

**Focus Dynamics Group Berhad (“Focus” or the “Company”)
(Company No: 582924-P)
Interim Financial Report for the nine (9) months period ended 30 September 2019**

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 September 2019 are as follows:-

	←-----Results for 9 months ended 30 September 2019-----→				
	Property investment & management RM	Engineering services RM	Food & beverage ("F&B") RM	Others RM	Total RM
Revenue					
Segment revenue	-	187,503	28,941,362	-	29,128,865
Elimination- inter segment	-	-	-	-	-
Total revenue	-	187,503	28,941,362	-	29,128,865
Results from operating activities	202,466	(935,392)	4,716,413	(549,625)	3,433,862
Finance costs					(50,018)
Share of profit/ (loss) on investment in joint venture					(232,336)
Profit before taxation					3,151,508
Tax expense					(1,895,480)
Profit after taxation					1,256,028
Non-controlling interest					(30,814)
					1,225,214
Assets and Liabilities					
Segment assets	16,543,479	574,721	41,922,887	2,182,397	61,223,484
Goodwill on consolidation					88,129
Cash in hand and at banks					1,931,587
Deposits with licensed banks					4,396,575
Consolidated total assets					67,640,187
Segment liabilities	13,128,684	375,658	6,211,428	1,227,286	20,943,056
Provision for taxation					1,700,000
Deferred tax liabilities					44,824
Unallocated liabilities					
Bank overdraft					1,204,582
Borrowings					143,535
Total liabilities					24,035,997
Other information					
Capital expenditure	6,916,012	130,250	3,553,952	1,937,676	12,537,890
Depreciation	1,588	105,748	3,606,980	96,704	3,811,020

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	←-----Results for 9 months ended 30 September 2018-----→				
	Property investment & management RM	Engineering services RM	Food & beverage ("F&B") RM	Others RM	Total RM
Revenue					
Segment revenue	2,366,041	380,320	17,071,351	-	19,817,712
Elimination- inter segment	-	-	-	-	-
Total revenue	2,366,041	380,320	17,071,351	-	19,817,712
Results from operating activities	(746,860)	(1,078,721)	1,536,783	(304,729)	(593,527)
Finance costs					(48,515)
Loss before taxation					(642,042)
Tax expense					(873,029)
Loss after taxation					(1,515,071)
Non-controlling interest					365,961
					(1,149,110)
Assets and Liabilities					
Segment assets	10,727,453	873,084	42,349,326	1,230,444	55,180,307
Goodwill on consolidation					88,129
Cash in hand and at banks					3,169,235
Deposits with licensed banks					2,933,938
Current tax assets					290,787
Consolidated total assets					61,662,396
Segment liabilities	9,667,593	791,230	3,433,688	978,322	14,870,833
Provision for taxation					870,773
Deferred tax liabilities					44,824
Unallocated liabilities					
Bank overdraft					1,204,931
Borrowings					92,951
Total liabilities					17,084,312
Capital expenditure	(1,686,432)	(42,025)	(4,953,023)	-	(6,681,480)
Depreciation	-	(77,710)	(2,754,684)	-	(2,832,394)

A9 MATERIAL EVENTS

There were no other material events during the current quarter for the period ended 30 September 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 except that two (2) new subsidiary companies namely Bubbles Entertainment Sdn Bhd ("**BESB**") and Centurion International Sdn Bhd ("**CISB**") were incorporated on 12 July 2019 and 23 July 2019. BESB is the wholly-owned subsidiary of Marquee International Holding Sdn Bhd and CISB is the wholly owned subsidiary of Focus Dynamics Drive Sdn Bhd.

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 September 2019 are as follows:-

	As at 30.09.2019
	RM
Property, plant and equipment	<u>9,009,380</u>

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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 September 2019

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

CURRENT QUARTER COMPARED TO THE CORRESPONDING QUARTER OF LAST YEAR (Q3 19 vs Q3 18)

