

**Focus Dynamics Group Berhad (“Focus” or the “Company”)
(Company No: 200201015261 (582924-P))
Interim Financial Report for the three (3) months period ended 31 March 2021**

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 2020. 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 2020, 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 2021:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)		Effective Date
Amendments to MFRS 4:	Insurance Contracts	1 January 2021
Amendments to MFRS 7:	Financial Instruments: Disclosures	1 January 2021
Amendments to MFRS 9:	Financial Instruments	1 January 2021
Amendments to MFRS 16:	Leases	1 January 2021
Amendments to MFRS 139:	Financial Instruments: Recognition and Measurement	1 January 2021
Amendments to MFRS 16:	Leases	1 April 2021
Amendments to MFRS 1:	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022
Amendments to MFRS 3:	Business Combinations	1 January 2022
Amendments to MFRS 9:	Financial Instruments	1 January 2022
Amendments to MFRS 116:	Property, Plant and Equipment	1 January 2022
Amendments to MFRS 137:	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Amendments to MFRS 141:	Agriculture	1 January 2022
MFRS 17:	Insurance Contracts	1 January 2023
Amendments to MFRS 17:	Insurance Contracts	1 January 2023
Amendments to MFRS 101:	Presentation of Financial Statements	1 January 2023
Amendments to MFRS 108:	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to MFRS 10:	Consolidated Financial Statement	Deferred
Amendments to MFRS 128:	Investments in Associates and Joint Ventures	Deferred

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 2020 were not subject to any qualification.

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's business operational results are 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

Save as disclosed below, there were no issuances, repurchases and repayment of debt and equity securities during the current financial period.

	Quarter Ended		Year to Date Ended	
	No of shares '000	RM'000	No of shares '000	RM'000
Conversion of ICPS	126,136	6,938	126,136	6,938

A7. DIVIDEND DECLARED

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

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 period to date ended 31 March 2021 are as follows:-

	←----- Results for 3 months ended 31 March 2021 -----→				
	Property investment & management RM	Engineering services RM	Food & beverage ("F&B") RM	Others RM	Total RM
Revenue					
Segment revenue	-	-	17,178,472	-	17,178,472
Elimination- inter segment	-	-	(374,049)	-	(374,049)
Total revenue	-	-	16,804,423	-	16,804,423
Results from operating activities	(12,518)	7,173,327	4,776,705	101,890	12,039,404
Finance costs					(183,901)
Share of profit on investment in joint venture					-
Profit before taxation					11,855,503
Tax expense					(1,293,927)
Profit after taxation					10,561,576
Non-controlling interest					161,182
					10,722,758
Assets and Liabilities					
Segment assets	26,317,023	58,152,610	44,818,510	1,375,616	130,663,759
<u>Unallocated assets</u>					88,129
Goodwill on consolidation					2,031,526
Cash in hand and at banks					153,857,537
Deposits with licensed banks					2,889,999
Consolidated total assets					289,530,950
Segment liabilities	14,050,404	201,995	18,758,850	1,112,852	34,124,101
<u>Unallocated liabilities</u>					2,060,587
Current tax liabilities					28,983
Bank overdraft					1,220,513
Lease liabilities					5,375,411
Total liabilities					44,809,595
Other information					
Purchase of PPE	-	-	1,405,319	-	1,405,319
Addition to prepaid expenses	4,549,608	-	-	-	4,549,608
Depreciation of PPE	794	14,750	842,082	96,704	954,330
Depreciation of RUA	-	9,048	315,932	-	324,980
Fair value gain on market securities	-	7,830,000	704,740	-	8,534,740

[The rest of this page has been intentionally left blank]

	←----- Results for 3 months ended 31 March 2020 -----→				
	Property investment & management RM	Engineering services RM	Food & beverage ("F&B") RM	Others RM	Total RM
Revenue					
Segment revenue	-	20,730	9,570,209	-	9,590,939
Elimination- inter segment	-	-	(312,203)	-	(312,203)
Total revenue	-	20,730	9,258,006	-	9,278,736
Results from operating activities	12,311	(279,712)	1,994,301	(267,394)	1,459,506
Finance costs					(218,819)
Share of profit/ (loss) on investment in joint venture					(10,757)
Profit before taxation					1,229,930
Tax expense					(482,221)
Profit after taxation					747,709
Non-controlling interest					(181)
					747,528
Assets and Liabilities					
Segment assets	20,747,400	449,900	42,140,464	3,156,493	66,494,257
<u>Unallocated assets</u>					
Goodwill on consolidation					88,129
Cash in hand and at banks					3,701,688
Deposits with licensed banks					1,947,946
Consolidated total assets					72,232,020
Segment liabilities	17,432,253	567,939	8,517,350	2,217,749	28,735,291
<u>Unallocated liabilities</u>					
Current tax liabilities					745,641
Deferred tax liabilities					-
Bank overdraft					1,204,470
Borrowings					-
Total liabilities					30,685,402
Other information					
Purchase of PPE	-	-	78,140	737,498	815,638
Addition to prepaid expenses	1,197,683	-	-	-	1,197,683
Depreciation of PPE	-	29,613	1,342,270	96,704	1,468,587
Depreciation of RUA	-	8,927	359,788	-	368,715

