

ANNUAL REPORT
2017

FOCUS  DYNAMICS

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Leung Kok Keong
Executive Director

Tay Ben Seng, Benson
Executive Director

Tan Aik Heang
Independent Non-Executive
Director

**Abdul Menon Bin Arsad @
Abdul Manan Bin Arshad**
Independent Non-Executive
Director

Chang Yun Lung
Independent Non-Executive
Director

COMPANY SECRETARY

Wong Yuet Chyn
(MAICSA 7047163)

REGISTERED OFFICE

No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel No. : 03-62011120
Fax No. : 03-62013121

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3,
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel No. : 03 -27839299
Fax No. : 03 -27839222

AUDITORS

Siew Boon Yeong & Associates
(AF0660)
Chartered Accountants
9-C, Jalan Medan Tuanku
Medan Tuanku
50300 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel No. : 03-2693 8837
Fax No. : 03-2693 8836

SOLICITORS

Lim Chong Phang & Amy
Advocates & Solicitors

PRINCIPAL PLACE OF BUSINESS

Lot 12.1, 12th Floor
Menara Lien Hoe
No. 8, Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor Darul Ehsan
Tel No. : 03-7803 7333
Fax No. : 03-7803 7338
Email : info@focusdynamics.com.my
Website : www.focusdynamics.com.my

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(ACE Market)
Sector : Technology
Stock Number : 0116
Stock Short Name : Focus

AUDIT COMMITTEE

Chang Yun Lung – Chairman
Independent Non-Executive Director

Tan Aik Heang – Member
Independent Non-Executive Director

Abdul Menon Bin Arsad @
Abdul Manan Bin Arshad – Member
Independent Non-Executive Director

CORPORATE INFORMATION (CONT'D)



NOMINATION COMMITTEE

Abdul Menon Bin Arsad @
Abdul Manan Bin Arshad – Chairman
Independent Non-Executive Director

Tan Aik Heang – Member
Independent Non-Executive Director

Chang Vun Lung – Member
Independent Non-Executive Director

REMUNERATION COMMITTEE

Tan Aik Heang – Chairman
Independent Non-Executive Director

Abdul Menon Bin Arsad @
Abdul Manan Bin Arshad – Member
Independent Non-Executive Director

Chang Vun Lung – Member
Independent Non-Executive Director

CORPORATE DISCLOSURE COMMITTEE

Leung Kok Keong – Member
Executive Director

Chieng Siong Kuong – Member
Group Finance Manager

RISK MANAGEMENT COMMITTEE

Abdul Menon Bin Arsad @
Abdul Manan Bin Arshad – Chairman
Independent Non-Executive Director

Chang Vun Lung – Member
Independent Non-Executive Director

Tay Ben Seng, Benson – Member
Executive Director

Chieng Siong Kuong - Member
Group Finance Manager

ESOS COMMITTEE

Leung Kok Keong – Chairman
Executive Director

Tan Aik Heang – Member
Independent Non-Executive Director

Abdul Menon Bin Arsad @
Abdul Manan Bin Arshad – Member
Independent Non-Executive Director

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting ("15th AGM") of **FOCUS DYNAMICS GROUP BERHAD** will be held at Theatre Room, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, Wednesday, 30 May 2018 at 2.30 p.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

- | | |
|---|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. To approve the payment of Directors' fees of RM170,446.00 and benefit of RM74,200.00 for the financial year ended 31 December 2017. | (Ordinary Resolution 1) |
| 3. To approve the payment of Directors' Fee of RM2,000.00 per month for each Independent Non-Executive Director. | (Ordinary Resolution 2) |
| 4. To re-elect the following Directors who are retiring under Article 127 of the Company's Articles of Association:- | |
| i) Tan Aik Heang | (Ordinary Resolution 3) |
| ii) Leung Kok Keong | (Ordinary Resolution 4) |
| 5. To re-appoint Messrs Siew Boon Yeong & Associates as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Board of Directors to fix their remuneration. | (Ordinary Resolution 5) |

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution:

- | | |
|---|--------------------------------|
| 6. Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 | |
| <p>"THAT subject always to the Companies Act 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorized, pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue new ordinary shares in the Company from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of new ordinary shares to be issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors are also empowered to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."</p> | (Ordinary Resolution 6) |

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act 2016.

By Order of the Board
FOCUS DYNAMICS GROUP BERHAD

WONG YUET CHYN (MAICSA 7047163)
Company Secretary

Kuala Lumpur
30 April 2018

Explanatory Notes:-

1. Item 1 of the Agenda – Audited Financial Statements for financial year ended 31 December 2017

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

2. Item 6 of the Agenda - Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

Ordinary Resolution 6 is proposed for the purpose of granting a renewed General Mandate ("General Mandate"), which if passed, will empower the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new ordinary shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up capital of the Company for the time being as the Directors may consider such action to be in the interest of the Company. The General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or during the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 24 May 2017 and which will lapse at the conclusion of this 15th AGM.

The General Mandate, if granted, will provide flexibility to the Company for any possible fund raising activities, including but not limited to, further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:-

1. A member of the Company who is entitled to attend, speak and vote at this 15th AGM may appoint a proxy to attend, speak and vote on his behalf. A proxy may not be a member of the Company and a member may appoint any person to be his proxy without limitation.
2. Where a member of the Company appoints up to three (3) proxies to attend at the same meeting, he shall specify in the instrument of proxy the proportions of his shareholdings to be represented by each proxy. He must also specify which proxy is entitled to vote on a show of hands and only one (1) of those proxies is entitled to vote on a show of hands.
3. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depository) Act, 1991 ("SICDA"), he may appoint up to three (3) proxies in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said security account.
4. Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to an authorised nominee defined under the SICDA who is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. The instrument appointing a proxy shall be in writing by the appointer or an attorney duly authorized in writing or, if the appointer is a corporation, whether under its seal or by an officer or attorney duly authorised.
6. The instrument appointing either a proxy, a power of attorney or other authorities, where it is signed or certified by a notary as a true copy shall be deposited at the Registered Office of the Company at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than 48 hours before this 15th AGM or at any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
7. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 May 2018 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at this 15th AGM.
8. Any alteration in the form of proxy must be initialed.
9. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

CORPORATE PROFILE

Focus Dynamics Group Berhad (“FOCUS” or the “Company”) was incorporated in Malaysia under the Companies Act, 1965 on 14 June, 2002. On 17 November 2015, the Company changed and assumed its name Focus Dynamics Group Berhad.

FOCUS’s shares were offered to the public on 10 February 2006 in conjunction with its listing on the MESDAQ Market of Bursa Malaysia Securities Berhad. FOCUS is currently listed on the ACE Market of Bursa Malaysia Securities Berhad.

FOCUS is principally an investment holding company whilst the principal activities of its subsidiaries are as follow:-

Company	Date and Country of Incorporation	Equity Interest (%)	Principal Activities
Focus Dynamics Centre Sdn. Bhd. (Company No. 478044-A)	2 March 1999 Malaysia	100	Marketing, distribution and sale of industrial machines and processes, providing a range of support services covering project management services, maintenance support, engineering conceptualization, system audit, energy saving services and other support services in relation to the Company’s business and products.
Focus Dynamics Drives Sdn. Bhd. (Company No. 555249-D)	3 August 2001 Malaysia	100	Engage in business of restaurant, food and beverage and general trading with effect from 16 March 2018.
DPC Industrial Systems Sdn. Bhd. (Company No. 324390-H)	23 November 1994 Malaysia	100	Trading of industrial equipment, designing, installation and implementation of automation system for the energy resource based industry and providing other related products and services.
Marquee International Holding Sdn. Bhd. (Company No. 1014987-A)	28 August 2012 Malaysia	100	Investment holding
Marquee International Sdn. Bhd. (Company No. 589144-A)	12 August 2002 Malaysia	100	Operate and manage food and beverage outlets.
Modern Cuisine Sdn Bhd (Company No. 1145236-V)	21 May 2015 Malaysia	100	Engage in the business of restaurant, food and beverage as well as investment holdings and general trading.

CORPORATE PROFILE (CONT'D)

Company	Date and Country of Incorporation	Equity Interest (%)	Principal Activities
Focus Dynamic Limited (Company No. 172718)	23 September 2015 Republic of Seychelles	100	Engage in food and beverage business and investment holding
Focus Dynamic Group Limited (Company No. 2299174)	23 October 2015 Hong Kong	100	Engage in food and beverage business and investment holding
Marquee Resources Sdn Bhd (Company No. 1185141-D)	25 April 2016 Malaysia	100	Engage in human resources, event management and general Trading
Finch Entertainment Sdn Bhd (Company No. 1204415-V)	7 October 2016 Malaysia	100	Engage in business of restaurant, food and beverage
Wine Commerce Sdn Bhd (Company No. 1242246-P)	9 August 2017	100	Online wine retailing and distribution
Bounce Entertainment Sdn Bhd (company No. 1265950-M)	26 January 2018	100	Operate and manage food and beverage outlets
Famous Ambience Sdn Bhd (Company No. 1031223-D)	11 January 2013 Malaysia	51	Engage in letting of property business
W Club Enterprise Sdn Bhd (Company No. 1206967-W)	27 October 2016	45	Operate and manage food and beverage outlets

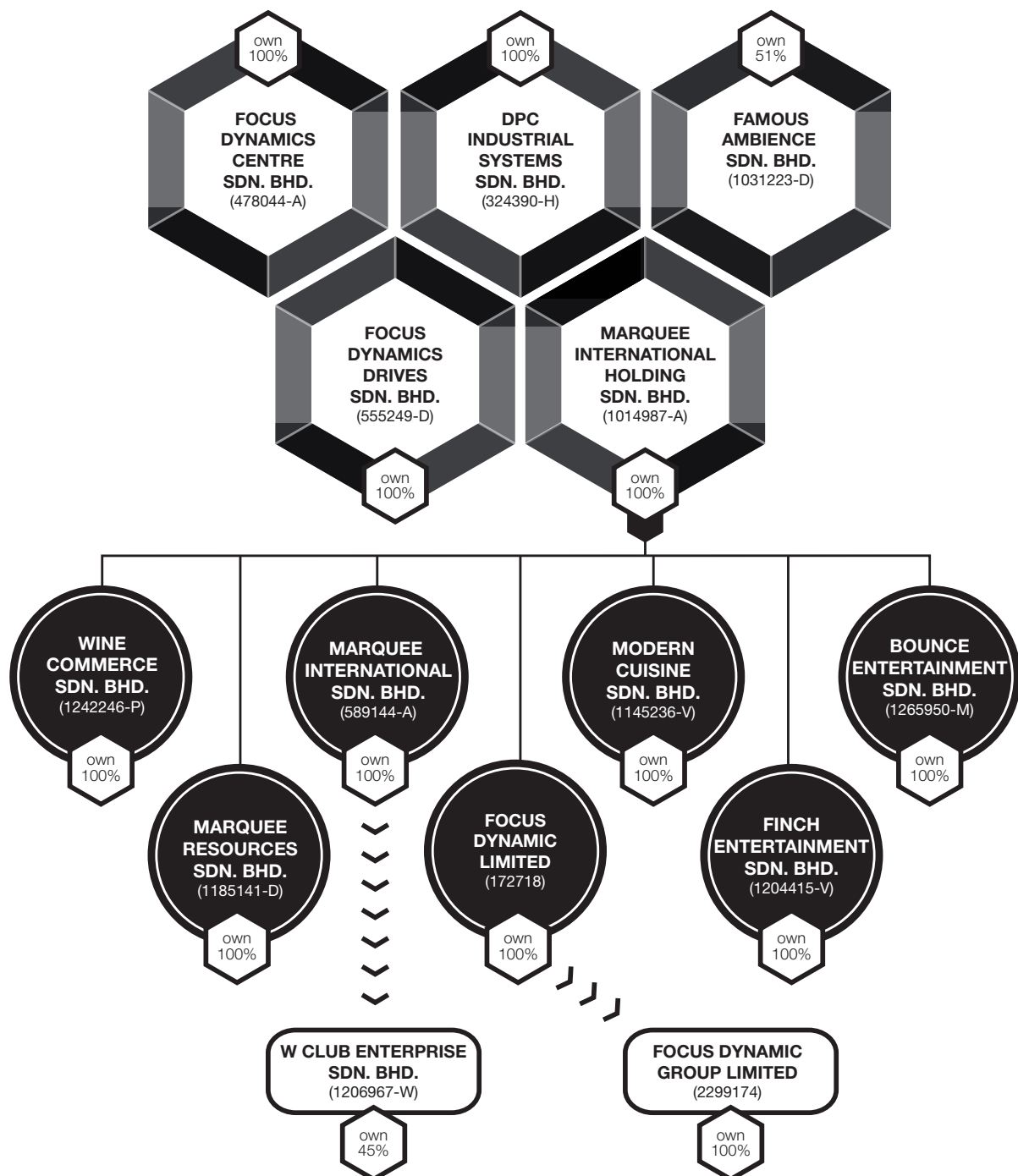
VISION & MISSION

To be the leading avant-garde in the Food & Beverage, Lifestyle and Entertainment scene by revolutionising and pioneering new innovative concepts with cutting edge technologies and electrifying experiences.

