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 2018. 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 2018.

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 2018, except for the adoption of the following new Amendments to MFRSs issued by MASB, effective for the annual periods beginning on or after 1 January 2019:-

MFRSs and/or IC Interpretation	**Effective for annual periods beginning on or after**
MFRS 16- Leases	1 January 2019
MFRS 17- Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3- Definition of a Business	1 January 2019
Amendments to MFRS 9- Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128- Sale or Contribution of Assets between an investors and the Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 120- Definition of Material	1 January 2020
Amendments to MFRS 119- Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128- Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and the Company upon their initial application except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognized their leased assets and related leased obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on leased liabilities are calculated using the effective interest method. The Company is currently assessing the financial impact that may arise from the adoption of the standard.

Under MFRS 9, a debt instrument can be measured at amortised cost or at the fair value other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for the classification. The amendment to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of this event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives compensation for the early termination of the contract.

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 2018 were not subject to any qualification.

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's business operational results is 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 current financial period.

A7. DIVIDEND DECLARED

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

On 28 November 2017, the Board of Directors of Focus announce that the Company had adopted a dividend policy to pay an annual dividend of up to 20% of its consolidated profits after tax attributable to owners of the Company in respect of any financial year, provided that such distribution will not be detrimental to the Company's cash flow requirements.

The declaration and payment of dividend is after taking into account:-

(i) the level of the Company's available cash and cash equivalents;

(ii) the projected level of working capital, capital expenditure and any other investment plan;

(iii) cash flow solvency test within twelve months immediate after the distribution is made.

The Company reserves the discretion to pay higher rate of dividend as it deems appropriate.

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A8. SEGMENT INFORMATION

Segment information is provided based on three (3) major business segments, i.e. property investment & management, 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 year to date ended 30 June 2019 are as follows:-

	←-------------Results for 6 months ended 30 June 2019-----------→				
	Property investment & management	**Engineering services**	**Food & beverage ("F&B")**	**Others**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**
Revenue					
Segment revenue	-	146,800	19,107,979	-	19,254.779
Elimination- inter segment	-	-	-	-	-
Total revenue	-	146,800	19,107,979	-	19,254.779
Results from operating activities	162,581	(587,007)	3,792,623	(328,255)	3,039,942
Finance costs					(33,581)
Share of profit/ (loss) on investment in joint venture					(350,691)
Profit before taxation					**2,655,670**
Tax expense					(1,281,000)
Profit after taxation					**1,374,670**
Non-controlling interest					(79,665)
					1,295,005
Assets and Liabilities					
Segment assets	14,559,256	531,918	40,654,853	2,097,872	57,843,899
Goodwill on consolidation					88,129
Cash in hand and at banks					1,919,841
Deposits with licensed banks					3,878,076
Consolidated total assets					**63,729,945**
Segment liabilities	11,139,361	278,722	4,839,670	1,113,642	17,371,395
Provision for taxation					1,271,000
Deferred tax liabilities					44,824
Unallocated liabilities					
Bank overdraft					1,209,858
Borrowings					157,366
Total liabilities					**20,054,443**
Other information					
Capital expenditure	3,620,551	130,250	2,936,025	-	6,686,826
Depreciation	1,588	69,975	2,233,886	-	2,305,449

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	←-------------Results for 6 months ended 30 June 2018------------→				
	Property investment & management	**Engineering services**	**Food & beverage ("F&B")**	**Others**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**
Revenue					
Segment revenue	2,343,541	330,700	11,141,783	-	13,816,024
Elimination- inter segment	-	-	-	-	-
Total revenue	2,343,541	330,700	11,141,783	-	13,816,024
Results from operating activities	363,772	(709,370)	1,548,697	(210,106)	992,993
Finance costs					(32,084)
Profit before taxation					**960,909**
Tax expense					(722,929)
Profit after taxation					**237,980**
Non-controlling interest					(178,248)
					59,732
Assets and Liabilities					
Segment assets	10,170,984	859,264	29,822,189	1,247,501	42,099,938
Goodwill on consolidation					88,129
Cash in hand and at banks					3,506,220
Deposits with licensed banks					14,027,567
Current tax asset					264,084
Consolidated total assets					**59,985,938**
Segment liabilities	7,736,684	504,864	1,785,515	956,408	10,983,471
Provision for taxation					1,317,928
Deferred tax liabilities					44,824
Unallocated liabilities					
Bank overdraft					1,204,604
Borrowings					103,976
Total liabilities					**13,654,803**
Capital expenditure	999	5,575	2,508,857	-	2,587,431
Depreciation	-	52,029	1,763,580	-	1,815,609

