

**Focus Dynamics Group Berhad (“Focus” or the “Company”)
(Registration No: 200201015261 (582924-P))
Interim Financial Report for the eighteen (18) months period ended 30 June 2022**

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 2020.

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 112:	Incomes taxes	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 was 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 ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

During the current quarter under review, there were no unusual items or events that affected 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 the temporary 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 eighteen (18) months period ended 30 June 2022.

A5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect on 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		Period to Date Ended	
	No of shares		No of shares	
	'000	RM'000	'000	RM'000
Conversion of ICPS	-	-	1,075,846	59,172

A7. DIVIDEND DECLARED

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

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A8. SEGMENT INFORMATION

Segment information is provided based on four (5) major business segments, i.e. investment holding, property investment and management, engineering services, food & beverage (“F&B”) and others. 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 30 June 2022 are as follows:-

	←----- Results for 18 months ended 30 June 2022 ----->							
	Investment holding RM	Property investment and management RM	Engineering services RM	F&B RM	Others RM	Total RM	Elimination RM	Consolidation RM
Revenue								
External revenue	-	-	-	60,012,212	225,048	60,237,260	-	60,237,260
Intersegment revenue	-	-	-	3,036,698	-	3,036,698	(3,036,698)	-
Total revenue	-	-	-	63,048,910	225,048	63,273,958	(3,036,698)	60,237,260
Results								
Segment results	(2,390,784)	(359,016)	92,130	24,073,525	(582,288)	20,833,567	52,576	20,886,143
Interest income	2,590,276	-	-	104,546	456	2,695,278	-	2,695,278
Profit/(Loss) from operations	199,492	(359,016)	92,130	24,178,071	(581,832)	23,528,845	52,576	23,581,421
Interest expenses	-	-	(66,418)	(2,761,497)	-	(2,827,915)	(31,555)	(2,859,470)
Fair value loss on market securities	-	-	-	(20,996,876)	-	(20,996,876)	-	(20,996,876)
Impairment loss on investment in associates	-	-	-	(41,585,884)	-	(41,585,884)	-	(41,585,884)
Deemed loss on disposal of associate	-	-	-	(17,872,784)	-	(17,872,784)	-	(17,872,784)
Share of loss in associates	-	-	-	(12,832,979)	-	(12,832,979)	-	(12,832,979)
Profit/(Loss) before taxation	199,492	(359,016)	25,712	(71,871,949)	(581,832)	(72,587,593)	21,021	(72,566,572)
Taxation	(277,452)	-	-	(1,863,156)	-	(2,140,608)	-	(2,140,608)
(Loss)/Profit for the period	(77,960)	(359,016)	25,712	(73,735,105)	(581,832)	(74,728,201)	21,021	(74,707,180)
Other information								
Depreciation of PPE	464,178	4,765	-	6,641,574	17,222	7,127,739	-	7,127,739
Depreciation of RUA	-	-	16,433	4,932,143	-	4,948,576	(111,329)	4,837,247
Gain on disposal of RUA	-	-	(40,429)	-	-	(40,429)	-	(40,429)
Gain on disposal of PPE	-	-	-	(192,539)	-	(192,539)	-	(192,539)
Gain on disposal of marketable securities	-	-	-	(1,694,500)	-	(1,694,500)	-	(1,694,500)
Net impairment loss on financial assets	-	182,700	4,276	123,449	-	310,425	(7,487)	302,938
PPE written-off (net)	-	-	71	82,092	-	82,163	-	82,163

	←----- Results for 18 months ended 30 June 2022 ----->							
	Investment holding RM	Property investment and management RM	Engineering services RM	F&B RM	Others RM	Total RM	Elimination RM	Consolidation RM
Assets and Liabilities								
Segment assets	231,496,119	58,851,444	266	186,404,905	4,988,518	481,741,252	(247,001,867)	234,739,385
Current tax assets	441,206	(238,054)	-	7,685,234	-	7,888,386	-	7,888,386
	231,937,325	58,613,390	266	194,090,139	4,988,518	489,629,638	(247,001,867)	242,627,771
Goodwill								88,129
Consolidated assets								242,715,900
Segment liabilities	9,558,772	56,902,866	2,176,395	253,497,306	5,674,084	327,809,423	(248,913,099)	78,896,324
Deferred tax liabilities	-	-	-	197,917	-	197,917	-	197,917
Consolidated liabilities	9,558,772	56,902,866	2,176,395	253,695,223	5,674,084	328,007,340	(248,913,099)	79,094,241

Note:

1. The financial year ended has been changed from 31 December to 30 June. The reporting financial period will be for a period of 18 months, made up from 1 January 2021 to 30 June 2022. As such, there are no comparative figures for the preceding year corresponding periods.