CORPORATE STRUCTURE

FOCUS DYNAMICS GROUP BERHAD

(582924-P)



PROFILE OF DIRECTORS

TAN AIK HEANG

50 years, Male, Malaysian
Independent Non-Executive
Director

Qualification :

Mr Tan is an Associate Member of the Chartered Institute of Management Accountant, United Kingdom.

Working Experience :

He was appointed an Independent Non-Executive Director of the Company on 29 September 2010. He started his career as an auditor with Hun & Co. in 1991. In May 1993 he joined Trans-Global Agencies Sdn. Bhd., a trading company, as an Account Executive. He left in May 1995 and joined SJ Asset Management Sdn. Bhd., a fund management company as an Account Executive. On June 1997, he was promoted to Assistant Finance and Administration Manager and in June 1999 as Finance and Administration Manager. Subsequently in June 2006, he was promoted as Senior Finance and Administration Manager. After 15 years with the fund management industry, he left SJ Asset Management Sdn. Bhd. in June 2010. He is currently involved in the business of manpower supply and management.

Other Directorships of Public Companies :

None

Details of Any Other Board Committee :

He currently sits on the following Board Committees of the Company:-

- Chairman of the Remuneration Committee;
- Member of the Audit Committee;
- Member of the Nomination Committee; and
- Member of the ESOS Committee

List of convictions of offences within the past five (5) years other than traffic offences, if any :

Bursa Securities had publicly reprimanded him on 11 June 2014 for the breach of Rule 16.13(b) of ACE LR.

No. of Board Meetings attended in the financial year :

5/5

ABDUL MENON BIN ARSAD @ ABDUL MANAN BIN ARSHAD

71 years, Male, Malaysian
Independent Non-Executive
Director

Qualification :

Encik Abdul Menan holds the following qualifications:-

- Bachelor Degree in Social Science (Hon.) from Universiti Sains Malaysia; and
- Diploma in Management from Malaysian Institute of Management.

Working Experience :

He was appointed an Independent Non-Executive Director of the Company on 27 December 2011. He has twenty (20) years of experience serving in the Malaysian Armed Forces and more than eight (8) years working experience in numerous fields, including facility administration and ancillaries, operation management, property and facility management. He retired in 2009 and ventured into his own business.

Other Directorships of Public Companies :

He is also a Senior Independent Non-Executive Director of Vsolar Group Berhad.

Details of Any Other Board Committee :

He currently sits on the following Board Committees of the Company:-

- Chairman of the Nomination Committee;
- Member of the Audit Committee;
- Member of the Remuneration Committee; and
- Member of the ESOS Committee

List of convictions of offences within the past five (5) years other than traffic offences, if any :

Bursa Securities had publicly reprimanded him on 11 June 2014 for the breach of Rule 16.13(b) of ACE LR

No. of Board Meetings attended in the financial year :

5/5

CHANG YUN LUNG

41 years, Male, Malaysian
Independent Non-Executive
Director

Qualification :

Mr Chang received his early education at Tunku Abdul Rahman College. He has been a member of the Association of Chartered Certified Accountants (ACCA, UK) since 2004 and is also a member of the Malaysian Institute of Accountants (MIA) since 2005. He was admitted as a fellowship member of ACCA in year 2009.

PROFILE OF DIRECTORS (CONT'D)

Working Experience :

He was appointed an Independent Non-Executive Director on 8 January 2013. He started his career as a chartered accountant with BDO Binder for approximately 4 years. He then spent another 4 years with Isyoda Corporation Bhd., a construction company listed on the Main Market of Bursa Malaysia Securities Berhad. During his tenure with the company, he was appointed Group Accountant where he took charge of the accounting and finance functions. Presently, he runs his own professional firm specialising in consultancy and corporate services.

Other Directorships of Public Companies :

He is an Independent Non-Executive Director of AT Systematization Berhad and Vsolar Group Berhad

Details of Any Other Board Committee :

He also sits on the following Board Committees of the Company:-

- Chairman of the Audit Committee;
- Member of the Nomination Committee; and
- Member of the Remuneration Committee

List of convictions of offences within the past five (5) years other than traffic offences, if any :

None

No. of Board Meetings attended in the financial year :

5/5

LEUNG KOK KEONG

51 years, Male, Malaysian
Executive Director

Qualification :

Mr Leung holds the following qualifications :-

- Bachelor Degree in Accounting, Curtin University of Technology, Australia (1989)
- Certified Practising Accountant & Chartered Accountant, CPA Australia
- Member of Malaysian Institute of Accountants (1993)

Working Experience :

He was appointed Executive Director of the Company on 1 October 2015. Trained as an investment banker, he has significant experience in corporate finance and business development as well as management. He was the Independent Non-Executive Director of:-

- Kulim (Malaysia) Berhad (2011 to 2016)
- Damansara Reality Berhad (2011 to Jun 2014)
- Iskandar Waterfront City Berhad (2010 to September 2013)
- Ekovest Berhad (May 2013 to August 2014)

He was the Group Chief Financial Officer of Iskandar Waterfront Holdings Sdn Bhd from September 2013 to February 2015 and he was the founding member and former

Executive Director of Newfields Advisors Sdn Bhd, a boutique financial and corporate advisory firm from August 2001 until August 2006. He was the Chief Executive Officer, Platinum Energy Group from September 2006 until February 2008. His vast experiences also included stints as an Investment & Corporate Planning Manager, Hong Leong Credit Berhad from 1994 to 2001 and Audit Senior, Coopers & Lybrand Kuala Lumpur from 1990 until 1994.

Other Directorships of Public Companies :

He is an Executive Director of Fintec Global Berhad, and Vsolar Group Berhad.

Details of Any Other Board Committee :

- Chairman of ESOS Committee; and
- Member of Corporate Disclosure Committee

List of convictions of offences within the past five (5) years other than traffic offences, if any :

None

No. of Board Meetings attended in the financial year :

5/5

PROFILE OF DIRECTORS (CONT'D)

TAY BEN SENG, BENSON

34 years, Male, Malaysian
Executive Director

Qualification :

Mr Tay holds a bachelor of Commerce Degree with a double major in Marketing and Management.

Working Experience :

He was appointed Executive Director of the Company on 8 February 2017. He is fuelled with passionate inclination towards conceiving and innovating lifestyle concepts in the Food and Beverage ("F&B") arena. He has extensive experiences of more than a decade ranging from events management to F&B operations and conceptualizing new start-ups.

He currently sits as the Director of Marquee International Sdn Bhd ("MISB") which is the F&B division of the group and also holds directorship positions in several other private companies. Prior to joining MISB, he was involved mainly with various F&B start-ups as well as the automotive industry and events management.

Other Directorships of Public Companies :

None

Details of Any Other Board Committee :

None

List of convictions of offences within the past five (5) years other than traffic offences, if any :

None

No. of Board Meetings attended in the financial year :

4/5

The above Directors have no family relationship with any Director and/or major shareholder of Bursa Securities during the financial year 2017.

OTHER INFORMATION REQUIRED BY THE BURSA MALAYSIA BERHAD'S ACE MARKET LISTING REQUIREMENTS

In compliance with the Bursa Malaysia Securities Berhad's Ace Market Listing Requirements the following additional information are provided:

Audit/Non-Audit Fee

The amount of audit and non-audit fees incurred by the Company and Group for the financial year ended 31 December 2017 was as follows:-

	Company RM	Group RM
Detail of fee		
Statutory Audit fees	32,000	115,500
Non-audit fees for review of Statement of Risk Management and Internal Control	5,000	5,000

Material Contracts

To the best of the Board's knowledge, there were no material contracts entered into by the Company and/or its subsidiaries with any of the major Shareholders nor Directors in office as at 31 December 2017.

Status of Utilisation of Proceeds as at 31 December 2017

PRIVATE PLACEMENT 1

On 26 March 2012, the proceeds raised from the private placement of 29,153,000 Focus shares at the placement price of RM0.15 per share amounting to RM4,372,950/-.

The status of the utilisation of the proceeds raised from the Private Placement of 29,153,000 Focus shares at the placement price of RM0.15 per share amounting to RM4,372,950/- as at 31 December 2017 is as follows :-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds [^]
Working capital	4,273	3,792	481	31.12.2018
Defraying expenses	100	83	17	31.12.2018
	4,373	3,875	498	

Remark :-

([^]) The Board has on 28 November 2017 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2018.

OTHER INFORMATION REQUIRED BY THE BURSA MALAYSIA BERHAD'S ACE MARKET LISTING REQUIREMENTS (CONT'D)

PRIVATE PLACEMENT 2

On 27 December 2013, the proceeds raised from the private placement of 32,068,300 Focus shares at the placement price of RM0.10 per share amounting to RM3,206,830/-.

The status of the utilisation of the proceeds raised from the Private Placement of 32,068,300 Focus shares at the placement price of RM0.10 per share amounting to RM3,206,830/- as at 31 December 2017 is as follows :-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds [^]
Working capital	3,107	2,362	745	31.12.2018
Defraying expenses	100	88	12	31.12.2018
	3,207	2,450	757	

Remark :-

([^]) The Board has on 28 November 2017 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2018.

RIGHTS ISSUE OF SHARES WITH WARRANTS

On 14 November 2014, the Company had completed the Renounceable Rights Issues by issuance of 352,751,394 new ordinary shares of RM0.10 each ("Rights Issues") on the basis of three (3) Rights Share for every three (3) existing ordinary share of RM0.10 each in the Company held on 15 October 2014 at an issue price of RM0.10 per Rights Share, together with the issuance of 235,167,596 new free detachable warrants ("Warrants") on the basis of two (2) Warrants for every three (3) Rights Shares subscribed.

The status of the utilisation of the proceeds reed from the rights issue of 352,751,394 at price of RM0.10 per share amounting to RM35,275,139/- as at 31 December 2017 is as follows :-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds [^]
Repayment of Bank Borrowwigs	3,100	2,291	809	31.12.2018
Capital expenditure and working capital	25,918	19,831	6,087	31.12.2018
Future working capital/Investment	5,757	5,757	–	31.12.2018
Defraying expenses	500	500	–	
	35,275	28,379	6,896	

Remarks:-

([^]) The Board has on 28 November 2017 approved the utilisation of the proceeds derived from Rights Issue with Warrants to be extended to 31 December 2018.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes the importance of corporate social responsibility. The Group does not have a formal corporate responsibility program but is bonded together by a strong belief that its corporate philosophy is to be a caring company and has thus advocated dynamic and responsible corporate initiatives and activities in the following areas:-

WORKPLACE

The Group continued to adopt environmental friendly measures such as conserving the use of materials and energy consumption. Besides replacing all the traditional energy consuming lights with LED lights in the office, we encourage the employees to switch off lights when the space is unoccupied, configure the computer into sleep mode when not in use. We are committed to provide a safe, healthy and quality working environment for the employees and customers and to minimize any preventable accidents and health hazards that may occur in any of the business premises

The Group further believes that a sustainable organization requires not only skilled but driven, motivated and loyal employees. Equal emphasis is given to the professional and personal development of our employees so as to ensure that they will be equipped to continuously contribute towards the growth and development of the organization in a fast changing world of how businesses are done. In appreciation of the employees' loyalty, commitments and contribution to the Company, we have organized annual dinner and team building for them to meet and socialize outside workplace. Long service employees were awarded with a token of appreciation as recognition for their loyalty and dedication.

We also recognised the importance of self-responsibility and accountability. Accountability is especially importance among all senior management staffs to establish a positive workplace culture and all the employees are responsible to deal with their colleagues and supervisors honestly and with integrity. Ultimately, the goal is to build an efficient, effective, knowledgeable and happy workforce which is the core of a successful company.

During the financial year ended 31 December 2017, in house training was organized to better develop employees knowledge and skill towards the development of the business environment and the new regulatory requirements.

MARKETPLACE

The Group continuously promoting awareness and commitment to our customers towards energy efficiency that reduces wastage and contributes substantially towards helping our environment.

The Group will also continue with its efforts to enhance its shareholders value by way of engaging in ethical procurement procedures, enhancing good management practices, internal control systems, and transparency, emphasizing on corporate accountability, corporate governance, reputation, business trust and integrity. The Group always makes sure that our stakeholders are kept informed from time to time on the Group's latest development. The Group's corporate website, www.focusdynamics.com.my, provides up-to-date and reliable information about the Group's business activities.

THE ENVIRONMENT

The Group recognizes the importance of environment in which the business is operated on and always promote environmental friendly working environment. We encourages employees to instill a concept of every little thing counts when the employees consciously understand the impact of turning off lights and air conditioners for rooms and areas which are not in use to aid in reducing the energy consumption and to sustain a greener earth.

COMMUNITY

In support of the global children's aid project "World Kids Colouring Day", the Group has organised several Kids Colouring Contest and give away cash voucher for the winner to encourage young children colouring creativity. All over the world on 6th May, children and teenagers get busy colouring in order to make the world a better and more colourful place.

FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER	GROUP				
	01/01/2017 to 31/12/2017	01/01/2016 to 31/12/2016	01/01/2015 to 31/12/2015	01/01/2014 to 31/12/2014	01/01/2013 to 31/12/2013
KEY COMPREHENSIVE INCOME STATEMENT DATA (RM'000)					
Revenue	31,684	15,533	8,045	12,211	8,747
Operating profit/(loss)	5,442	(16,963)	(13,267)	(6,185)	(4,599)
EBITDA	7,124	(14,155)	(11,797)	(4,487)	(3,170)
Profit/(loss) before taxation	5,378	(17,028)	(13,408)	(6,591)	(4,800)
Net profit attributable	3,303	(16,722)	(13,608)	(6,482)	(4,874)
KEY COMPREHENSIVE INCOME STATEMENT DATA (RM'000)					
Total assets	43,821	36,760	44,418	57,733	30,489
Total borrowings	1,321	(1,360)	(1,476)	(2,733)	(4,952)
Shareholders equity	31,471	26,493	38,977	49,345	21,167
SHARE INFORMATION					
Per share (sen)					
Basic earnings	0.4	(2.2)	(1.9)	(1.6)	(1.5)
Gross dividend		–	–	–	–
Net assets per share (RM)	0.04	0.03	0.06	0.07	0.06
Share price as at 31 December (RM)	0.43	0.09	0.09	0.075	0.09
FINANCIAL RATIOS (%)					
Gross profit margin	47.87	44.01	39.16	52.06	39.30
Net profit margin	14.97	(110.10)	(169.15)	(54.04)	(57.35)
Return on equity	15.07	(64.55)	(34.91)	(13.37)	(23.70)
Gearing ratio	4.20	5.13	3.79	5.54	23.40

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP BUSINESS OVERVIEW

During the financial year ended 31 December 2017, the group registered a healthy revenue growth of 104% as compared to the previous financial year. The group's principal segment of Food & Beverage ("F&B") turned a profit of hence contributing to a Group Profit Before Tax of RM5.38 million as compared to a Group Loss Before Tax of RM17.03 million in the previous financial year.

The Group's three (3) principal business segments namely Food & Beverage ("F&B"), Engineering Services and Property Investment & Management saw a gradual shift towards the F&B segment which contributed 72.66% to the group's total revenue. The 3 business segments contributed 72.66%, 3.17% and 24.17% of revenue respectively to the Groups' revenue for the financial year ended 31 December 2017. Since the groups diversification into the F&B business in 2014, the group established three (3) in-house brands with the opening of a high end lounge and wine bar in the beginning of 2016 by the name of CHAZE which targets to serve medium to high end clientele. Subsequently LAVO was launched that serve western and fusion quality food together with liquor and wine to fulfill a mid level demand with a larger regular customer base. In mid 2017, MAZE was launched delivering a high end gin experience tailored to serve high end clientele. The F&B segment saw a healthy average quarterly growth of 9.63%.

Segment Revenue	1 st Quarter Jan 17-Mar 17 (RM'000)	2 nd Quarter Apr17- Jun 17 (RM'000)	3 rd Quarter Jul 17-Sep 17 (RM'000)	4 th Quarter Oct 17-Dec 17 (RM'000)
Food & Beverage	4,748	5,602	6,504	6,166

The group is committed to launch another two (2) outlets in 2018 and is targeted to commence construction on its proposed entertainment and F&B complex located in Jalan Tun Razak during the second half of 2018. This entertainment centre will involve an entertainment centre that will offer retail lots for F&B outlets, product showrooms, an event hall, a karaoke centre and car park. The building will be constructed at a highly strategic location at Jalan Tun Razak and is located adjacent to Tun Razak Entertainment Centre Kuala Lumpur. This business segment is currently generating rental income from car park rental pending the construction of the building.

The Group has progressively scaled down its' Engineering Services business and management resources is currently focused towards further developing and growing its F&B brands.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW

Financial highlights:

	2016 RM'000	2017 RM'000	Variance RM'000
Revenue	15,532	31,684	16,152
Operating expenses	24,439	19,068	(5,371)
Profit/(Loss) before tax	(17,028)	5,378	22,406
Assets:			
Inventories	1,504	3,186	1,682
Trade receivables	1,537	2,287	750
Cash and bank balances	13,297	10,381	(2,916)
Liabilities:			
Trade payables	1,583	2,681	1,098

The Groups' revenue consists of revenue generated from (3) business segments namely Food & Beverage ("F&B"), Engineering Services and Property Investment & Management. The 3 business segments contributed 72.66%, 3.17% and 24.17% of revenue respectively to the Groups' revenue for the financial year ended 31 December 2017. The Groups' revenue increased to RM31.68 million from RM15.53 million in the previous financial year, representing an increase of RM16.15 million or 104%.

The Groups' operating expenses decreased from RM24.44 million in the previous financial year to RM19.07 million for the current financial year, representing a decrease of RM5.37 million or 21.97%. The decrease is mainly due to the impairment loss on trade receivables amounted to RM5.20 million from Engineering Services segment in the previous financial year.

The increase in Groups' inventories from RM1.50 million from previous financial year end to RM3.19 million as at end of current financial year ended 31 December 2017 was mainly due to increase in stock holdings in alcohol and wine to cater for the increasing demand from the customers of CHAZE, LAVO and MAZE where management prides itself in delivering an extensive and wide selection of quality liquor and wine to meet the demand of regular customers.

The Groups' cash and bank balances had decreased by 21.95% from RM13.30 million to RM10.38 million. The funds were deployed for capital expenditure on the opening of new F&B outlets and the financing of the related working capital.

The Groups' trade payables increased from RM1.58 million to RM2.68 million in the current financial year, representing an increase of RM1.10 million or 69.62%. This increase corresponds with the increase in food and liquor supply to cater for the increased business volume during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OPERATIONS REVIEW

The Groups' revenue had increase significantly to approximately RM31.68 million in current financial year as compared to approximately RM15.53 million in last financial year. This increase was due to the F&B segment which contributed approximately RM23.02 million to the Group's total revenue, representing an increase of 104%. The increased revenue is largely contributed by revenue generated from the current three (3) F&B brands CHAZE, LAVO and MAZE.

CHAZE operates as a high-end lounge and wine bar that offers a great variety of selection of alcohol and wine with a luxury and comfortable environment that suitable for both casual gathering and business meeting for customers. LAVO is then supplementing CHAZE in providing pork-free western and fusion food together with the same variety of alcohol and wine. CHAZE and LAVO constantly strive to provide a luxury and comfortable environment, good services, high quality food and beverages with a reasonable pricing strategy to retained regular customers and to attract new customers. With the launch of MAZE during the financial year, revenue continued to improve during the financial period. All three brands have been positioned as a trendy and hip venue with excellent food for casual dining, business lunches and dinners as well as corporate and family celebrations. Besides walk-in diners, organizing events and catering for customers also form part of the revenue contribution as LAVO was designed specifically to cater to medium to large scale events and provide the ideal capacity, ambience and facilities for corporate and private events.

The Group is now anticipating to commence construction of the proposed The Arch project during the 2nd half of 2018 which will house a premium entertainment centre covering a total estimated gross floor area of 722,500 square feet and a total estimated net lettable area of approximately 510,670 square feet. Currently plans are being developed to create premium retail lots for F&B outlets, product showrooms, event hall, karaoke centre, co-working space and a multi-story car park. The Group plans to expand and create additional F&B brands at The Arch to further improve its revenue streams. Rental from the premises and car park will further supplement returns in this investment.

Going forward, The Group intends to continue building and creating more unique F&B brands and outlets to cater for a more extensive range of customers with the aim to increase the revenue and profit for the Group.

ANTICIPATED RISK AND MITIGATING FACTOR

The success of the Groups' venture into F&B business will depend, to a large extent, prevailing economic and market conditions. The group is cautiously optimistic of the growth potential of its F&B operations but is confident that with the continued development of capabilities, skillset, relevant experience, competency and continued effort and commitment of the Groups' key personnel, revenue growth should be sustainable. Nevertheless, we are cognizant that any loss of key personnel may materially affect the Groups' F&B business. As such, the Group will continuously seek to attract additional competent and experienced personnel to join the organization to avoid over-dependent on any key personnel. The Group strongly recognizes the importance of retaining existing employees and hence is putting in place appropriate human resource strategies and succession plans which includes competitive remuneration packages, employee training and development, conducive working environment and opportunities for career advancement.

Mitigating fluctuations in Malaysia's dynamic foodservice market will be a challenge as the landscape is mature and has a great variety of foodservices segments catering to different price levels and addressing various individuals and household characteristics. The foodservice segments available in Malaysia include full-service restaurants, café and bar, fast food or quick service restaurant, street stall/kiosk and self-service food court and chain store style restaurants. Thus, in order to remain competitive and sustainable in a particular segment of the foodservice market, the Group must always be alert and sensitive to the market trends and demand in order to provide a product that suit the current trend and preference of the customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group's diversification into Property Investment & Management will create an additional stream of revenue to the Group, however, this will pose a new challenge of which the Group have not been exposed to in the past. These challenges will amongst others, include slower demand for event hall and karaoke centres, softer demand of property market for commercial properties in Kuala Lumpur such as retail lots and F&B lots, general economic downturn, competition from other similar entertainment malls, etc. However, this project creates a unique opportunity for The Group to expand its own F&B brands which will be further mitigated with smart partnerships with other internationally established F&B brands. Nonetheless, management will seek to contain these risks by leveraging on the experience of its key management staff, conducting market research and feasibility studies, keeping abreast with the latest developments in the F&B, retail, conferences & exhibitions, karaoke industries and property market including monitoring consumer trends and preferences couple with active branding, marketing and promotional effort to enhance the competitiveness of our entertainment centre.

FUTURE OUTLOOK

Malaysia's foodservice market is mature, as there are a wide variety of foodservice segments at different price levels catering to various individuals and household characteristics. The foodservice segments available in Malaysia include full-service restaurant, café and bar, fast food or quick service restaurant ("QSR"), street stall/kiosk and self-service food court segments.

Full-service restaurants refer to conventional restaurant concepts where there are waiters to serve patrons when they are seated at their tables. Full-service restaurants, especially those serving Asian cuisine, are popular and common nationwide. Full-service restaurants include international full-service restaurant chains such as "TGI Friday's", "Chili's Grill & Bar" and "Tony Roma's", and Asian full-service restaurant chains include restaurants under the "Oversea", "Unique Seafood", "Grand Imperial", "Oriental", "Dragon-i", "Canton-i" and "Din Tai Fung" group of restaurants.

Cafés and bars have a stronger focus on beverages, as compared to full-service restaurants. In general, cafés do not have waiters to serve patrons, and are largely self-service restaurants. Meanwhile, the differentiating factor for bars is that they have a stronger focus on alcoholic beverages. Visiting cafés and bars have become a common lifestyle habit amongst youths and young adults in urban areas, either for work or for leisure or social engagement after working hours and on weekends.

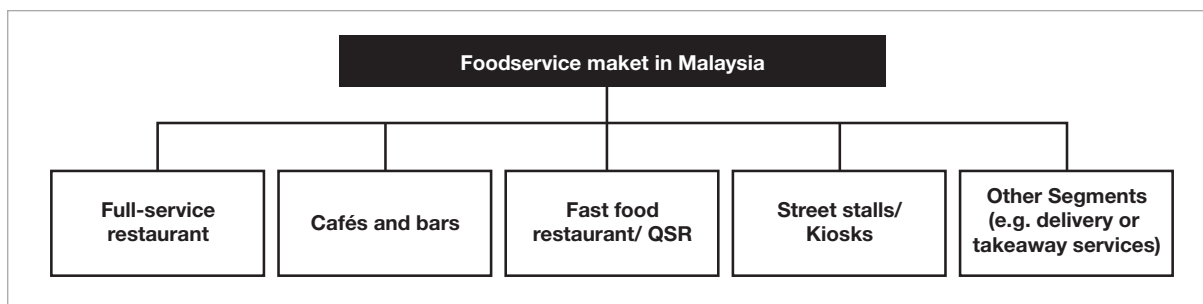
Fast food or QSRs are restaurants which are able to offer food and beverage within a short period of time, and these restaurants are typically self-service restaurants with pre-cooked meals. Fast food or QSRs appeal to time-pressed individuals seeking affordable and convenient dining options. Several fast food chains in Malaysia also offer delivery and drive-through services in response to consumer demands for convenience. International fast food brands in the country include "McDonald's", "Burger King", "KFC", "Pizza Hut" and "Domino's".

Street stalls/kiosks include stalls and kiosks set up by the roadside, or in the concourse area and food courts of shopping complexes and commercial buildings. Street stalls/kiosks offer a variety of foodservice products, including local food and delicacies, bakery products, ice cream, snacks and coffee, at lower price levels.

