

**Focus Dynamics Group Berhad (“Focus” or the “Company”)
(Company No: 582924-P)
Interim Financial Report for the six (6) months period ended 30 June 2020**

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 2019. 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 2019.

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 2019, 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 2020:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of a Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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.

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 2019 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.

The current outbreak of COVID-19 has resulted in the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the production of goods and services and lower economic activity which is likely to result in reduced demand for the Group's goods and services. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Group's assets and liabilities for the three (3) months period ended 31 March 2020.

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 2020 are as follows:-

	←-----Results for 3 months ended 30 June 2020-----→				
	Property investment & management RM	Engineering services RM	Food & beverage ("F&B") RM	Others RM	Total RM
Revenue					
Segment revenue	-	54,855	20,666,525	-	20,721,380
Elimination- inter segment	-	-	-	-	-
Total revenue	-	54,855	20,666,525	-	20,721,380
Results from operating activities	(1,243)	(443,992)	6,638,851	(543,109)	5,650,507
Finance costs					(402,121)
Share of loss on investment in joint venture					(226,510)
Profit before taxation					5,021,876
Tax expense					(1,954,220)
Profit after taxation					3,067,656
Non-controlling interest					8,757
					3,076,413
Assets and Liabilities					
Segment assets	22,641,949	423,911	35,346,647	3,086,373	61,498,880
Goodwill on consolidation					88,129
Cash in hand and at banks					2,859,732
Deposits with licensed banks					13,118,443
Consolidated total assets					77,565,184
Segment liabilities	19,310,853	540,722	8,243,827	2,170,120	30,267,104
Current tax liabilities					2,239,048
Deferred tax liabilities					-
Unallocated liabilities					-
Bank overdraft					1,193,877
Borrowings					-
Total liabilities					33,700,029
Other information					
Capital expenditure	2,370,145	-	228,505	779,109	3,377,759
Depreciation	-	59,134	2,577,953	193,408	2,830,495
Depreciation of right of use assets	-	17,853	605,144	-	622,997

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	←-----Results for 6 months ended 30 June 2019-----→				
	Property investment & management RM	Engineering services RM	Food & beverage ("F&B") RM	Others RM	Total 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

A9 MATERIAL EVENTS

The outbreak of Coronavirus Disease 2019 (COVID-19) in early 2020 has affected the business and economic environments of the Group. Different measures taken by the governments and various private corporations to prevent the spread of the virus such as travel bans, closures of non-essential services, social distancing and home quarantine requirements may impact consumers' spending pattern and the Group's operations directly or indirectly. In addition, the outbreak of COVID-19 may also affect the recoverability of Group's trade receivables, other receivables and other financial assets that are subject to the expected credit loss assessment, carrying amounts of the Group's property, plant and equipment, right-of-use assets, goodwill, inventories, investment in joint venture in the future. Given the widespread nature of the outbreak and the unpredictability of future development of COVID-19, the Group is unable to quantify the potential financial impact of the COVID-19 outbreak on the Group's 2020 financial statements reliably at this juncture.

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 2019.

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 2019

A13. CAPITAL COMMITMENTS

Capital expenditure contracted and not provided for in the interim financial statements as at 30 June 2020 are as follows:-

	As at 30.06.2020
	RM
Construction of building	<u>82,875,000</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 June 2020

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

CURRENT QUARTER COMPARED TO THE CORRESPONDING QUARTER OF LAST YEAR (Q2 20 vs Q2 19)

	Individual Quarter Unaudited		Changes RM'000 %		Cumulative Quarter Unaudited		Changes RM'000 %	
	Current Quarter 30.06.2020 RM'000	Preceding Quarter 30.06.2019 RM'000			Current year to-date 30.06.2020 RM'000	Preceding year to-date 30.06.2019 RM'000		
Revenue	11,443	9,308	2,135	22.94	20,721	19,255	1,466	7.61
Operating profit	4,179	1,886	2,293	121.58	5,625	3,012	2,613	86.75
Profit before interest & tax	4,191	1,900	2,291	120.58	5,651	3,040	2,611	85.89
Profit before tax	3,792	1,777	2,015	113.39	5,022	2,656	2,366	89.08
Profit after tax	2,320	744	1,576	211.83	3,068	1,375	1,693	123.13
Profit attributable to ordinary equity holders of the parent	2,329	678	1,651	243.51	3,076	1,295	1,781	137.53

For the three months period ended 30 June 2020, the Group's revenue increased from RM9.31 million in corresponding quarter of last year to RM11.44 million in the current quarter, representing an increase of RM2.14 million or 22.94%. This was mainly due to higher contribution from the F&B segment during the period. The Group launched an e-commerce wine platform known as “LavoWine.com” which sells, amongst other, wine, spirits and wine accessories online. The launch of LavoWine.com signifies an additional stream of income to the Group.

The Group's gross profit (“GP”) margin increased to 63.70% for 6-month ended 30 June 2020 as compared to a GP margin of 50.26 % during the previous corresponding period. This is mainly due to higher sales of own imported wines which have higher GP margin.

