 9	1 January 2018
Financial instruments (IFRS 9 issued by IASB in July 2014)	
MFRS 15	1 January 2017
Revenue from Contracts with Customers	
 Amendments to MFRSs	
MFRS 10 and MFRS 128	1 January 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	
MFRS 11	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations	
MFRS 116 and MFRS 138	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation	
MFRS 116 and MFRS 141	1 January 2016
Agriculture: Bearer Plants	
MFRS 119	1 July 2014
Defined Benefit Plans: Employees Contributions	
MFRS 127	1 January 2016
Equity Method in Separate Financial Statements	

Amendments to MFRs contained in the document entitled	Effective for financial periods beginning on or after
Annual improvements to MFRs 2010- 2012 Cycle	1 July 2014
Annual improvements to MFRs 2011-2013 Cycle	1 July 2014
Annual improvements to MFRs 2012-2014 Cycle	1 January 2016

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 2014 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 30 September 2015 are as follows:-

	←-----Results for 9 months ended 30 September 2015-----→				
	Manufacturing RM	Engineering services RM	Food & Beverage RM	Others RM	Total RM
Revenue					
Segment revenue	3,600	2,514,232	3,215,237	-	5,733,069
Elimination- inter segment	-	-	-	-	-
Total revenue				-	5,733,069
Results from operating activities	(1,302,668)	(1,545,309)	(4,959,076)	(1,011,409)	(8,818,462)
Finance costs					(142,798)
Gain on disposal of a subsidiary company					147,998
Gain on disposal of associated company					2
Loss before taxation					(8,813,260)
Tax expense					-
Loss after taxation					(8,813,260)
Assets and Liabilities					
Segment assets	-	8,677,280	10,477,449	59,174	19,213,903
Goodwill on consolidation					1,714,233
Investment in associates					-
Cash in hand and at banks					693,104
Deposits with licensed banks					27,621,822
Tax recoverable					2,500
Consolidated total assets					49,245,562
Segment liabilities	6,500	1,663,641	1,158,438	1,086,845	3,915,424
Provision for taxation					32,233
Deferred tax liabilities					-
Borrowings					1,525,955
Total liabilities					5,473,652
Capital expenditure	-	18,857	5,834,159	-	5,853,016
Depreciation of property, plant and equipment	-	608,739	539,332	-	1,148,071

	←-----Results for 9 months ended 30 September 2014-----→				
	Manufacturing RM	Engineering services RM	Food & Beverage RM	Others RM	Total RM
Revenue					
Segment revenue	16,936	3,474,896	5,251,416	-	8,743,248
Elimination- inter segment					-
Total revenue					<u>8,743,248</u>
Results from operating activities	(2,071,893)	162,728	(1,412,830)	(468,310)	(3,790,305)
Finance costs					(248,011)
Loss before taxation					<u>(4,038,316)</u>
Tax expense					(61,067)
Loss after taxation					<u>(4,099,383)</u>
Add: Non-controlling interest					116,195
					<u>(3,983,188)</u>
Assets and Liabilities					
Segment assets	7,179,733	8,063,849	6,876,016	179,107	22,298,705
Goodwill on consolidation					2,331,544
Cash in hand and at banks					1,822,869
Deposits with licensed banks					1,905,792
Tax recoverable					260,750
Consolidated total assets					<u>28,619,660</u>
Segment liabilities	6,517	1,671,901	1,709,710	1,069,400	4,457,528
Provision for taxation					56,858
Deferred tax liabilities					207,692
Borrowings					6,830,492
Total liabilities					<u>11,552,570</u>
Capital expenditure	-	-	634,410	-	634,410
Depreciation of property, plant and equipment	-	693,145	504,196	-	1,197,341