A9. MATERIAL EVENTS

- (i) The outbreak of Coronavirus Disease 2019 (COVID-19) in early 2020 has affected the business and economic environments of the World. 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. However, the outbreak of COVID-19 has no financial impact on the Group's financial results for the financial period ended 31 March 2021.
- (ii) On 20 May 2021, the Company announced that its wholly-owned subsidiary, Focus Medicare Sdn. Bhd. ("FMSB") had entered into a Joint Venture and Shareholders' Agreement ("JVSA") with Carelife Center Sdn. Bhd. ("CCSB"), a wholly-owned subsidiary of LKL International Berhad ("LKLI"), to contribute their expertise to assist FMSB in carrying on the businesses of setting up of pharmacies in Malaysia and trading, supplying, wholesaling and/or manufacturing of medical and healthcare equipment, products and services.

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 2020.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

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

- (i) On 21 January 2021, the Company announced that it had incorporated a new wholly-owned subsidiary Company namely, Focus Medicare Sdn. Bhd. (“**FMSB**”) in Malaysia under the Companies Act 2016 on 13 January 2021. The issued and paid-up share capital of FMSB is RM1.00 comprising 1 ordinary share. The principal activity of FMSB is to carry out the business of trading, supplying, wholesaling, manufacturing of medical & healthcare equipment, products and services.
- (ii) On 19 March 2021, the Company announced that it had entered into a Sale and Purchase of Shares Agreement (“**SPA**”) with Lim Kon Lian (“**LKL**”) and Mok Mei Lan (“**MML**”) (collectively referred to as “**the Vendors**”), for the acquisition of 150,000,000 ordinary shares (“**Sale Share**”) of LKL International Berhad (“**LKLI**”), representing approximately 30% of the total issued and paid-up ordinary shares of LKLI, at the price of RM0.25 each, for a total cash consideration of RM37,500,000.00 (“**LKLI Shares**”). The acquisition of LKLI Shares was completed on 25 March 2021.

A12. CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities or contingent assets, since the last financial year ended 31 December 2020

A13. CAPITAL COMMITMENTS

Capital expenditure contracted and not provided for in the interim financial statements as at 31 March 2021 are as follows:-

	As at 31.03.2021
	RM
Renovation	1,389,540
Construction of building	85,680,000
Purchase of property	2,945,000
	<hr/>
	90,014,540

[The rest of this page has been intentionally left blank]

**Focus Dynamics Group Berhad (“Focus” or the “Company”)
(Company No: 200201015261 (582924-P))**

Interim Financial Report for three months period ended 31 March 2021

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

CURRENT QUARTER COMPARED TO THE CORRESPONDING QUARTER OF LAST YEAR (Q1 21 vs Q1 20)

	Individual Quarter Unaudited		Changes RM'000 %		Cumulative Quarter Unaudited		Changes RM'000 %	
	Current Quarter 31.03.2021 RM'000	Preceding Quarter 31.03.2020 RM'000			Current year to-date 31.03.2021 RM'000	Preceding year to-date 31.03.2020 RM'000		
Revenue	16,804	9,279	7,525	81.10	16,804	9,279	7,525	81.10
Gross profit	7,317	5,457	1,860	34.08	7,317	5,457	1,860	34.08
Profit before interest & tax	11,569	1,446	10,123	700.07	11,569	1,446	10,123	700.07
Profit before tax	11,856	1,230	10,626	863.90	11,856	1,230	10,626	863.90
Profit after tax	10,562	748	9,814	1,312.03	10,562	748	9,814	1,312.03
Profit attributable to ordinary equity holders of the parent	10,723	747	9,976	1,335.48	10,723	747	9,976	1,335.48

For the three months period ended 31 March 2021, the Group's revenue increased significantly from RM9.28 million in corresponding quarter of last year to RM16.80 million in the current quarter, representing a increase of RM7.52 million or 81.10%. This was mainly due to higher contribution from the F&B segment on the retails and wine sales during the period.

The Group's gross profit (“GP”) margin decreased to 43.54% for 3-month ended 31 March 2021 as compared to a GP margin of 58.81% during the previous corresponding period due to lower margin on wine trading.

In line with the increase of revenue and fair value gain on quoted investment, the Group registered higher profit after tax (“PAT”) of RM10.56 million as compared to RM0.75 million in the previous corresponding quarter.