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A9. MATERIAL EVENTS

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 patterns and the Group's operations directly or indirectly. However, the outbreak of COVID-19 has a slight financial impact on the Group's financial results for the financial period ended 30 June 2022.

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.

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 30 June 2022 are as follows:-

	As at 30.06.2022
	RM
Construction of building	64,693,905
Purchase of property	10,175,961
Renovation	608,734
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	75,478,600
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**Focus Dynamics Group Berhad (“Focus” or the “Company”)
(Registration No: 200201015261 (582924-P))**

Interim Financial Report for eighteen (18) months period ended 30 June 2022

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

CURRENT QUARTER COMPARED TO THE CORRESPONDING QUARTER

	Individual Quarter Unaudited		Changes RM'000 %	
	Current quarter ended 30.06.2022 RM'000	Corresponding quarter ended 30.06.2021 RM'000		
Revenue	14,929	13,714	1,215	8.86
Gross profit	9,371	6,216	3,155	50.76
(Loss)/Profit before interest and tax	(70,594)	2,579	(73,173)	(2,837.26)
(Loss)/Profit before tax	(72,231)	3,016	(75,247)	(2,494.93)
(Loss)/Profit after tax	(71,366)	2,081	(73,447)	(3,529.41)
(Loss)/Profit attributable to ordinary equity holders of the parent	(71,660)	2,248	(73,908)	(3,287.72)

The Company changed its financial year end from 31 December to 30 June and therefore the current financial period will be for 18 months ended 30 June 2022. As such, there is no comparative figures for the current quarter for the 3 months ended 30 June 2022 and period to date for the 18 months ended 30 June 2022. However, for the purpose of reference, the Company provides hereunder the comparative for the period 1 April 2022 to 30 June 2022 compared against 1 April 2021 to 30 June 2021 for reference.

The Group recorded a revenue of RM14.93 million for the current financial quarter ended 30 June 2022 as compared to RM13.71 million in the previous year's corresponding quarter, representing an increase of RM1.22 million or 8.86%. This was mainly due to an increase of sales in the Food and Beverage (“F&B”) segment.

The Group registered a loss after tax (“LAT”) of RM71.37 million for the 3-month quarter ended 30 June 2022 as compared to a profit after tax (“PAT”) of RM2.08 million in the previous year's corresponding quarter due to increase in operating expenses, impairment loss on investment in associates, the fair value loss on quoted investment and the deemed loss on disposal of associate.

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B2. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER

	Current quarter ended 30.06.2022 RM'000	Preceding quarter ended 31.03.2022 RM'000	Changes	
			RM'000	%
Revenue	14,929	15,528	(599)	(3.86)
Gross profit	9,371	6,598	2,773	42.03
Loss before interest and tax	(70,594)	(14,752)	(55,842)	(378.54)
Loss before tax	(72,231)	(14,663)	(57,568)	(392.61)
Loss after tax	(71,366)	(12,038)	(59,328)	(492.84)
Loss attributable to ordinary equity holders of the parent	(71,660)	(12,332)	(59,328)	(481.09)

The Group recorded a revenue of RM14.93 million for the current financial quarter ended 30 June 2022 as compared to RM15.53 million in the previous year's corresponding quarter representing a decrease of RM0.60 million or 3.86%.

The Group registered a LAT of RM71.37 million for the current quarter as compared to LAT of RM12.04 million in the preceding quarter due to increase in operating expenses, impairment loss on investment in associates and the fair value loss on quoted investment recognised in the current quarter.