A9 MATERIAL EVENTS

There were no other material events during the current quarter for the period ended 30 June 2019 and up to the date of this report.

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 2018.

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 contingent liabilities or contingent assets, since the last financial year ended 31 December 2018.

A13. CAPITAL COMMITMENTS

Capital expenditure contracted and not provided for in the interim financial statements as at 30 June 2019 are as follows:-

	As at 30.06.2019 RM
Property, plant and equipment	74,006,154

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Focus Dynamics Group Berhad ("Focus" or the "Company")
(Company No: 582924-P)

Interim Financial Report for three months period ended 30 June 2019

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

CURRENT QUARTER COMPARED TO THE CORRESPONDING QUARTER OF LAST YEAR (Q2 19 vs Q2 18)

	Individual Quarter Unaudited				Cumulative Quarter Unaudited			
	Current Quarter 30.06.2019 RM'000	Preceding Quarter 30.06.2018 RM'000	Changes RM'000	%	Current year to-date 30.06.2019 RM'000	Preceding year to-date 30.06.2018 RM'000	Changes RM'000	%
Revenue	9,308	6,271	3,037	48.43	19,255	13,816	5,439	39.37
Operating profit/ (loss)	1,886	(329)	2,215	673.25	3,012	815	2,197	269.57
Profit / (loss) before interest & tax	1,794	(205)	1,999	975.12	2,690	993	1,697	170.90
Profit/ (loss) before tax	1,777	(221)	1,998	904.07	2,656	961	1,695	176.38
Profit/ (loss) after tax	744	(874)	1,618	185.13	1,375	238	1,137	477.73
Profit/ (loss) attributable to ordinary equity holders of the parent	678	(308)	986	320.12	1,295	60	1,235	2058.33

For the three months period ended 30 June 2019, the Group's revenue increased from RM6.27 million in corresponding quarter of last year to RM9.31 million in the current quarter, representing an increase of RM3.04 million or 48.43%. This was mainly due to higher contribution from the F&B segment during the period.

The Group's gross profit **("GP")** margin reduced to 50.26% for 3-month ended 30 June 2019 as compared to a GP margin of 56.03% during the previous corresponding period.

The Group registered a higher profit after tax **("PAT")** of RM0.74 million as compared to LAT of RM0.87 million in the previous corresponding quarter due to higher revenue in current quarter which in tandem for the higher profits despite the lower GP margin. The LAT the previous corresponding quarter was mainly due to higher operating expenses.

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B2. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER

Q2 19 vs Q1 19

	Current Quarter 30.06.2019 RM'000	Immediate Preceding Quarter 31.03.2019 RM'000	Changes RM'000	%
Revenue	9,308	9,947	(639)	(6.42)
Operating profit/ (loss)	1,886	1,126	760	67.50
Profit / (loss) before interest & tax	1,794	1,140	654	57.37
Profit (loss) before tax	1,777	878	899	102.39
Profit/ (loss) after tax	744	630	114	18.10
Profit/ (loss) attributable to ordinary equity holders of the parent	678	617	61	9.89

For the current quarter, the Group registered a decrease in revenue to RM9.31 million from RM9.95 million in the preceding quarter, representing a decrease of 6.42% or RM0.64 million. The decrease in revenue was mainly due to lower seasonal sales recorded by the F&B segment.