	Individual Quarter Unaudited		Changes RM'000 %		Cumulative Quarter Unaudited		Changes RM'000 %	
	Current Quarter 30.09.2019 RM'000	Preceding Quarter 30.09.2018 RM'000			Current year to-date 30.09.2019 RM'000	Preceding year to-date 30.09.2018 RM'000		
Revenue	9,874	6,039	3,835	63.50	29,129	19,818	9,311	46.98
Operating profit/ (loss)	382	(1,615)	1,997	(123.65)	3,394	(800)	4,194	(524.25)
Profit / (loss) before interest & tax	394	(1,587)	1,981	(124.83)	3,434	(593)	4,027	(679.09)
Profit/ (loss) before tax	496	(1,603)	2,099	(130.94)	3,152	(642)	3,794	(590.97)
Profit/ (loss) after tax	(119)	(1,753)	(1,634)	(93.21)	1,256	(1,515)	2,771	(182.90)
Profit/ (loss) attributable to ordinary equity holders of the parent	(70)	(1,209)	(1,139)	(94.21)	1,225	(1,149)	2,374	(206.61)

For the three months period ended 30 September 2019, the Group's revenue increased from RM6.04 million in corresponding quarter of last year to RM9.87 million in the current quarter, representing an increase of RM3.83 million or 63.50%. This was mainly due to higher contribution from the F&B segment during the period.

The Group's gross profit (“GP”) margin reduced to 50.51% for 3-month ended 30 September 2019 as compared to a GP margin of 52.39% during the previous corresponding period.

The Group suffer a net loss of RM0.07 million as compared to net loss of RM1.21 million in the previous corresponding quarter due to higher revenue in current quarter which is in tandem with high profits despite lower GP margin.

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B2. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER

Q3 19 vs Q2 19

	Current Quarter	Immediate	Changes	
	30.09.2019	Preceding Quarter		
	RM'000	30.06.2019	RM'000	%
		RM'000		
Revenue	9,874	9,308	566	6.08
Operating profit/ (loss)	382	1,886	(1,504)	(79.75)
Profit / (loss) before interest & tax	394	1,900	(1,506)	(79.26)
Profit (loss) before tax	496	1,777	(1,281)	(72.09)
Profit/ (loss) after tax	(119)	744	(863)	(115.99)
Profit/ (loss) attributable to ordinary equity holders of the parent	(70)	678	(748)	(110.32)

For the current quarter, the Group registered an increase in revenue to RM9.87 million from RM9.31 million in the preceding quarter, representing an increase of 6.08% or RM0.57 million. The increase in revenue was mainly due to higher seasonal sales recorded by the F&B segment.

The GP margin increase to 50.51% during the 3 months ending 30 September 2019 as compared to a GP margin of 50.30% during the preceding quarter.

The Group registered a net loss of RM0.07 million as compared to net profit RM0.68 million in the preceding quarter due to higher 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

	30.09.2019	30.09.2018
	RM	RM
Loss for the period is arrived at after charging		
Amortisation and depreciation	3,811,020	2,832,394
Interest expense	50,018	48,515
And after crediting		
Interest income	40,268	206,737
Reversal of impairment loss on trade receivables	630,827	-
Reversal of impairment loss on Capital work in progress	-	-

B6. INCOME TAX EXPENSE

	9 months ended	
	30.09.2019	30.09.2018
	RM	RM
Deferred tax	-	-
Current tax	1,895,480	873,029
Tax Expenses	<u>1,895,480</u>	<u>873,029</u>

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 4 September 2019, Mercury Securities, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 3 September 2019, approved the Company's application for an extension of time of 6 months from 25 July 2019 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 September 2019 are as follows:

	As at 30.09.2019 RM	As at 30.09.2018 RM
Current		
Bank overdraft - secured	1,204,582	1,204,931
Finance lease liabilities	56,982	45,249
	1,261,564	1,250,180
Non-current		
Finance lease liabilities	86,553	47,702
Total Bank borrowings	1,348,117	1,297,882

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.

	9 months ended		Current year to date	
	30.09.2019 RM	30.09.2018 RM	30.09.2019 RM	30.09.2018 RM
Profit/ (loss) attributable to equity holders of the Company (RM)	(69,791)	(1,208,842)	1,225,214	(1,149,110)
Weighted average number of shares in issue	2,043,117,703	2,041,533,638	2,042,461,553	1,940,670,867
Basic Earnings/ (loss) per share (sen)	(0.003)	(0.06)	0.06	(0.06)

(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.

	9 months ended		Current year to date	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Profit/ (loss) attributable to equity holders of the Company (RM)	(69,791)	(1,208,842)	1,225,214	(1,149,110)
Weighted average number of shares in issue	2,044,246,162	2,043,690,348	2,043,501,351	1,942,944,378
Diluted Earnings/ (loss) per share (sen)	(0.003)	(0.06)	0.06	(0.06)

* *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 September 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
	<u>3,207</u>	<u>3,207</u>	<u>-</u>	

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