[The rest of this page has been intentionally left blank]

B2. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER

Q1 2021 vs Q4 2020

	Current Quarter 31.03.2021 RM'000	Immediate Preceding Quarter 31.12.2020 RM'000	Changes	
			RM'000	%
Revenue	16,804	23,379	(6,575)	(28.12)
Gross profit	7,317	10,667	(3,350)	(31.41)
Profit before interest & tax	11,569	11,507	62	0.54
Profit before tax	11,856	11,130	726	6.52
Profit after tax	10,562	9,119	1,443	15.82
Profit attributable to ordinary equity holders of the parent	10,723	9,459	1,264	13.36

For the current quarter, the Group registered a decrease in revenue to RM16.80 million from RM23.38 million in the preceding quarter, representing a decrease of 28.12% or RM6.58 million due to re-implementation of Movement Control Order 3 from January 2021 onwards.

The GP margin decreased to 43.54% during the 3 months ended 31 March 2021 as compared to a GP margin of 45.63% during the preceding quarter.

The Group registered higher PAT of RM10.56 million as compared to RM9.12 million in the preceding quarter.

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", "Bounce" and "FINCH" 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

	Current Quarter 31.03.2021 RM	Immediate Preceding Quarter 31.03.2020 RM
Loss for the period is arrived at after charging		
Amortisation and depreciation	954,330	1,485,780
Depreciation of Right of Use Asset ("RUA")	324,980	368,715
Impairment on receivables	54,625	-
Interest of RUA	173,031	135,675
Interest expense	10,870	14,074
And after crediting		
Other income	135,056	175,589
Interest income	470,815	60
Fair value gain on market securities	8,534,740	-
Gain on disposal of PPE	76,990	-
Reversal of impairment loss on trade receivables	-	376,979

B6. INCOME TAX EXPENSE

	Current Quarter 31.03.2021 RM	Immediate Preceding Quarter 31.03.2020 RM
Deferred tax	-	-
Current tax	1,293,927	482,221
Tax Expenses	1,293,927	482,221

B7. STATUS OF CORPORATE PROPOSALS

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

Proposed Share Split

On 4 January 2021, Mercury Securities Sdn Bhd ("**Mercury Securities**"), on behalf of the Company announced that the Company proposes to undertake a share split involving the subdivision of every 1 existing ordinary share in the Company ("**Focus Share**" or "**Share**") into 3 Shares ("**Split Shares**") ("**Proposed Share Split**").

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

B8. GROUP BORROWINGS

The details of the Group's borrowings as at 31 March 2021 are as follows:

	As at 31.03.2021 RM	As at 31.03.2020 RM
Current		
Bank overdraft - secured	1,220,513	1,204,470

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

B9 LEASE LIABILITIES

	As at 31.03.2021 RM	As at 31.12.2020 RM
As 1 January	5,426,052	4,726,342
Additions during the period	11,539	2,244,637
Adjustment due to subsequent effects of adoption of MFRS 16	-	(806,236)
Adjustment due to lease modification	-	(323,681)
Adjustment due to early termination	-	(24,580)
Interest expense recognised in profit or loss	173,031	704,690
Repayment of principal	(62,180)	(390,430)
Repayment of interest expense	(173,031)	(704,690)
Balance	<u>5,375,411</u>	<u>5,426,052</u>

Analysed by:-

Non-current liabilities	4,414,705	4,493,594
Current liabilities	960,706	932,458
Balance	<u>5,375,411</u>	<u>5,426,052</u>

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	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM	RM	RM	RM
Profit/ (loss) attributable to equity holders of the Company	10,722,758	747,528	10,722,758	747,528
Weighted average number of shares in issue (before share split)	-	2,044,266,157	-	2,044,266,157
Weighted average number of shares in issue	6,207,245,110	-	6,207,245,110	-
Basic Earnings/ (loss) per share (sen)	0.17	0.04	0.17	0.04

(b) Dilutive

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.

	3 months ended		Current year to date	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM	RM	RM	RM
Profit/ (loss) attributable to equity holders of the Company	10,722,758	747,528	10,722,758	747,528
Weighted average number of shares in issue (before share split)	-	2,044,266,157	-	2,044,266,157
Weighted average number of shares in issue (shares split and ICPS conversion and full exercise of ICPS and Warrants D)	8,060,318,202	-	8,060,318,202	-
Basic Earnings/ (loss) per share (sen)	0.13	0.04	0.13	0.04

B.13 Status of the Rights Issue Proceeds

The status of the utilisation of the proceeds raised from the right issue of 2,044,266,042 ICPS at an issue price of RM0.055 per share together with 3,066,399,051 Warrants D amounting to RM112,434,632 as at 31 March 2021:-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds RM'000
Construction works for the Arch	65,280	1,953	63,327	Within 24 months
Renovations, fixtures and fittings for the Arch	14,280	-	14,280	Within 3 months from Completion of the Arch
Working capital for the Arch	6,120	-	6,120	Upon completion of the Arch
Working capital for the Group	6,000	3,507	2,493	Within 24 months
Acquisition and/or investment in other complementary F&B businesses	20,125	-	20,125	Within 24 months
Defraying expenses	630	630	-	Immediate
	<u>112,435</u>	<u>6,090</u>	<u>106,345</u>	

B14. AUTHORITY FOR ISSUE

The interim financial report was 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