A9 SUBSEQUENT EVENTS

There were no other material events during the current quarter of 30 September 2015 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 5 June 2015, the Board announced that Marquee International Holding Sdn. Bhd. ("MIHSB), the wholly-owned subsidiary company of Foucs entered into the a sale and purchase agreement ("SPA") with Zahari Bin Zakaria (NRIC No. 720530-71-5253) and Hasanuddin Bin Zakaria (NRIC No. 751115-71-5055) ("the Purchasers") to dispose of one million (1,000,000) ordinary shares of RM1.00 each in Max Wisdom Sdn. Bhd. ("MWSB"), representing 100% of the issued and paid-up share capital of MWSB for the sale consideration of Ringgit Malaysia Fifty Thousand (RM50,000.00) only ("Sale Consideration") ("Disposal"). The Sale Consideration was received on 3 July 2015 and the Disposal is deemed completed on even date.
- (ii) On 18 August 2015, a total of 116,304,600 options under the employees' shares options scheme ("ESOS") were offered to eligible employees. On 29 September 2015, a total of 5,341,800 were accepted by two (2) Directors of Focus and three (3) Directors of its subsidiaries and an amount of RM0.19 million was charged out as equity settle-based payment in the Income Statement for the current quarter.

- (iii) On 1 July 2015, the Board announced the Company had subscribed additional 99,998 ordinary shares of RM1.00 each at an issue price of RM1.00 per share in the share capital of MIHSB, the wholly-owned subsidiary of the Company, thereby increasing the Company's investment in MIHSB from RM2.00 to RM100,000.00 and MIHSB will remain a wholly-owned subsidiary of the Company, albeit with an enlarged issued and paid-up share capital.
- (iv) On 25 August 2015, the Board announced that its wholly owned-subsiary, Marquee International Sdn Bhd ("MISB") had on 25 August 2015 entered into a sale and purchase agreement with Tropicana Residences Sdn Bhd (*formerly known as Tropicana Development Sdn Bhd and prior to that, Dijaya Development Sdn Bhd*) ("TDSB") for the proposed acquisition of one (1) unit of serviced apartment of the development project known as "Tropicana The Residences KLCC" erected on all the pieces of land held under Geran No. 51952, Lot No. 194, Seksyen 58, Bandar Kuala Lumpur, Dearah, Kuala Lumpur, Negeri Wilayah Persekutuan, Kuala Lumpur for a purchase consideration of RM2.183 million.
- (v) On 1 October 2015, the Board announced that MIHSB had on 23 September 2015 incorporated a newly wholly-owned subsidiary, Focus Dynamic Limited ("FDL") under the Republic of Seychelles International Business Companies Act, 1994. The authorized share capital of FDL is USD50,000 with 50,000 shares at par value of USD1.00 each and the issued and paid-up share capital is USD1.00 with 1 share at a par value of USD1.00 each. The principal activities of FDL are food and beverage business and investment holding.
- (vi) On 27 October 2015, the Board announced that FDL had on 23 October 2015 incorporated a wholly-owned subsidiary, Focus Dynamic Group Limited ("FDGL") in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with the share capital of HK\$1.00 comprising 1 ordinary share of HK\$1.00 each fully paid. The principal activities of FDGL are food and beverage business and investment holding.

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 2014.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There are no changes in the composition of the Group during the quarter under review except the following:-

- (i) MIHSB had on 4 July 2015 completed the disposal of 1,000,000 ordinary shares of RM1.00 each, representing the entire equity interests in MWSB for RM50,000;
- (ii) MIHSB had on 23 September 2015 incorporated a new wholly-owned subsidiary, FDL in Republic of Seychelles; and
- (iii) FDL had on 23 October incorporated a new wholly-owned subsidiary, FDGL in Hong Kong.

A12. CONTINGENT ASSETS AND LIABILITIES

There were no changes in contingent liabilities or contingent assets, since the last financial year ended 31 December 2014.

A13. CAPITAL COMMITMENTS

Capital expenditure commitments contracted and not provided for in the interim financial statements as at 30 September 2015 are as follows:-

	As at 30.09.2015
	RM
Property, plant and equipment	<u><u>6,320,359</u></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 (3Q 15 vs 3Q 14)

	3 months ended	
	30.09.2015	30.09.2014
	RM	RM
Revenue	1,378,901	2,992,456
Loss before taxation (“LBT”)	1,716,138	1,160,348

For the three months period ended 30 September 2015, the Group revenue reduced from RM2.99 million to RM1.38 million as compare to the corresponding quarter, represent a reduction of RM1.16 million or 53.9% due to loss of revenue from MWSB in the current quarter following the completion of the disposal of MWSB on 3 July 2015.