Other foodservice segments include other non-traditional segments such as delivery and takeaway services.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

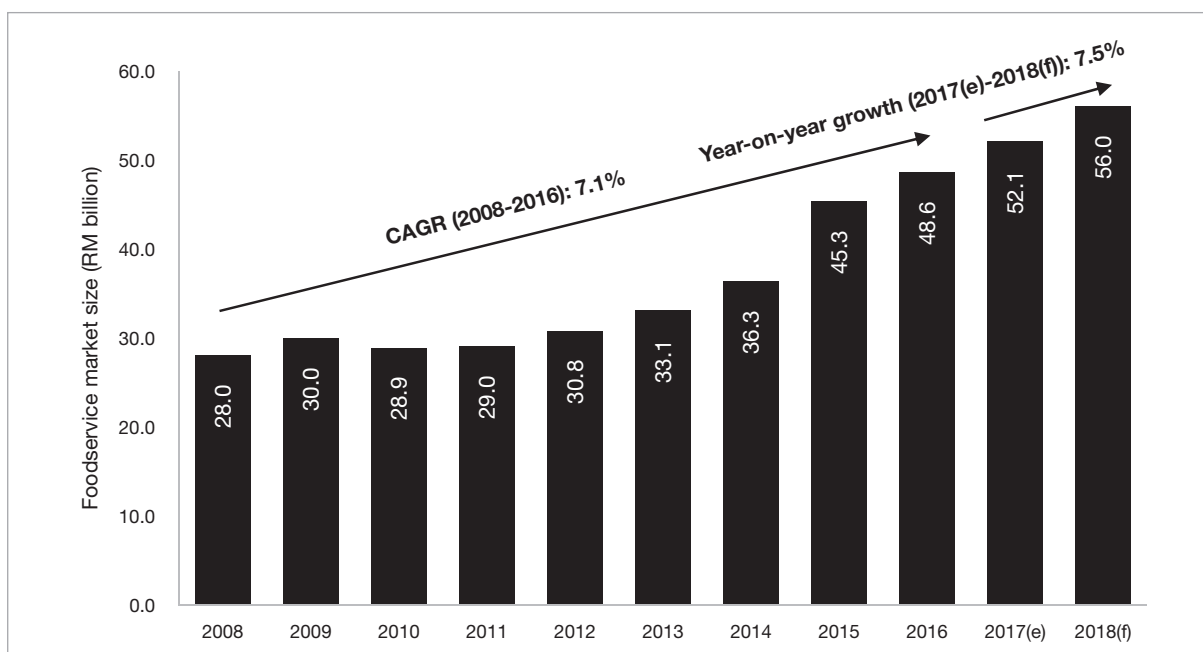
SEGMENTATION OF THE FOODSERVICE MARKET (MALAYSIA)



Note: This list is not exhaustive.

The foodservice market size in Malaysia grew, in terms of foodservice sales, from RM28.0 billion in 2008 to reach RM48.6 billion in 2016, registering a CAGR of 7.1%. Moving forward, the foodservice market size is expected to grow by 7.5% to reach RM56.0 billion by 2018.

FOODSERVICE MARKET SIZE (MALAYSIA), 2008-2018(F)



The growth in the foodservice market in Malaysia is expected to continue to be driven by the increasing disposable income and affluence, rising urbanisation, diverse cuisines and flourishing tourism market in Malaysia.

Malaysia is an upper-middle income developing economy, with its GDP per capita growing from RM22,971 in 2006 to an estimated RM38,887 in 2016. The increasing GDP per capita indicates a more affluent population with greater propensity to spend, which would in turn benefit the foodservice segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

As a developing country, Malaysia also experiences rising urbanisation rates, which has led to increased employment rates and busier lifestyles amongst the working individuals. In addition, an increasing number of females have also joined the workforce. This has led to a growing need for convenient meal options and a culture of dining out in Malaysia, resulting in a greater demand for the foodservice market in the country. Further, the shift of population from rural to urban areas to seek for better employment opportunities has also led to a growing population in urban areas such as Klang Valley (which includes both Kuala Lumpur and Selangor), benefiting the foodservice market in these areas.

In addition, Malaysia is known to be culturally diverse with various cuisines available, thus providing consumers with a variety of dining options to suit different tastes and preferences. Thus, it has become a norm amongst Malaysians to gather with friends and family members at foodservice outlets to experience different cuisines. This culture, coupled with the affordability of foodservice in Malaysia, contributes to the continuous growth of the foodservice market.

Apart from the continuous demand from the local market, the foodservice market in Malaysia also stands to benefit from the foreign market as Malaysia is a popular destination for tourists. Tourist arrivals grew from 17.5 million in 2006 to 26.8 million in 2016, at a CAGR of 4.4%. In 2016, Selangor (which is part of Klang Valley) was the most-visited state in the country with 24.0 million domestic visitors, followed by Kuala Lumpur and Perak which each recorded 16.8 million domestic visitors.

(Source: Extracted from Focus Dynamics Group Berhad's Circular to Shareholders dated 26 January 2018)

In view of the above, the Group is cautiously optimistic that our F&B outlets will continue to expand its customer base and to attract new customers, thus increasing the Groups' revenue. With the commencement of The Arch project in 2018, which is earmarked to be completed towards the end of 2019, the group is confident that additional revenue growth and brand building will be achieved once this project is completed. Nonetheless, the Group will continue to open new F&B outlets with different branding to cater for customers with different preferences. 2018 will see the opening of Liberté, a lifestyle Spanish Tapas & DimSum restobar and barring any unforeseen circumstances, a premium lounge/club in the heart of Kuala Lumpur.

The Group will continue to be innovative in creating unique F&B brands that coincide with market trends and preferences of the customers, and management will strive to become the trendsetter in this business and become a major contender in the F&B industry.

No dividend was recommended for the financial year ended 31 December 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) presents this Statement to provide shareholders and investors with an overview of the corporate governance (“CG”) practices of the Group under the leadership of the Board during the financial year ended 31 December 2017 (“FY2017”). This overview takes guidance from the key CG principles set out in the Malaysian Code on Corporate Governance 2017 (“Code”).

This Statement is prepared in compliance with the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad (“AMLR”) and is to be read in conjunction with the CG Report 2017 (“CG Report”) which is available on the Group’s website at www.focusdynamics.com.my

The CG Report provides the explanations on how the Group applied each Practice set out in the Code during FY2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(a) Board Responsibilities

The Board acknowledges and fully supports the importance of corporate governance in directing and managing the businesses and affairs of the Group, and to safeguard and enhance shareholders’ value and performance of the Group on a sustainable and long term basis.

The Board determines the Group’s strategic objectives and ensures that required resources are in place for the Group to meet its objectives and to guide the Group on its short and long term goals, providing advice, stewardship and directions on the management and business development of the Group. The Board also set the Group’s values and standards and ensure that its obligations to the shareholders and other stakeholders are understood and fulfilled.

The above roles and responsibilities of the Board is formalised in the Board Charter. The Board Charter also clearly sets all relevant governance matters and applicable limits of authority, including matters reserved for the Board and those which are expressly delegated to Board committees, the Chairman of the Board (“Chairman”), the Executive Directors (“ED”) or a nominated member of Executive Management. The Board Charter is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group. More information on the Board Charter can be found on the Group’s website.

In furtherance of the above and to ensure orderly and effective discharge of its functions and responsibilities, the Board has established the following Board committees:

- Audit Committee (“AC”)
- Nomination Committee (“NC”)
- Remuneration Committee (“RC”)
- Risk Management Committee (“RMC”)
- Corporate Disclosure Committee (“CDC”)
- Employees’ Share Options Scheme Committee

In order to foster a strong governance culture in the Group and to ensure a balance of power and authority, the roles of the Chairman and ED are strictly separated. This is also to maintain effective supervision and accountability of the Board and Executive Management. The Chairman is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner while the ED takes on the primary responsibility of managing the Group’s businesses and resources as well as overseeing and managing the day-to-day operations of the Group.

However, the position of Chairman of the Board has been vacated since 31 August 2017 which is departed from the Practice 1.2 of the Code. Nonetheless, we are currently actively looking for a suitable candidates to fill the vacancy and expected to be filled up by 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Group adopted a Code of Business Conduct and Ethics to govern the standards of ethics and conduct expected of Directors and employees. This code manages:

- Honest, Good Faith And Ethical Conduct
- Corporate Opportunities
- Avoidance of Conflicts of Interest
- Confidentiality

To maintain the highest standards of ethical conduct, the Group also has a formal Whistle-Blowing Policy. As prescribed in this policy, the Board gave their assurance that employees' and third parties' identities will be kept confidential and whistle-blowers would not be at risk to any form of victimisation or retaliation from their superiors or any member of Executive Management provided that the reporting is in good faith. All concerns raised will be investigated and whistle-blowers can report directly to the Senior Independent Director.

The Code of Business Ethics and Whistle-Blowing Policy can be viewed on the Group's website.

The Board members have full and unrestricted access to the Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators. In addition to her corporate secretarial administrative responsibilities, she also advises the Board on its roles and responsibilities, corporate disclosures and compliance, corporate governance developments and practices.

The Board is aware that continuous training for the Directors is vital for them in discharging their duties effectively. All Directors are encouraged to attend appropriate external training programmes to supplement their knowledge in the latest developments and issues relevant to the Group, especially in the areas of corporate governance and regulatory requirements.

The external training programmes, seminars and/or conferences attended by the Directors in office at the end of FY2017 were as follows:

	Training Programmes/Seminars/Conferences
Leung Kok Keong	• Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things • 8th SBY Tax and Corporate Review • Blockchain Economic Forum Singapore
Tay Ben Seng, Benson	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things
Tan Aik Heang	• Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things
Abdul Menon bin Arsad @ Abdul Manan bin Arshad	• Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things
Chang Yun Lung	• Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things

The Board (via the NC and with assistance of the Company Secretary) shall continue to evaluate and determine the training needs of the Directors to build their knowledge so that they can be up-to-date with the development of the Group's business and industry that may affect their roles and responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

(b) Board Composition

The Group is led by an experienced and diversified Board which comprises professionals from various fields to bring together a balance of skills, mix of experience and expertise in area relevant to enhance the growth of Group's business. The Directors collectively bring with them wide and varied technical, financial and legal experience to enable the Board to lead and control the Group effectively.

The Board (via the NC) assesses the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director annually. This assessment is done on a peer and self-evaluation basis. Based on the evaluation carried out for FY 2017, the NC has informed the Board that it was satisfied with the contribution and performance of each individual Director.

Although there is no gender diversity policy in place currently, the Board opined that given the current state of the Group's business and lifecycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold as proposed in Practice 4.5. Nevertheless, the Board is on the outlook for potential women Directors and shall appoint additional women Directors as and when suitable candidates are identified. No timeframe has been set for the search concerned.

Despite the above, the Board affirms its commitment to provide fair and equal opportunities and nurturing diversity at all levels within the Group. To this end, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally during recruitment, promotion, remuneration and training. The Board is also committed to workplace diversity ensuring that we value and respect our differences and that our workplace is fair, accessible, flexible and inclusive and free from discrimination.

(c) Remuneration

The Board (via the RC) will ensure that the Group's levels of remuneration commensurate with the skills and responsibilities expected of Senior Management as well as the Directors and that it must be sufficient to attract and retain talent needed to run the Group successfully. The Board, as a whole, determines the remuneration of the Directors and each individual Director is required to abstain from discussing his/her own remuneration. The RC is guided by market norms and industry practices when making recommendations for the compensation and benefits of Directors and Senior Management.

The RC's recommended remuneration for Directors and Senior Management is subject to Board's approval as it is the ultimate responsibility of the Board to approve the remuneration of the Directors and Senior Management.

In relation to the fees and allowances for Directors, it will be presented at the Annual General Meeting ("AGM") for shareholders' approval. The details of the Group's remuneration policies and practices are included in the Board Charter which is available on the Group's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The aggregate remuneration paid or payable to the Directors by the Group and the Company during FY2017 is as follows:

Group	Employees Provident Fund RM	Fee RM	Allowances RM	Total RM
Datuk Manan bin Haji Md. Said (resigned on 31 August 2017)	–	60,000	2,500	62,500
Ameezan bin Jamal (resigned on 6 February 2017)	–	2,946	–	2,946
Leung Kok Keong	–	30,000	36,500	66,500
Chieng Siong Kuong	6,000	72,000	–	78,000
Tay Ben Seng, Benson	16,000	213,500	3,000	232,500
Koo Kien Yoon	–	60,000	–	60,000
Tan Aik Heang	–	24,000	10,900	34,900
Abdul Menon bin Arsad @ Abdul Manan bin Arshad	–	24,000	10,400	34,400
Chang Vun Lung	–	24,000	10,900	34,900

Company	Fee RM	Allowances RM	Total RM
Datuk Manan bin Haji Md. Said (resigned on 31 August 2017)	44,000	2,500	46,500
Ameezan bin Jamal (resigned on 6 February 2017)	2,946	–	2,946
Leung Kok Keong	30,000	36,500	66,500
Tay Ben Seng, Benson	21,500	3,000	24,500
Tan Aik Heang	24,000	10,900	34,900
Abdul Menon bin Arsad @ Abdul Manan bin Arshad	24,000	10,400	34,400
Chang Vun Lung	24,000	10,900	34,900

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(a) AC

The AC currently comprises of three members, all of whom are Independent Directors. The AC Chairman is Mr Chang Yun Lung. Although none of the current members of the AC is a former key audit partner involved in auditing the Group, the Group does not have the policy as stipulated in Practice 8.2 that the said key audit partner observed a cooling-off period of at least two years before being appointed a member of the AC. Nevertheless, the Board shall incorporate the said policy into the terms of reference of the AC in 2018.