The GP margin decreased to 50.26% during the 3 months ending 30 June 2019 as compared to a GP margin of 53.99% during the preceding quarter.

The Group registered a PAT of RM0.74 million as compared to RM0.63 million in the preceding quarter due to lower operating expenses.

B3. COMMENTARY ON PROSPECTS

The Group continues to concentrate its management resources towards its F&B segment and Property Investment segment, which we believe will provide positive medium term growth. On this note, management will:-

(i) continue its diversification initiative to develop a mixed commercial development which will feature retail/ F&B lots, event hall, a Chinese restaurant, a seafood restaurant, a karaoke centre and car parks in a 5-storey building with a basement level to be erected on a piece of land next to TREC KL and the Tun Razak Exchange; and

(ii) leverage on its existing F&B outlets, namely “Chaze”, “LAVO” “Maze”, “Liberte” and “Bounce” to further expand its F&B business including amongst others, opening of additional outlets or launching new F&B brands.

Besides these ventures, the Board is currently re-examining the Engineering Service Segment as its contribution has dwindled over the past few years. Nevertheless, this segment will be maintained in the short term pending management’s review of the segment’s market condition.

The Board believes that the abovementioned initiatives in the F&B and property investment management should place the Group in a better position to further improve its financial performance in the near future.

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

	30.06.2019 RM	30.06.2018 RM
Loss for the period is arrived at after charging		
Amortisation and depreciation	2,305,449	1,815,609
Interest expense	33,581	32,084
And after crediting		
Interest income	28,212	178,353
Reversal of impairment loss on trade receivables	634,785	-
Reversal of impairment loss on Capital work in progress	-	1,079,480

B6. INCOME TAX EXPENSE

	6 months ended	
	30.06.2019 RM	30.06.2018 RM
Deferred tax	-	-
Current tax	1,281,000	722,929
Tax Expenses	1,281,000	722,929

B7. STATUS OF CORPORATE PROPOSALS

The corporate proposals announced but pending completion as at the date of this report are as follows:-

On 9 January 2018, Mercury Securities Sdn Bhd **("Mercury Securities")**, on behalf of the Board of Focus **("Board"),** announced that the Company had resolved to revise the renounceable rights issue of up to 1,245,384,218 new irredeemable convertible preference shares in Focus ("**ICPS**") together with up to 207,564,036 free detachable warrants ("**Warrants D**") on the basis of 6 ICPS together with 1 free Warrant D for every 6 existing ordinary shares in Focus ("**Focus Shares**" or "**Shares**") held by the entitled Shareholders on an entitlement date to be determined later ("**Previous Rights Issue of ICPS with Warrants**"), which was approved by shareholders on 7 September 2017 to as follows:-

(i) the proposed renounceable rights issue of up to 2,122,788,334 new ICPS together with up to 424,557,666 free Warrants D on the basis of 5 ICPS together with 1 free Warrant D for every 5 existing Focus Shares held by the entitled Shareholders of the Company on an entitlement date to be determined ("**Rights Entitlement Date**") ("**Entitled Shareholders**") ("**Proposed Rights Issue of ICPS with Warrants**");

(ii) proposed share split involving the subdivision of every 10 existing Shares into 19 Shares ("**Split Shares**") ("**Proposed Share Split**"); and

(iii) proposed amendments to the Constitution / Memorandum and Articles of Association of the Company ("**M&A**") ("**Proposed M&A Amendments**").

The Proposed Share Split, Proposed Rights Issue of ICPS with Warrants and Proposed M&A Amendments shall collectively be referred to as the "**Proposals**".