In line with reduction in revenue, the Group suffered a loss of RM1.72 million in the current quarter as against RM1.16 million in the corresponding quarter of last year. The increase in losses is also contributed by equity settled share-based payment of RM0.41 million in respect of ESOS options granted and rising cost of operating expenses.

B2. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER

3Q 15 vs 2Q 15

	3 months ended	3-months ended
	30.09.2015	30.06.2015
	RM	RM
Revenue	1,378,901	2,193,359
LBT	1,716,138	2,422,425

For the current quarter, the Group registered a reduction of revenue of RM1.38 million from the preceding quarter of RM2.19 million, this represents an decrease of 37.13% or 0.81 million due to loss of revenue from MWSB in the current quarter following the completion of the disposal of MWSB on 3 July 2015.

The Group incurred a lower LBT of RM1.72 million as against RM2.42 million in the preceding quarter, which is due to lower equity settled share-based payment of RM0.41 million in the current quarter as against RM0.79 million in the preceding quarter in respect of ESOS options granted and accepted by eligible employees of the Group.

B3. COMMENTARY ON PROSPECTS

Our Group continues to expect energy efficiency systems and solutions to be the main contributor to our revenue, alongside with our F&B business. In view of the renewed awareness on cost efficiency in particular energy efficiency management and green technology initiatives, our Group is continuously working towards enhancing our products and services to propel into the immediate and future needs of energy efficiency management. In other words, our Company is always exploring and investing into acquiring new energy efficiency products and solutions to meet the ever increasing demands of the customers.

Moving forward, our Company intends to utilise major portions of the proceeds from Rights Issue with Warrants for the expansion in the F&B business via opening of additional new outlets of restaurant to expand the Group F&B segment.

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

	30.09.2015	30.09.014
	RM	RM
Loss for the period is arrived at after charging		
Amortisation and depreciation	(1,148,071)	(1,197,341)
Interest expense	(142,798)	(248,011)
Property, plant and equipment written off	(816,736)	-
Equity settled share-based payment	(3,239,872)	-
And after crediting		
Gain on disposal of property, plant and equipment	-	-
Gain on foreign exchanged- realised	-	-
Other income	76,308	-
Interest income	861,230	23,760

B6. INCOME TAX EXPENSE

	3 months ended	
	30.09.2015	30.09.2014
	RM	RM
Deferred tax	-	-
Current tax	-	23,105
Tax Expenses	-	23,105

7. STATUS OF CORPORATE PROPOSALS

There are no corporate proposals announced but not completed as at the reporting date save and except for the following:-

On 10 September 2015, TA Securities Holdings Berhad ("TA Securities"), on behalf of the Board of Directors of Focus, announced that the Company proposed to undertake the following:-

- (i) proposed reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 involving the cancellation of RM0.05 of the par value of the ordinary shares of RM0.10 each in Focus to RM0.05 each in Focus ("Proposed Par Value Reduction"); and
- (ii) proposed amendments to the Memorandum and Articles of Association of the Company to reflect the change in the par value of each Focus Share as a result of the Proposed Par Value Reduction ("Proposed Amendments").

The Proposed Par Value Reduction and Proposed Amendments are collectively referred to as the Proposals. The Proposals has received the approval of shareholders at the extraordinary general meeting held on 12 November 2015.

B8. GROUP BORROWINGS AND DEBT SECURITIES

The details of the Group's borrowings as at 30 September 2015 are as follows:

	As at 30.09.2015 RM	As at 31.12.2014 RM
Current		
Term loan- secured	-	335,679
Bank overdraft- secured	1,209,193	1,657,514
Hire purchase unsecured	105,901	279,151
	<u>1,315,094</u>	<u>2,272,344</u>
Non-current		
Term loan-secured	-	110,258
Hire purchase-unsecured	210,901	350,686
	<u>210,901</u>	<u>460,944</u>
Total Bank borrowings	<u>1,525,995</u>	<u>2,733,288</u>