B3. COMMENTARY ON PROSPECTS

The Group continues to concentrate its management resources on its F&B segment and Property investment and management 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", "Lavo Gallery", "FINCH", "Diao Yu Tai" and 'The Lemon Tree' 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 ended 30.06.2022 RM	Cumulative period-to-date 30.06.2022 RM
Loss for the period is arrived at after charging		
Amortisation and depreciation	1,481,979	7,127,739
Depreciation of Right of Use Asset ("RUA")	3,514,546	4,837,247
Fair value loss on market securities	6,145,948	20,996,876
PPE written-off	-	82,163
Impairment loss on investment in associates	41,585,884	41,585,884
Impairment on receivables:		
- trade receivables	52,385	118,112
- other receivables	184,826	184,826
Interest on lease liabilities	1,900,418	2,790,911
Interest expense	11,025	68,559
Deemed loss on disposal of associate	17,872,784	17,872,784
And after crediting		
Dividend income	1,835	41,247
Management fee	54,000	252,000
Interest income	273,914	2,695,278
Bargain purchase on the investment in associates	-	20,165,952
Gain on disposal of PPE	29,133	192,539
Gain on disposal of RUA	-	40,429
Gain on disposal of marketable securities	1,694,500	4,224,898

B6. INCOME TAX EXPENSE

	Current quarter ended 30.06.2022 RM	Cumulative period-to-date 30.06.2022 RM
Deferred tax	51,614	168,934
Current tax	(936,136)	1,972,431
Share of associate's tax expenses	19,670	(757)
Tax Expense	(864,852)	2,140,608

B7. STATUS OF CORPORATE PROPOSAL

There is no outstanding corporate proposal for the current quarter under review

B8. GROUP BORROWINGS

The details of the Group's borrowings as at 30 June 2022 are as follows:

	As at 30.06.2022 RM	As at 31.12.2020 RM
Current		
Bank overdraft – secured	1,207,136	1,224,641

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

B9 LEASE LIABILITIES

	As at 30.06.2022 RM	As at 31.12.2020 RM
As 1 January 2021/2020	5,426,052	4,726,342
Additions during the period	30,469,872	2,244,637
Adjustment due to subsequent effects of the adoption of MFRS 16	-	(806,236)
Adjustment due to lease modification	(698,837)	(323,681)
Adjustment due to early termination	-	(24,580)
Interest expense recognised in profit or loss	2,790,911	704,690
Repayment of principal	(3,624,758)	(390,430)
Repayment of interest expense	(2,747,927)	(704,690)
Balance	<u>31,615,313</u>	<u>5,426,052</u>
Analysed by:-		
Non-current liabilities	24,142,148	4,493,805
Current liabilities	7,473,165	932,247
Balance	<u>31,615,313</u>	<u>5,426,052</u>

B10. MATERIAL LITIGATION

The Group does not engage 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.

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B12. EARNINGS PER SHARE

(a) Basic

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

	Individual quarter		Cumulative quarter	
	Current quarter 30.06.2022 RM	Comparative quarter 30.06.2021 RM	Cumulative period-to-date 30.06.2022 RM	Cumulative preceding year-to-date 30.06.2021 RM
(Loss)/Profit attributable to equity holders of the Company	(71,660,459)	2,247,881	(75,147,234)	N/A
Weighted average number of shares in issue	6,372,205,736	6,351,658,276	6,341,683,954	N/A
Basic (loss)/earnings per share (sen)	(1.12)	0.04	(1.18)	N/A

(b) Dilutive

For the purpose of calculating diluted (loss)/earnings per share, the net (loss)/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 and ICPS.

	Current quarter ended		Cumulative period-to-date	
	Current quarter 30.06.2022 RM	Comparative quarter 30.06.2021 RM	Cumulative period-to-date 30.06.2022 RM	Cumulative preceding year-to-date 30.06.2021 RM
(Loss)/Profit attributable to equity holders of the Company	(71,660,459)	2,247,881	(75,147,234)	N/A
Weighted average number of shares in issue (shares split and ICPS conversion and full exercise of ICPS and Warrants D)	7,275,569,028	7,255,221,568	7,245,047,246	N/A
Diluted (loss)/earnings per share (sen)	(0.98)	0.03	(1.04)	N/A

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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 30 June 2022:-

	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	25,089	40,191	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	6,000	-	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>51,844</u>	<u>60,591</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