The AC has policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors.

Prior to the commencement of the annual audit, the AC will seek confirmation from the external auditors as to their independence. This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.

Further details on the work performed by AC in furtherance of its oversight role are set out in the AC Report on pages 29 to 32 of this Annual Report.

(b) Risk Management and Internal Control Framework

The Board fulfils its responsibilities in the risk governance and oversight functions through the RMC via a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group's risks within its risk appetite rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives.

As for the adequacy and effectiveness of the system of internal control, it is reviewed by the AC with assistance from the internal auditors. The internal audit function is outsourced to an independent professional consulting firm to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group. The internal auditors' independence is maintained by reporting functionally to the Board through the AC and administratively to Executive Management. Internal audit reports which are issued have to be tabled to the AC for review and Executive Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements. In addition, Executive Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.

Based on the above, the Board is of the view that the risk management process and system of internal control were in place during FY2017 for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

Further details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control on pages 33 to 34 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(a) Communication with Stakeholders

The Board is committed to ensuring that communications to stakeholders regarding the businesses, operations and financial performance of the Group is timely and factual and are available on an equal basis.

The Group has in place procedures to enable it to comply strictly with the disclosure requirements of all applicable legal and regulatory requirements. The Group has formed a CDC to oversee the Group's corporate disclosure practices and ensure implementation and adherence to the Group's Corporate Disclosure Policy ("CDP"). Information is disseminated via annual reports, circulars /statements to shareholders, quarterly and annual financial statements, and announcements from time to time.

The release of announcements and information by the Group to Bursa Malaysia Securities Berhad ("Bursa Securities") are handled by the ED or the Company Secretary within the prescribed requirements of the AMLR and guided by the Corporate Disclosure Guide issued by Bursa Securities. As these announcements and information can be price-sensitive, they are only released after having being reviewed by the ED and/or the Board where necessary.

The Group's website also provides all relevant information to stakeholders. Quarterly and annual financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the website for investors and the public.

Any shareholders' queries or concerns relating to the Group may be conveyed to the ED at the Group's principal place of business as detailed below:

Lot 12.1, 12th Floor
Menara Lien Hoe
No. 8, Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor Darul Ehsan
Telephone No.: 03-7803 7333
Facsimile No.: 03-7803 7338

En. Abdul Menon bin Arsad @ Abdul Manan bin Arshad, the Senior Independent Director, is designated by the Board to be the contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels with the ED. He too can be contacted at the above address.

(b) Conduct of General Meetings

The AGM serves as a principal forum for the Group's dialogue with shareholders. All shareholders are encouraged to attend the AGM, during which they can participate and given the opportunity to ask questions and vote on important matters affecting the Group, including the election/re-election of Directors, business operations, and the financial performance and position of the Group.

All Directors attended the 14th AGM held on 24 May 2017. Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 15th AGM to address shareholders' queries at the meeting. The external auditors will also be present at the meeting to answer shareholders' queries on their audit process and report, the accounting policies adopted by the Group, and their independence.

In line with Practice 12.1, the Company's Notice of the forthcoming 15th AGM shall be given to shareholders at least 28 days prior to the meeting.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board on 13 April 2018.

AUDIT COMMITTEE REPORT

MEMBERS OF AUDIT COMMITTEE

The Audit Committee (“AC”) of Focus Dynamics Group Berhad (“Focus” and “the Company”) is comprised wholly of Non-Executive Directors as follows:

Chang Yun Lung

Chairman, Independent Non-Executive Director

Tan Aik Heang

Member, Independent Non-Executive Director

Abdul Menon Bin Arsad @ Abdul Manan Bin Arshad

Member, Independent Non-Executive Director

Mr. Chang Yun Lung is a member of the Malaysian Institute of Accountants.

Mr Chang Yun Lung meets the requirement of Rule 15.09 (1)(c)(i) of ACE Market Listing Requirements (“AMLR”) in that he is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

SECRETARY

The secretary to the AC are the Company Secretary of the Company.

TERMS OF REFERENCE

The AC has discharged its function and carried out its duties as set out in the Terms of Reference (“TOR”).

The detailed TOR of the AC outlining the composition, duties and functions, authority and procedures of the AC are published and available on the Company’s website at www.focusdynamics.com.my.

MEETINGS AND MINUTES

Attendance at Meetings

The record of attendance of the members of the AC for meetings held during the financial year ended 31 December 2017 (“FYE 2017”) are as follows:

AC Member	Designation	Number of Committee Meetings held during directors’ tenure of office	Number of Committee Meetings attended
Chang Yun Lung	Independent Non-Executive Director	5	5
Tan Aik Heang	Independent Non-Executive Director	5	5
Abdul Menon Bin Arsad @ Abdul Manan Bin Arshad	Independent Non-Executive Director	5	5

The quorum of the meeting is two (2).

AUDIT COMMITTEE REPORT (CONT'D)

Meetings

The AC will meet at least four (4) times a year although additional meetings may be called at any time at the discretion of the Committee. The record of attendance of the members of the AC is shown above.

The meetings are pre-scheduled and are timed just before the Company's Board of Directors' ("Board") meetings. The Agenda carries matters that need to be deliberated, reviewed or decided on and reported to the Board. Notices and AC papers are circulated to all members prior to the meeting with sufficient time allocated for them to prepare themselves for deliberation on the matters being raised.

If the need arises, the Chairman has the discretion to call for the attendance of Management, internal auditors and external auditors during such meetings.

During its scheduled quarterly meetings, the AC shall review the risk management and internal control processes, the Interim and Year-end Financial Report, the Internal and External Audit Plans and Reports, Related Party Transactions ("RPT")/Recurrent Related Party Transactions ("RRPT"), and all other areas within the scope of responsibilities of the AC under its TOR.

Minutes

The Company Secretary shall be the Secretary of the AC which shall provide the necessary administrative and secretarial services for the effective functioning of the Committee. The minutes of the meetings are circulated to the Committee and to all members of the Board.

SUMMARY OF ACTIVITIES

In respect of the FYE 2017, the AC in discharging its duties and functions carried out activities which are summarised broadly as follows:

a) Internal Audit

The AC is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the systems of internal control.

The Company engaged Messrs. Total Advisory Sdn Bhd ("Total Advisory") as outsources Internal Auditors to carry out the internal audit function of the Group for the FYE 2017.

The internal auditor reports directly to the AC by presenting its Internal Audit Reports during the AC meetings, whereby relevant issues identified in the Internal Audit Reports will be discussed with the Management in the meeting. Rectification work, if necessary will be performed and follow-up will be carried out by internal auditor for the purpose of reporting at the subsequent AC meeting.

On 28 November 2017, Total Advisory tabled a report for AC's review covering the segment of Finance and Accounts of Marquee International Sdn Bhd. The report focused on understanding and formalizing the system design, opportunities of improvement and implementation lapses for Finance Department.

The reports outlined the audit objective, scope of work, source of information, restriction, conduct of internal audit, list of observation, risk status of findings together with the Internal Auditors' recommendations and the Management's response.

For year 2017, the cost incurred for internal audit function was RM16,500.00

AUDIT COMMITTEE REPORT (CONT'D)

b) Financial Reporting

In overseeing and discharging its responsibilities in respect of financial reporting, the AC:

- i. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The 1st, 2nd, 3rd and 4th Quarter Interim Financial Reports were tabled at the AC meetings held on 27 February 2017, 30 May 2017, 29 August 2017 and 28 November 2017;
- ii. Ensured the quarterly reports and Audited Financial Statements ("AFS") were prepared in compliance with the Malaysian Financial Reporting Standard ("MFRS"), International Financial Reporting Standards, and the Requirements of the Companies Act 2016 Malaysia while the quarterly reports took into consideration Rule 9.22 including Appendix 9B of the Listing Requirements;

Reviewed the various Board's Policies and Procedures, Board Charter, procedures for RRPT;

- iii. Reviewed the External Auditors' Audit Planning Memorandum ("APM") for the FYE 2017 which covered the engagement and reporting requirements, audit approach, areas of audit emphasis, significant events during the financial year, communication with the management, engagement team, the reporting and deliverables as well as the proposed audit fees;
- iv. Reviewed the External Auditors' audit findings and recommendations and the AFS for the FYE 2017 on 13 April 2018;
- v. Reviewed RPT/RRPT entered into by the Company and its subsidiaries during its AC meetings on 27 February 2017, 30 May 2017, 29 August 2017 and 28 November 2017;
- vi. Considered the performance of External Auditors, reviewed the independence of External Auditors and recommended to the Board for re-appointment;
- vii. To ensure the integrity of the financial information, received assurance from the Executive Directors and Executive Director in charge of Finance, that:-
 - Appropriate accounting policies had been adopted and applied consistently;
 - The going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
 - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
 - Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRSs and Listing Requirements; and
 - The consolidated AFS and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.
- viii. Reviewed the AC Report, CG Overview Statement, CG Report and Statement on Risk Management and Internal Control for publication in the 2017 Annual Report; and
- ix. Reviewed the Statement of Risk Management and Internal Control together with the Internal Auditors and External Auditors and received assurance from the Executive Directors and Executive Director in charge of Finance that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the Statement to the Board.

AUDIT COMMITTEE REPORT (CONT'D)

c) External Audit

Messrs Siew Boon Yeong & Associates ("SBY") is the External Auditors for the Group and all its subsidiaries. SBY led by their engagement partner presented their External APM for the Reviewed the External Auditors' APM for the FYE 2017 on 28 November 2017 and had declared and confirmed that they were independent and would be independent through their audit engagement.

Subsequent to the FYE 2017, the AC met with the External Auditors in the absence of Management on two occasions during 27 February 2017 and 28 November 2017. The AC had the opportunity to assess the co-operation extended by the Management to the External Auditors, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources in the Group's Finance Department.

There were no areas of major concern raised by SBY that warranted escalation to the Board. The External Auditors were also informed by the AC that should there be any significant incidents or matters detected in the course of their audits or reviews which warrant their knowledge or intervention, it shall be reported to the AC accordingly.

The non-audit fees paid to the External Auditors amounting to RM5,000.00 for the FYE 2017. The non-audit fees were in respect of services rendered in respect of tax compliance, review of the Statement on Risk Management and Internal Control.

The AC carried out an assessment of the performance and suitability of SBY based on the quality of services and relationship with Management, AC, Internal auditors and Board. The AC has been generally satisfied with the independence, performance and suitability of SBY based on the assessment and are recommending to the Board and shareholders for approval for the re-appointment of SBY as External Auditors for the Financial Year Ending 31 December 2018.

CG PRACTICES

Apart from discharging its duties with respect to the internal audit, financial reporting and external audit, the AC also reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the principles and spirit set out in the Malaysian Code on CG, other applicable laws, rules, directives and guidelines.

The AC discussed and reviewed the CG Overview Statement and CG Report for the FYE 2017.

This statement was approved by the Board on 13 April 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Para 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and in compliance with the Malaysian Code of Corporate Governance, the Board of Directors of the Company ("The Board") is pleased to present this Statement on Risk Management and Internal Control and outlining the scope and nature of risk management and internal control system of the Group.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility in maintaining a sound system of internal controls that covers financial, operational and risk management within the Group to meet its business objectives. The Board reviews the adequacy and effectiveness of the Group's risk management and internal control system to safeguard shareholders' investment and the Group's assets.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment or regulatory guidelines.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The Board is informed of major issues on internal controls, regulatory compliance and risk taking.

Such systems by their nature, can only provide a reasonable, but not absolute assurance against material misstatement of management and financial losses or fraud as it is established to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

The Board has received assurance from the Executive Directors and the Senior Management that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of view that the Risk management and Internal Control system is in place for the year under review and is sound and adequate to safeguard the shareholders's investment and the Group's assets.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board continues to rely on risk management to form the basis of internal plan and for continued profitability and to safeguard shareholders' investment. The key process that have been established in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:-

- The Board has established a number of board committees such as the Nomination, the Remuneration, the Risk Management and the Corporate Disclosure Committees to support the Board and to assist the Board to assess the performance and controls in all areas of operations to ensure that the risk management and control framework is embedded into the structures of the Group. Beside this, organization structure with defined lines of responsibility, delegation of authority, segregation of duties and flow of information which are effectively communicated to all levels to ensure that the Group's operation are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and the business directions.
- The Group out-sourced the internal audit function to an independent professional consultancy firm during the financial year to review the risk assessment and internal control systems of the Group and report directly to the Audit Committee. The main objective of these audits is to provide a reasonable assurance that they are operated satisfactorily and effectively. Upon completion of the audit assignments, the internal auditors presented their reports and discussed their findings and recommendations for improvement to the Audit Committee. The Internal Auditors of the Group checks for compliance with policies and procedures and highlight the significant findings in respect of any non-compliance.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- The Board has established a Risk Management Committee to formulate a framework to ensure that an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment or regulatory guidelines.
- The Audit Committee of the Group review the internal control issues identified by the Internal Auditors, the external auditors and the Management, and evaluates the effectiveness and adequacy of their risk management and internal control system. They also review the internal audit functions with particularly emphasis on the scope of frequency of audits and the adequacy of resources. The minutes of the Audit Committee meetings are tabled to the Board of Directors of the Company on the quarterly basis.
- There are policy and authority limits imposed on Executive Directors and Management within the Group in respect of the day-to-day operation and financing operations, investments, acquisitions and disposal of assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this statement on Risk Management and Internal Controls in the Annual Report 2017 pursuant to Rule 15.23 of ACE Market Listing Requirements. The auditors have reported that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of internal controls within the Group. It is a reasonable assurance that the system of internal control appears to be working satisfactorily. There were no significant weaknesses noted in the internal control which resulted in material losses, contingencies or uncertainties during the financial year.