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

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:-

Focus Dynamics Centre Sdn Bhd ("FDC") vs Black Tiger Aquaculture Sdn Bhd ("BTASB") (High Court of Malaya, Johor Bahru)

FDC, a subsidiary of the Company presented a winding up petition against BTASB in the High Court of Malaya, Johor Baru on 25 January 2010 based on a debt of RM121,320 and interest of RM28,106 which was admitted by BTASB. The Winding Up Order was granted by the High Court on 20 August 2010. Due to its dissatisfaction with the decision of the High Court, BTASB filed a Notice of Motion for Leave to appeal against the said decision pursuant to Section 68 of the Courts of Judicate Act, 1964 on 14 September 2010 ("Application for leave to appeal").

BTASB filed an appeal against the Winding Up Order on 28 February 2011 via Court of Appeal. The appeal was dismissed by the Court of Appeal on 4 January 2013, where the Court of Appeal held that there was a clear admission by BTASB on its indebtedness to FDC. BTASB later sought leave from Federal Court to appeal against the decision of the Court of Appeal and was rejected by the Federal Court on 19 June 2013.

The solicitors in charge of this matter are of the view that since the earlier Winding Up Order is affirmed by the Court of Appeal and Federal Court, the Official Receiver is continued to act as liquidator of BTASB including to call for creditors' meeting and to manage the assets of BTASB as to pay off the debts to creditors, including FDC, if any. As at todate, there is no instruction and information for such distribution assets from the Official Receiver.

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.

	3 months ended		Current year to date	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Loss attributable to equity holders of the parent (RM)	1,501,436	1,160,348	8,598,558	3,983,188
Weighted average number of Ordinary shares in issue	705,502,790	352,751,400	705,502,790	352,751,400
Basic Loss per Ordinary Share (sen)	0.21	0.33	1.22	1.13

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 30 September 2015 is as follows:-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds RM'000
Working capital	4,273	3,792	481	31.12.2016
Defraying expenses	100	83	17	31.12.2016
	<u>4,373</u>	<u>3,875</u>	<u>498</u>	

The Board has on 25 November 2015 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2016.

(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 30 September 2015 is as follows:-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds RM'000
Working capital	3,107	1,000	2,107	31.12.2016
Defraying expenses	100	88	12	31.12.2016
	<u>3,207</u>	<u>1,088</u>	<u>2,119</u>	

The Board has on 25 November 2015 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2016.

(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 30 September 2015 is as follows:-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds RM'000
Repayment of bank borrowings	3,100	2,291	809	31.12.2016
Capital expenditure and working capital for F&B business	25,918	7,506	18,412	13.11.2016
Future working capital/ Investment	5,757	4,251	1,506	13.11.2016
Defraying expenses	500	500	-	13.02.2015
	<u>35,275</u>	<u>14,548</u>	<u>20,727</u>	

The Board has on 25 November 2015 approved the utilisation of the proceeds derived from the Rights Issue with Warrants for the repayment of bank borrowings to be extended to 31 December 2016.

(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 30 September 2015 is as follows:-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds RM'000
Repayment of bank borrowings	1,900	1,900	-	
Future working capital/ investment	5,000	951	4,049	31.12.2016
Defraying expenses	300	300	-	
	<u>7,200</u>	<u>3,151</u>	<u>4,049</u>	

The Board has on 25 November 2015 approved the utilisation of the proceeds derived from disposal of property to be extended to 31 December 2016.

B13. REALISED AND UNREALISED PROFIT OR LOSSES

Breakdown of the Group's realised profit or losses as at 30 September 2015 is as follows:-

	As at 30.09.2015 RM	As at 31.12.2014 RM
Total accumulated loss of the Company and its subsidiaries:-		
- Realised	(33,067,985)	(24,088,123)
- Unrealised	116,699	116,699
Total share of accumulated losses from associate		
- Realised	(200,000)	(200,000)
- Unrealised	-	-
Less: Consolidation adjustments	-	-
Total accumulated loss as per statement of financial position	(32,984,684)	(24,171,424)

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

WONG KEO ROU
Company Secretary