In line of the increase in revenue, the Group registered higher profit after tax (“PAT”) of RM2.32 million as compared to PAT of RM0.74 million in the previous corresponding quarter due to higher GP margin for the F&B segment.

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**B2. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER
Q2 20 vs Q1 20**

	Current Quarter	Immediate	Changes	
	30.06.2020	Preceding Quarter		
	RM'000	31.03.2020	RM'000	%
		RM'000		
Revenue	11,443	9,279	2,164	23.32
Operating profit/ (loss)	4,179	1,446	2,733	188.00
Profit / (loss) before interest & tax	4,191	1,460	2,731	187.05
Profit (loss) before tax	3,792	1,230	2,562	208.29
Profit/ (loss) after tax	2,320	748	1,572	210.16
Profit/ (loss) attributable to ordinary equity holders of the parent	2,329	747	1,582	211.78

For the current quarter, the Group registered an increase in revenue to RM11.44 million from RM9.28 million in the preceding quarter, representing an increase of 23.32% or RM2.16 million.

The increase in revenue was mainly due to higher contribution from the F&B segment on the online sales and sales of own imported wine from April 2020 to June 2020. The GP margin increased to 63.70% during the 3 months ended 30 June 2020 as compared to a GP margin of 58.81% during the preceding quarter. This was mainly due to higher sales of own imported wines which have higher GP Margin.

The Group registered a PAT of RM2.32 million as compared to RM0.75 million in the preceding quarter due to higher GP margin for the F&B segment.

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", "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

	30.06.2020	30.06.2019
	RM	RM
Loss for the period is arrived at after charging		
Amortisation and depreciation	2,830,495	2,305,449
Depreciation of Right of Use Asset (“ RUA ”)	622,997	-
Interest of RUA	249,629	-
Interest expense	402,121	33,581
And after crediting		
Other income	216,877	1,448,967
Interest income	25,096	28,212
Bad debts recovered	-	-
Reversal of impairment loss on trade receivables	481,181	634,785

B6. INCOME TAX EXPENSE

	3 months ended	
	30.06.2020	30.06.2019
	RM	RM
Deferred tax	-	-
Current tax	1,954,220	1,281,000
Tax Expenses	<u>1,954,220</u>	<u>1,281,000</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**”.

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.

From 10 January 2019 to 5 March 2020, Bursa Securities had approved three (3) extensions from 24 January 2019 to 24 July 2020 to implement the Proposals.

On 24 July 2020, the Company announced that it is reassessing the funding requirements of the Group and will announce an amended rights issue scheme in due course and the Proposals approved by shareholders on 23 February 2018 will be lapsed on 24 July 2020.

On 18 August 2020, the Company announced to undertake the following:-

- (i) proposed share split involving the subdivision of every 1 existing ordinary share in Focus ("**Focus Share**" or "**Share**") into 3 Shares ("**Split Shares**") ("**Proposed Share Split**");
- (ii) proposed renounceable rights issue of up to 2,044,266,157 new irredeemable convertible preference shares in the Company ("**ICPS**") together with up to 3,066,399,235 free detachable warrants in the Company ("**Warrants D**") on the basis of 2 ICPS together with 3 free Warrants D for every 6 Split Shares held by the entitled shareholders of the Company ("**Shareholders**") ("**Entitled Shareholders**") on an entitlement date to be determined ("**Entitlement Date**") ("**Proposed Rights Issue of ICPS with Warrants**"); and
- (iii) proposed amendments to the constitution of the Company ("**Constitution**") to facilitate the issuance of the ICPS pursuant to the Proposed Rights Issue of ICPS with Warrants ("**Constitution**") ("**Proposed Amendments**").

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

B8. GROUP BORROWINGS

The details of the Group's borrowings as at 30 June 2020 are as follows:

	As at 30.06.2020 RM	As at 30.06.2019 RM
Current		
Bank overdraft - secured	1,193,877	1,209,858

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

B9 LEASE LIABILITIES

	As at 30.06.2020 RM	As at 31.12.2019 RM
As 1 January	4,726,342	4,587,222
Additions during the period	19,584	1,086,175
Interest expense recognised in profit or loss	389,039	845,778
Repayment of principal	(186,680)	(945,055)
Repayment of interest expense	(389,039)	(845,778)
Balance	4,559,246	4,726,342
Analysed by:-		
Non-current liabilities	3,852,482	3,698,968
Current liabilities	706,764	1,027,374
	4,559,246	4,726,324
Balance		

B10. 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:-

B11. PROPOSED DIVIDEND

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

B12. 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.

	3 months ended		Current year to date	
	30.06.2020 RM	30.06.2019 RM	30.06.2020 RM	30.06.2019 RM
Profit/ (loss) attributable to equity holders of the Company (RM)	2,328,885	678,101	3,076,413	1,295,005
Weighted average number of shares in issue	2,044,266,157	2,042,300,493	2,044,266,157	2,042,116,162
Basic Earnings/ (loss) per share (sen)	0.11	0.03	0.15	0.06

B12. 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