The Board has received assurance from the Executive Directors that in all material aspects, the Group's risk management and internal control is operating adequately and effectively based on the risk management and internal control system of the Group.

This Statement of Risk Management and Internal Control has been approved by the Board of Directors in its meeting on 13 April 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year so as to give a true and fair view of the financial position of the Group and of the Company and the results and cash flows of the Group and of the Company as at end of the financial year.

During the preparation of the financial statements for the financial year ended 31 December 2017, the directors have ensured that:

- the Group and the Company have adopted appropriate accounting policies and are consistently applied;
- judgements and estimates that are prudent and reasonable have been used;
- all applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia have been complied with;
- the accounting and other records required by the Act are properly kept and disclosed with reasonable accuracy at any time, the financial position of the Group and of the Company which enable them to ensure the financial statements comply with the Act; and
- the financial statements have been prepared on the going concern basis.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities and material misstatements, as described more fully in the corporate governance section of this report. Such system, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.



financial statements



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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in Note 8 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(loss) attributable to:		
Owners of the Company	3,303,125	(472,493)
Non-controlling interests	1,440,204	–
	4,743,329	(472,493)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

MOVEMENTS ON RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued share capital from RM38,854,486 to RM39,102,905 by way of the issuance of 4,968,366 new ordinary shares in the Company at an issue price of RM0.05 per share for cash pursuant to the conversion of 4,968,366 Warrants 2014/2019 ("Warrants C") of the Company.

The newly issued shares rank pari passu in all respects with the previously issued shares.

There was no issue of debentures by the Company during the financial year.

DIRECTORS' REPORT (CONT'D)

EMPLOYEES SHARE OPTION SCHEME ("ESOS")

On 26 June 2014, the Company obtained approval from the shareholders at the Extraordinary General Meeting for the issuance of ESOS of not exceeding in aggregate thirty percent (30%) of the Company's total issued share capital at any point of time during the duration of the ESOS. The ESOS shall be allocated to any eligible employees of the Company and its subsidiary companies who fulfilled the eligibility criteria for participation in the ESOS.

Each ESOS option entitles the eligible employee to subscribe for such number of ordinary shares in the Company pursuant to an offer duly accepted by the eligible employee at the exercise price to be determined by the ESOS Committee at its discretion based on the 5-day weighted average market price (5D-VWAMP) of the Company's shares as quoted in Bursa Malaysia Securities Berhad, immediately prior to the date of offer made by the ESOS Committee with a discount of not more than 10%, if deemed appropriate.

The ESOS shall be valid for a duration of five years from the effective date of the ESOS, and may upon the recommendation of the ESOS Committee, be extended for a further five years.

The Company offered a total of 104,999,700 share options under the ESOS at the option price of RM0.10 to eligible employees of the Company.

On 16 February 2016, the Company announced that the subscription price of the ESOS has been revised from RM0.10 to RM0.05 per share pursuant to the Company's ESOS By-Law 17.

The option prices and the details in the movements of the options granted are as follows:

Date of Offer	Exercise price	Number of Options Over Ordinary Shares			
		As at 01.01.2017	Granted	Lapsed	As at 31.12.2017
11 February 2015	RM0.05	70,546,000	–	–	70,546,000
15 June 2015	RM0.05	23,148,400	–	–	23,148,400
18 August 2015	RM0.05	11,305,300	–	–	11,305,300
		104,999,700	–	–	104,999,700

Details of options granted to Directors are disclosed in Directors' Interests section of this report.

DIRECTORS' REPORT (CONT'D)

WARRANTS C

On 14 November 2014, the Company listed and quoted 235,167,596 Warrants C pursuant to the renounceable rights issue.

The Warrants C are constituted by the Deed Poll dated 30 September 2014 ("Deed Poll C").

Salient features of the Warrants C are as follows:

- (a) Each Warrants C entitles the Warrant holders to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.10 during the 5-year period expiring on 6 November 2019 ("Exercise Period"), subject to the adjustments as set out in the Deed Poll C;
- (b) At the expiry of the Exercise Period, any Warrants C which have not been exercised shall automatically lapse and cease to be valid for any purposes; and
- (c) Warrant holders must exercise the Warrants C in accordance with the procedures set out in the Deed Poll C and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

On 10 February 2016, the Company announced that the exercise price of the outstanding Warrants C will be adjusted from RM0.10 to RM0.05 per share on even date.

The total outstanding Warrants C as at 31 December 2017 is 230,199,230 (2016: 235,167,596).

None of the directors have any interests in Warrants as at the end of the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to date of this report are:

Leung Kok Keong
Abdul Menon Bin Arsad @ Abdul Manan Bin Arshad
Chang Yun Lung
Tan Aik Heang
Tay Ben Seng, Benson
Datuk Manan Bin Haji Md. Said

(Resigned on 31.08.2017)

The names of the directors of the Company's subsidiary companies in office at any time during the year and since the end of the year up to the date of this report, excluding directors who are also directors of the Company are:

Chieng Siong Kuong
Chin Yuok Sheong
Koo Kien Yoon
Ong Kah Hoe
Dato' Haji Ahmad Bhari Bin Abd. Rahman
Muhammad Bin Md Rashid
Wong Mun Leong

(Appointed on 05.05.2017)
(Appointed on 31.07.2017)
(Resigned on 19.07.2017)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares and options over shares of the Company and its related corporations during the financial year are as follows:

	<----- No. of ESOS ----->		
	Balance 01.01.2017	Granted Exercised	Balance 31.12.2017
<i>Direct interest in the Company</i>			
Tay Ben Seng, Benson	–	22,070,200	–
			22,070,200

None of the other Directors holding office at 31 December 2017 had any interests in the shares and options over shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (*other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Directors' Remuneration section below and Note 30 to the financial statements, or the fixed salary of a full-time employee of the Company*) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' remuneration				
- fees				
- current year's provision	510,446	546,000	170,446	198,000
- over provision in respect of prior year	(202,500)	–	(202,500)	–
- other emoluments				
- current year's provision	96,200	52,600	74,200	52,600
- over provision in respect of prior year	(23,800)	–	(23,800)	–
- shared-based payment under ESOS	–	1,218,242	–	480,299
	380,346	1,816,842	18,346	730,899

Included in the analysis above is remuneration for the directors of the Company in accordance with the requirements of the Companies Act 2016.

**DIRECTORS'
REPORT
(CONT'D)****OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts to be written off and that no allowance for doubtful debts was necessary; and
- (b) to ensure that any current assets which were unlikely to realise their carrying amounts in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the Group and the Company necessary to write off any bad debts or to make any allowance for doubtful debts or the values attributed to current assets misleading; and
- (b) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year; and
- (b) no charge has arisen on the assets of the Group and of the Company which secures the liabilities of any other person nor has any contingent liability arisen in the Group and in the Company.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 38 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

The significant events subsequent to the financial year are disclosed in Note 39 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The details of the auditors' remuneration for the financial year are disclosed in Note 27 to the financial statements.

The auditors, Messrs Siew Boon Yeong & Associates, Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

LEUNG KOK KEONG

Director

TAY BEN SENG, BENSON

Director

Kuala Lumpur,
Date: 27 April 2018

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the directors, the financial statements set out on pages 49 to 120 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to exhibit a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2017 and of the results and cash flows of the Group and of the Company for the year ended on that date.

Signed in Kuala Lumpur on 27 April 2018

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

LEUNG KOK KEONG

TAY BEN SENG, BENSON

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, Leung Kok Keong (MIA 8109), being the director primarily responsible for the financial management of Focus Dynamics Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 49 to 120 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared in Kuala Lumpur on 27 April 2018

LEUNG KOK KEONG
(MIA 8109)

Before me

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the members of Focus Dynamics Group Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Focus Dynamics Group Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITORS' REPORT

To the members of Focus Dynamics Group Berhad **(CONT'D)**

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk area and rationale	Our response
Property, plant and equipment ("PPE") (Note 5 to the financial statements)	
As at 31 December 2017, the PPE of the Group stood at approximately RM13.87 million. During the financial year, the Group:-	Our audit procedures included, amongst others:-
- acquired approximately RM5.20 million of PPE;	- checked to the source documents for major acquisitions;
- written off PPE with carrying amount of approximately RM0.40 million; and	- performed physical sighting of major PPE to ensure their existence and are in-use;
- impaired approximately RM1.12 million of PPE.	- enquired with the management as to the reasons to impair and write off the PPE;
As PPE represents 31.65% of the Group's total assets and is material, we considered this as a key audit matter.	- performed depreciation charges reasonable test to ensure the depreciation charges were provided in compliance with the accounting policy of the Group; and
	- performed impairment assessment to ensure impairment made is adequate and reasonable.
Trade Receivables (Note 12 to the financial statements)	
Receivables are subject to credit risk exposure.	Our audit procedures included, amongst others:-
During the financial year, the Group reversed approximately RM1.16 million of impairment losses on trade receivables and no further impairment was made.	- evaluating the reasonableness of the reversal made and ensure it was appropriate;
The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.	- obtaining an understanding of the Group's control over the trade receivable collection process and making inquiries regarding the action plan to recover the overdue amounts;
	- reviewing the ageing analysis of trade receivables and testing the reliability thereof;
	- reviewing subsequent collections from trade receivables; and
	- evaluating the reasonableness and adequacy of the impairment losses provided.

INDEPENDENT AUDITORS' REPORT

To the members of Focus Dynamics Group Berhad **(CONT'D)**

Information Other Than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

INDEPENDENT AUDITORS' REPORT

To the members of Focus Dynamics Group Berhad **(CONT'D)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, which are included in Note 8 to the financial statements, being the accounts that have been included in the consolidated accounts.

INDEPENDENT AUDITORS' REPORT

To the members of Focus Dynamics Group Berhad **(CONT'D)**

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content for this report.

SIEW BOON YEONG & ASSOCIATES

AF: 0660

Chartered Accountants

CHONG KWANG FOCK

03327/09/2019 J

Chartered Accountant

Kuala Lumpur,
Date: 27 April 2018

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

		Group		Company	
		2017	Restated 2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	13,871,249	13,357,101	–	–
Goodwill	6	88,129	88,129	–	–
Products development expenditure	7	–	–	–	–
Investment in subsidiary companies	8	–	–	51,000	51,000
Investment in joint venture	9	–	–	–	–
Other investment	10	–	714,471	–	–
		13,959,378	14,159,701	51,000	51,000
CURRENT ASSETS					
Inventories	11	3,186,234	1,503,629	–	–
Trade receivables	12	2,287,089	1,537,404	–	–
Other receivables, deposits and prepayments	13	14,007,106	6,206,767	939,624	709,344
Amount owing by subsidiary companies	14	–	–	61,914,497	56,957,412
Current tax assets		–	56,372	193,568	36,664
Fixed deposits with licenced banks	15	7,406,049	11,220,610	5,377,853	11,204,336
Cash and bank balances		2,975,325	2,075,991	227,358	475,879
		29,861,803	22,600,773	68,652,900	69,383,635
TOTAL ASSETS		43,821,181	36,760,474	68,703,900	69,434,635

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017 **(CONT'D)**

		Group		Company	
		2017	Restated 2016	2017	2016
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	39,102,905	38,854,486	39,102,905	38,854,486
Reserves	17	(8,656,595)	(11,946,408)	28,720,250	29,192,743
Total equity attributable to owners of the Company		30,446,310	26,908,078	67,823,155	68,047,229
Non-controlling interests		1,025,180	(415,024)	–	–
TOTAL EQUITY		31,471,490	26,493,054	67,823,155	68,047,229
LIABILITIES					
NON-CURRENT LIABILITIES					
Finance lease liabilities	18	77,750	121,586	–	–
Deferred tax liabilities	19	44,824	–	–	–
		122,574	121,586	–	–
CURRENT LIABILITIES					
Trade payables	20	2,680,712	1,582,612	–	–
Other payables and accruals	21	7,909,034	7,324,976	880,745	1,387,406
Provision for warranty and maintenance costs	22	72	72	–	–
Amount owing to directors	23	17,813	–	–	–
Bank overdrafts	24	1,199,758	1,196,457	–	–
Finance lease liabilities	18	43,836	41,717	–	–
Current tax liabilities		375,892	–	–	–
		12,227,117	10,145,834	880,745	1,387,406
TOTAL LIABILITIES		12,349,691	10,267,420	880,745	1,387,406
TOTAL EQUITY AND LIABILITIES		43,821,181	36,760,474	68,703,900	69,434,635