On 24 January 2018, Mercury Securities, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 24 January 2018, approved the following:-

(i) Proposed Share Split;

(ii) listing and quotation of up to 207,179,307 additional Warrants C to be issued from the adjustment to the number of Warrants C pursuant to the Proposed Share Split in accordance with the provisions of the Deed Poll C ("**Additional Warrants C**");

(iii) admission to the Official List and the initial listing and quotation of up to 2,122,788,334 ICPS and up to 424,557,666 Warrants D to be issued pursuant to the Proposed Rights Issue of ICPS with Warrants;

(iv) listing and quotation of up to 2,122,788,334 new Focus Shares to be issued pursuant to the conversion of the ICPS;

(v) listing and quotation of up to 424,557,666 new Focus Shares to be issued pursuant to the exercise of the Warrants D; and

(vi) listing and quotation of up to 207,179,307 new Focus Shares to be issued pursuant to the exercise of the Additional Warrants C.

The approval by Bursa Securities is subject to, amongst others, the following conditions:

(i) Focus and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Share Split and Proposed Rights Issue of ICPS with Warrants;

(ii) Focus and Mercury Securities to inform Bursa Securities upon the completion of the Proposals; and

(iii) Focus to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed.

The Proposals was duly approved by the shareholders at the Extraordinary General Meeting of Focus held on 23 February 2018.

On 26 March 2018, Focus had completed its Share Split resulting 2,041,533,608 split shares and 1,552,269 additional Warrants C listed on the ACE Market of Bursa Securities on the same day.

On 10 January 2019, Mercury Securities, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 9 January 2019, approved the Company's application for an extension of time of 6 months from 24 January 2019 up to 24 July 2019 for the Company to implement and complete the Rights Issue of ICPS with Warrants.

On 9 July 2019, Mercury Securities, on behalf of the Board, announced that the Company had submitted an application to seek Bursa Securities' approval for an extension of time of 6 months up to 24 January 2020 for the Company to implement and complete the Rights Issue of ICPS with Warrants.

Save as disclosed above, there are no other corporate proposals announced, which are pending completion as at the date of this report.

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B8. GROUP BORROWINGS AND DEBT SECURITIES

The details of the Group's borrowings as at 30 June 2019 are as follows:

	As at 30.06.2019 RM	As at 30.06.2018 RM
Current		
Bank overdraft - secured	1,209,858	1,204,604
Finance lease liabilities	57,938	44,719
	1,267,796	1,249,323
Non-current		
Finance lease liabilities	99,428	59,257
Total Bank borrowings	1,367,224	1,308,580

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

B9. MATERIAL LITIGATION

The Group does 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 is not aware 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

(a) Basic

Basic profit/(loss) per ordinary share is calculated by dividing the net profit/(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.

	6 months ended		Current year to date	
	30.06.2019 RM	30.06.2018 RM	30.06.2019 RM	30.06.2018 RM
Profit/ (loss) attributable to equity holders of the Company (RM)	678,101	(308,009)	1,295,005	59,732
Weighted average number of shares in issue	2,042,300,493	2,041,533,638	2,042,116,162	1,814,028,935
Basic Earnings/ (loss) per share (sen)	0.03	(0.02)	0.06	0.003

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to the equity holders of the Company and the weighted average number of ordinary shares outstanding during the period have been adjusted for the dilutive effects of all potential ordinary shares from the exercise of Warrants.

	6 months ended		**Current year to date**	
	30.06.2019	**30.06.2018**	**30.06.2019**	**30.06.2018**
Profit/ (loss) attributable to equity holders of the Company (RM)	678,101	(308,009)	1,295,005	59,732
Weighted average number of shares in issue	2,043,701,580	2,043,690,348	2,043,547,110	1,816,369,314
Diluted Earnings/ (loss) per share (sen)	0.03	(0.02)	0.06	0.003

* *The fully diluted loss per ordinary share for the Group for the comparative financial period was not presented as the warrants would be anti-dilutive.*

B12. STATUS OF UTILISATION OF PROCEEDS

(a) 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 June 2019 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	3,107	-	31.12.2019
Defraying expenses	100	100*	-	31.12.2019
	3,207	3,207	-	

The Board had on 29 November 2018 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2019.

* The excess proceeds of RM12,000 provided for defraying expenses was used for working capital purposes.

The proceeds of utilisation was fully utilised in January 2019.

B13. 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 YUET CHYN

Company Secretary