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
REVENUE	25	31,683,528	15,532,933	–	–
COST OF SALES		(16,518,148)	(8,697,211)	–	–
GROSS PROFIT		15,165,380	6,835,722	–	–
OTHER OPERATING INCOME		9,345,371	640,619	220,989	607,587
OTHER OPERATING EXPENSES		(19,068,406)	(24,438,977)	(698,234)	(4,456,794)
PROFIT/(LOSS) FROM OPERATIONS		5,442,345	(16,962,636)	(477,245)	(3,849,207)
FINANCE COSTS	26	(63,900)	(65,041)	–	–
SHARE OF LOSS ON INVESTMENT IN JOINT VENTURE		(45)	–	–	–
PROFIT/(LOSS) BEFORE TAXATION	27	5,378,400	(17,027,677)	(477,245)	(3,849,207)
INCOME TAX EXPENSE	28	(635,071)	(73,627)	4,752	(73,627)
PROFIT/(LOSS) AFTER TAXATION/TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		4,743,329	(17,101,304)	(472,493)	(3,922,834)
OTHER COMPREHENSIVE INCOME:					
<u>Item that may be reclassified subsequently to profit or loss</u>					
- foreign currency translation		(13,312)	–	–	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		4,730,017	(17,101,304)	(472,493)	(3,922,834)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017 **(CONT'D)**

		Group	Company	
Note	2017 RM	2016 RM	2017 RM	2016 RM
PROFIT/(LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	3,303,125	(16,721,953)	(472,493)	(3,922,834)
Non-controlling interests	1,440,204	(379,351)	–	–
PROFIT/(LOSS) FOR THE YEAR	4,743,329	(17,101,304)	(472,493)	(3,922,834)
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	3,289,813	(16,721,953)	(472,493)	(3,922,834)
Non-controlling interests	1,440,204	(379,351)	–	–
	4,730,017	(17,101,304)	(472,493)	(3,922,834)
EARNINGS/(LOSS) PER SHARE (Sen)				
- Basic	29	0.42	(2.23)	
- Diluted	29	0.37	N/A	

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017

Group	<----- Attributable to owners of the Company ----->		<----- Non-distributable ----->		Attributable to owners of the Company		Non-controlling interests ("NCI")		Total equity
	Share capital	Share premium	ESOS reserve	Accumulated losses	Company	RM	RM	RM	
At 1 January 2016	70,550,279	2,966,427	3,239,870	(37,779,696)	38,976,880		-		38,976,880
Transactions with owners:									
Issuance of shares pursuant to conversion of warrants	3,579,346	-	-	-	3,579,346		-		3,579,346
Par value reduction	(35,275,139)	25,835,475	-	9,439,664	-		-		-
Expenses on par value reduction	-	(144,437)	-	-	(144,437)		-		(144,437)
Provision for ESOS reserve	-	-	1,218,242	-	1,218,242		-		1,218,242
Acquisition of subsidiary company during the year	-	-	-	-	-		(35,673)		(35,673)
Total transactions with owners	(31,695,793)	25,691,038	1,218,242	9,439,664	4,653,151		(35,673)		4,617,478
Total comprehensive loss for the year	-	-	-	(16,721,953)	(16,721,953)		(379,351)		(17,101,304)
At 31 December 2016	38,854,486	28,657,465	4,458,112	(45,061,985)	26,908,078		(415,024)		26,493,054

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017 (CONT'D)

Group	<----- Attributable to owners of the Company ----->							
	<----- Non-distributable ----->					>----->		
	Share capital	Share premium	ESOS reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling interests ("NCI")	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2017	38,854,486	28,657,465	4,458,112	-	(45,061,985)	26,908,078	(415,024)	26,493,054
Transactions with owners:								
Issuance of shares pursuant to conversion of warrants	248,419	-	-	-	-	248,419	-	248,419
Profit for the year	-	-	-	-	3,303,125	3,303,125	1,440,204	4,743,329
Other comprehensive income:								
Foreign currency translations	-	-	-	(13,312)	-	(13,312)	-	(13,312)
Total comprehensive (loss)/income for the year	-	-	-	(13,312)	3,303,125	3,289,813	1,440,204	4,730,017
At 31 December 2017	39,102,905	28,657,465	4,458,112	(13,312)	(41,758,860)	30,446,310	1,025,180	31,471,490

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017 (CONT'D)

	<----- Non-distributable ----->			Accumulated	Total
	Share capital RM	Share premium RM	ESOS reserve RM	losses RM	equity RM
Company					
At 1 January 2016	70,550,279	2,966,427	3,239,870	(9,439,664)	67,316,912
<u>Transactions with owners:</u>					
Issuance of shares pursuant to conversion of warrants	3,579,346	–	–	–	3,579,346
Par value reduction	(35,275,139)	25,835,475	–	9,439,664	–
Expenses on par value reduction	–	(144,437)	–	–	(144,437)
Provision for ESOS reserve	–	–	1,218,242	–	1,218,242
Total transactions with owners	(31,695,793)	25,691,038	1,218,242	9,439,664	4,653,151
Total comprehensive loss for the year	–	–	–	(3,922,834)	(3,922,834)
At 31 December 2016	38,854,486	28,657,465	4,458,112	(3,922,834)	68,047,229
Company					
At 1 January 2017	38,854,486	28,657,465	4,458,112	(3,922,834)	68,047,229
<u>Transactions with owners:</u>					
Issuance of shares pursuant to conversion of warrants	248,419	–	–	–	248,419
Total comprehensive loss for the year	–	–	–	(472,493)	(472,493)
At 31 December 2017	39,102,905	28,657,465	4,458,112	(4,395,327)	67,823,155

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM	Restated RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	5,378,400	(17,027,677)	(477,245)	(3,849,207)
<i>Adjustments for:</i>				
Bad debts written off	–	46,651	–	35,930
Depreciation	3,122,244	2,427,924	–	–
Dividend income	(4,062)	(1,559)	–	–
Gain on disposal of:				
- a subsidiary company	–	(7,399)	–	–
- property, plant and equipment	(2,019,266)	–	–	–
Impairment losses on:				
- capital work-in-progress	1,121,880	–	–	–
- investment in subsidiary companies	–	–	–	3,208,192
- other investment	714,471	–	–	–
- trade receivables	–	5,263,391	–	–
Interest expenses	63,900	65,041	–	–
Interest income	(250,061)	(611,961)	(220,989)	(607,587)
Property, plant and equipment written off	403,467	1,311,527	–	–
Reversal of impairment loss on trade receivables	(1,158,473)	–	–	–
Share-based payment under ESOS	–	1,218,242	–	480,299
Share of loss on investment in joint venture	45	–	–	–
<i>Operating profit/(loss) before working capital changes</i>	7,372,545	(7,315,820)	(698,234)	(732,373)
Increase in inventories	(1,682,605)	(463,021)	–	–
Increase in receivables	(5,287,320)	(2,981,954)	(5,187,365)	(16,566,820)
(Decrease)/increase in payables	(422,073)	214,277	(506,661)	259,695
<i>Cash used in operations</i>	(19,453)	(10,546,518)	(6,392,260)	(17,039,498)
Interest paid	(63,900)	(65,041)	–	–
Tax paid	(157,983)	(360,436)	(152,152)	(316,291)
<i>Net cash used in operating activities</i>	(241,336)	(10,971,995)	(6,544,412)	(17,355,789)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017 **(CONT'D)**

	Group		Company	
	2017	2016	2017	2016
	RM	Restated RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend income	4,062	1,559	–	–
Interest received	250,061	611,961	220,989	607,587
Investment in joint venture	(45)	–	–	–
Investment in subsidiary companies	–	–	–	(51,000)
Net cash inflow from acquisition of subsidiary companies (Note 8)	–	97,890	–	–
Purchase of property, plant and equipment	(5,202,474)	(5,487,344)	–	–
Proceeds from disposal of property, plant and equipment	2,060,001	–	–	–
Revocation of property, plant and equipment	–	192,360	–	–
<i>Net cash (used in)/generated from investing activities</i>	(2,888,395)	(4,583,574)	220,989	556,587
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from directors	17,813	–	–	–
Placement of fixed deposits	(37,503)	(41,077)	(37,503)	(41,077)
Expenses on par value reduction	–	(144,437)	–	(144,437)
Proceeds from issuance of share capital	248,419	3,579,346	248,419	3,579,346
Repayment of finance lease liabilities	(41,717)	(111,025)	–	–
<i>Net cash generated from financing activities</i>	187,012	3,282,807	210,916	3,393,832
<i>Net decrease in cash and cash equivalents</i>	(2,942,719)	(12,272,762)	(6,112,507)	(13,405,370)
<i>Effects of changes in exchange rate</i>	(13,312)	–	–	–
<i>Cash and cash equivalents at beginning of year</i>	10,821,246	23,094,008	10,401,317	23,806,687
<i>Cash and cash equivalents at end of year</i>	7,865,215	10,821,246	4,288,810	10,401,317
Cash and cash equivalents comprise:				
Fixed deposits with licenced banks	7,406,049	11,220,610	5,377,853	11,204,336
Cash and bank balances	2,975,325	2,075,991	227,358	475,879
Bank overdrafts	(1,199,758)	(1,196,457)	–	–
	9,181,616	12,100,144	5,605,211	11,680,215
<i>Less: Fixed deposits pledged as securities</i>	(1,316,401)	(1,278,898)	(1,316,401)	(1,278,898)
	7,865,215	10,821,246	4,288,810	10,401,317

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in Note 8. There were no significant changes in the nature of these activities during the financial year.

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on ACE Market of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur.

The address of the principal place of business of the Company is 12.1, 12th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

On 1 January 2017, the Group and the Company adopted the following MFRSs and Amendments to MFRSs issued by the Malaysian Accounting Standards Board, effective for the annual periods beginning on or after 1 January 2017:

Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative

Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 - 2016 Cycle

The adoption of the above MFRS and Amendments to MFRSs did not have any material impacts to the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRSs, Amendments to MFRSs and Issue Committees ("IC") Interpretations that have been issued but are not yet effective

The Group and the Company have not adopted the following MFRSs, Amendments to MFRSs and IC Interpretations that have been issued but not yet effective:

MFRSs/Amendments to MFRSs/IC Interpretations	Effective for annual periods beginning on or after
MFRS 9 - Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 15 - Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 - Leases	1 January 2019
Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119 Employee Benefits - Plan Amendments, Curtailment or Settlement	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 - Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

The adoption of these MFRSs, Amendments to MFRSs and IC Interpretations that have been issued but not yet effective are not expected to have a material impact to the financial statements of the Group and of the Company except as discussed below:

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on expected credit loss model and replace the MFRS 139 Financial Instruments: Recognition and Measurement incurred loss model.

MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group and the Company do not expect a significant change to the measurement basis arising from the adoption of the new classification and measurement model under MFRS 9. Loans and receivables that are currently accounted for using amortised cost will continue to be accounted for using amortised cost model under MFRS 9.

MFRS 9 requires the Group and the Company to record expected credit losses on loans and receivables, either on 12-months or lifetime basis. The Group and the Company expect to apply the simplified approach and record lifetime expected losses on trade receivables. Upon application of the expected credit losses loss model, the Group and the Company expect a significant impact on to equity due to unsecured nature of the loans and receivables, but the Group and the Company will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group and the Company plan to adopt the new standard on the required effective date without restating comparative information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

The Group and the Company expect the following impact upon adoption of MFRS 15:

Variable consideration

Some contracts with customers provide a right to return, trade discounts or volume rebates. Currently, the Group and the Company recognise revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group and the Company defer revenue recognition until uncertainty resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception. MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group and the Company continue to assess individual contract to determine the estimated variable consideration and related constraint. The Group and the Company expect that application of the constraint may result in more revenue being deferred than is under the current MFRS.

Right of return

The Group and the Company currently recognise provision for the net margin arising from expected returns. Under MFRS 15, an entity estimates the transaction price and recognises revenue based on the amounts to which the entity expects to be entitled through the end of the return period, and recognises such amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. The Group and the Company expect to recognise a liability for the refund obligation and an asset for the right to recover the returned goods under MFRS 15.

The Group and the Company plan to adopt the new standard on the required effective date using the full retrospective approach. The Group and the Company are currently performing a detailed analysis under MFRS 15 to determine their election of the practical expedients and to quantify the transition adjustments on their financial statements.

MFRS 16 Leases

MFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The new standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if MFRS 15 also applied.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise stated.

(a) Functional And Foreign Currency

Functional and presentation currency

Items included in the financial statements are measured using the currency best reflects the economic substance of the underlying events and circumstances relevant to the Company (the “functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is the functional currency of the Company.

Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign exchange translation reserve (“FETR”) in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FETR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currencies of the Company and its foreign subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within ‘finance income or cost’. All other foreign exchange gains and losses are presented in profit or loss within other income.

All exchange differences are taken to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis Of Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiary companies made up to the end of the financial period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(i) Acquisition method of accounting for non-common control business combinations

Acquisition of subsidiary companies is accounted for by applying the acquisition method. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects, for each individual business combination, whether to recognise non-controlling interest in the acquiree (if any) at fair value on the acquisition date, or the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(ii) Merger accounting for common control business combinations

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve or merger deficit. The other components of equity of the acquired entities are added to the same components within the Group's equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis Of Consolidation (Cont'd)

(iii) Non-controlling interest

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(c) Property, Plant And Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses where applicable.

Capital work-in-progress and building work-in-progress are not depreciated until such time when the asset is available for use.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets at the following annual rates:

	%
Plant and machinery	25
Equipment and kitchen utensils	10
Furniture, fittings and equipment	10 - 33
Motor vehicles	20
Signboard	10 - 15
Electrical fittings	10
Renovation	20

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at each end of reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to profit or loss in determining profit from operations.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiary companies exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

(e) Intangible Assets - Research And Development Expenditures

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects relating to the design and testing of new or improved products or process are recognised as intangible assets if, and only if an entity can demonstrate all of the following:-

- i. its ability to measure reliably the expenditure attributable to the assets under development;
- ii. the product or process is technically and commercially feasible;
- iii. its future economic benefits are probable;
- iv. its ability to use or sell the developed assets; and
- v. the availability of adequate technical, financial and other resources to complete the assets under development.

Capitalised development expenditures are measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as asset in the subsequent period.

Development expenditures are amortised on a straight-line basis over a period of five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at each end of the reporting date.

(f) Investment In Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The Group controls the entities when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment, unless the investment is classified as held for sale. The impairment loss is recognised in the profit or loss.

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment In Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of joint venture's profit or loss for the period in which the investment is acquired.

A joint venture is equity accounted for from the date on which the investee becomes a joint venture. Under the equity method, on initial recognition the investment in a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the joint venture after the date of acquisition. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Profits or losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the joint ventures are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with the Group.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single assets, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Group's separate financial statements, investment in joint ventures are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group and the Company have become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) *Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's and the Company's rights to receive payment is established.

- *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Instruments (Cont'd)

(i) *Financial Assets (Cont'd)*

- **Loans and Receivables**

Financial assets that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

- ***Available-for-sale Financial Assets***

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's and the Company's rights to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

(ii) *Financial Liabilities*

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

- ***Financial Liabilities at Fair Value Through Profit or Loss***

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges or a derivative that is a financial guarantee contract.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Instruments (Cont'd)

(ii) *Financial Liabilities (Cont'd)*

- *Other Financial Liabilities*

Other financial liabilities are non-derivatives financial liabilities. Other liabilities are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iii) *Equity Instruments*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(i) Impairment

(i) *Impairment of Financial Assets*

All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(i) *Impairment of Financial Assets (Cont'd)*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on unquoted equity instruments carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the Group's and the Company's share of net assets or the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(ii) *Impairment of Non-financial Assets*

The carrying amounts of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at each end of the reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is charged to the profit or loss and immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the profit or loss immediately, unless the asset is carried at its revalued amount.

A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of selling expenses. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Leased Assets

Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

Operating lease

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(l) Provisions For Liabilities

Provisions for liabilities are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each end of reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group and of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(n) Related Parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - a. controls, is controlled by, or is under common control with, the entity (this includes holding company, subsidiary companies and fellow subsidiary companies);
 - b. has an interest in the entity that gives it significant influence over the entity; or
 - c. has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venture;
- (iv) the party is a member of the key management personnel of the entity or its holding company;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and of the subsidiary companies either directly or indirectly. The key management personnel includes all the directors of the Company and directors of the subsidiary companies, members of senior management and chief executive officer of the Company as well as members of senior management and chief executive officers of major subsidiary companies of the Group.

(o) Revenue Recognition

- (i) Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue from sale of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs of the goods can be estimated reliably and there is no continuing management involvement with the goods, net of returns and trade discounts.
- (ii) Revenue from services is recognised when services are performed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(q) Dividend Income

Dividend income from investments is recognised when the rights to receive payment is established.

(r) Income Tax Expense

Income taxes for the period comprise current and deferred taxes.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Employee Benefits

(i) *Short Term Employee Benefits*

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur. The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. Past-service costs are recognised immediately in profit or loss.

(ii) *Defined Contribution Plan*

The Company's and its subsidiary companies' contributions to defined contribution plans regulated and managed by the government, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Company and the subsidiary companies have no further financial obligations.

(iii) *Share-based Payment Transactions*

Equity-settled Share-based Payment Transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Borrowing Costs

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress, until such time when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is suspended.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(u) Earnings Per Ordinary Share ("EPS")

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held, if any.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, if any, for the effect of all dilutive potential ordinary shares, which comprise warrants and share options granted to the employees.

(v) Cash And Cash Equivalents

Cash and cash equivalents consists of cash in hand, bank balances, demand deposits and short term highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(w) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision makers to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. An operating segment may engage in business activities for which it has yet to earn revenue.

(x) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and by the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Fair Value Measurement (Cont'd)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: fair value is derived from quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.
- Level 2: fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.
- Level 3: fair value is estimated using unobservable inputs for the financial assets and liabilities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(a) Depreciation of Property, Plant and Equipment

The estimates for residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' action in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit ("CGU") to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit ("CGU") to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Impairment of Investment in Subsidiary Companies

The carrying value of investment in subsidiary companies is reviewed for impairment. In the determination of the value-in-use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Impairment of Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company and its subsidiary companies recognise tax liabilities based on their understanding of the prevailing tax laws and estimate of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Employees Share Option Scheme ("ESOS") Reserve

The Group and the Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

Group	Plant and machinery RM	Equipment and kitchen utensils RM	Furniture, fittings and equipment RM	Motor vehicles RM	Signboard RM	Balance carried forward RM
Cost						
At 1 January 2016	35,200	1,425,796	4,366,020	1,874,715	21,050	7,722,781
Arising from acquisition of subsidiary companies	-	-	-	-	-	-
Additions	-	154,546	906,105	69,500	-	1,130,151
Revocation	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
Written off	-	(608,346)	(717,143)	-	(11,300)	(1,336,789)
At 31 December 2016	35,200	971,996	4,554,982	1,944,215	9,750	7,516,143
Additions	-	131,915	692,313	92,502	-	916,730
Transfer	-	150,938	734,336	-	-	885,274
Disposal	-	-	-	(1,217,236)	-	(1,217,236)
Written off	-	(137,666)	(237,767)	-	(4,200)	(379,633)
At 31 December 2017	35,200	1,117,183	5,743,864	819,481	5,550	7,721,278

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Balance carried forward RM	Electrical fittings RM	Renovation RM	Capital work-in- progress RM	Building work-in- progress RM	Total RM
Cost						
At 1 January 2016	7,722,781	-	690,765	5,362,248	895,610	14,671,404
Arising from acquisition of subsidiary companies	-	27,196	-	1,082,750	-	1,109,946
Additions	1,130,151	-	596,248	2,997,216	763,729	5,487,344
Revocation	-	-	-	-	(192,360)	(192,360)
Transfer	-	-	5,927,631	(5,927,631)	-	-
Written off	(1,336,789)	-	(185,800)	-	-	(1,522,589)
At 31 December 2016	7,516,143	27,196	7,028,844	3,514,583	1,466,979	19,553,745
Additions	916,730	-	583,574	2,858,270	843,900	5,202,474
Transfer	885,274	-	475,021	(1,360,295)	-	-
Disposal	(1,217,236)	-	-	-	-	(1,217,236)
Written off	(379,633)	-	(141,618)	-	-	(521,251)
At 31 December 2017	7,721,278	27,196	7,945,821	5,012,558	2,310,879	23,017,732

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Plant and machinery RM	Equipment and kitchen utensils RM	Furniture, fittings and equipment RM	Motor vehicles RM	Signboard RM	Balance carried forward RM
<i>Accumulated depreciation</i>						
At 1 January 2016	-	30,458	1,911,789	1,634,160	6,838	3,583,245
Arising from acquisition of subsidiary companies	-	-	-	-	-	-
Charge for the year	8,800	260,886	940,133	241,712	2,912	1,454,443
Written off	-	(85,147)	(97,763)	-	(3,013)	(185,923)
At 31 December 2016	8,800	206,197	2,754,159	1,875,872	6,737	4,851,765
Charge for the year	8,800	270,849	978,276	9,176	769	1,267,870
Disposal	-	-	-	(1,176,501)	-	(1,176,501)
Written off	-	(26,773)	(58,198)	-	(1,959)	(86,930)
At 31 December 2017	17,600	450,273	3,674,237	708,547	5,547	4,856,204
<i>Accumulated impairment losses</i>						
At 1 January 2016/31 December 2016/ 1 January 2017	-	-	-	-	-	-
Impairment loss for the year	-	-	-	-	-	-
At 31 December 2017	-	-	-	-	-	-
<i>Net carrying amount</i>						
At 31 December 2017	17,600	666,910	2,069,627	110,934	3	2,865,074
At 31 December 2016	26,400	765,799	1,800,823	68,343	3,013	2,664,378

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Balance carried forward RM	Electrical fittings RM	Renovation RM	Capital work-in- progress RM	Building work-in- progress RM	Total RM
<i>Accumulated depreciation</i>						
At 1 January 2016	3,583,245	-	393,817	-	-	3,977,062
Arising from acquisition of subsidiary companies	-	2,720	-	-	-	2,720
Charge for the year	1,454,443	1,133	972,348	-	-	2,427,924
Written off	(185,923)	-	(25,139)	-	-	(211,062)
At 31 December 2016	4,851,765	3,853	1,341,026	-	-	6,196,644
Additions	1,267,673	2,719	1,851,852	-	-	3,122,244
Disposal	(1,176,501)	-	-	-	-	(1,176,501)
Written off	(86,930)	-	(30,854)	-	-	(117,784)
At 31 December 2017	4,856,007	6,572	3,162,024	-	-	8,024,603
<i>Accumulated impairment losses</i>						
At 1 January 2016/31 December 2016/ 1 January 2017	-	-	-	-	-	-
Impairment loss for the year	-	-	-	1,121,880	-	1,121,880
At 31 December 2017	-	-	-	1,121,880	-	1,121,880
<i>Net carrying amount</i>						
At 31 December 2017	2,865,271	20,624	4,783,797	3,890,678	2,310,879	13,871,249
At 31 December 2016	2,664,378	23,343	5,687,818	3,514,583	1,466,979	13,357,101

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The net carrying amount of property, plant and equipment includes the following assets held under hire purchase agreements:

	2017 RM	Group 2016 RM
Motor vehicles	1	1

Impairment loss recognised

Impairment loss was provided for capital work-in-progress due to relocation of the project hence unmovable mechanical and electrical fixtures needed to be impaired.

6. GOODWILL

	2017 RM	Group 2016 RM
<i>At cost:</i>		
Goodwill on acquisition of subsidiary companies and business		
At 1 January	2,297,922	2,209,793
Addition	–	88,129
At 31 December	2,297,922	2,297,922
<i>Accumulated amortisation and impairment losses</i>		
At 1 January/31 December	2,209,793	2,209,793
<i>Net carrying amount</i>		
At 31 December	88,129	88,129

Goodwill acquired from business combination or from acquisition of business are allocated to the CGUs that are expected to benefit from the acquisitions respectively. The carrying amount of goodwill had been allocated as follows:

	2017 RM	Group 2016 RM
Property investment and management	88,129	88,129

The recoverable amounts of the CGUs have been determined based on the value-in-use calculations using the cash flow projections from the financial budgets approved by the management covering two-year period.

The management applied pre-tax discount rate of 7% (2016: 7%) to the cash flow projections and forecasted growth rate of 5% (2016: 5%).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

7. PRODUCTS DEVELOPMENT EXPENDITURE

	2017 RM	Group 2016 RM
At cost	2,780,418	2,780,418
Less: Accumulated amortisation	(1,966,789)	(1,966,789)
	813,629	813,629
Less: Accumulated impairment losses	(813,629)	(813,629)
	–	–

Movement of the accumulated amortisation is as follows:

	2017 RM	Group 2016 RM
At 1 January/31 December	1,966,789	1,966,789

Movement of the accumulated impairment losses (individually impaired) is as follows:

	2017 RM	Group 2016 RM
At 1 January/31 December	813,629	813,629

8. INVESTMENT IN SUBSIDIARY COMPANIES

	2017 RM	Group 2016 RM
Unquoted shares, at cost		
At 1 January	9,349,360	8,560,417
Addition	–	788,943
At 31 December	9,349,360	9,349,360
Less: Accumulated impairment losses (individually impaired)		
At 1 January	9,298,360	6,090,168
Addition	–	3,208,192
At 31 December	9,298,360	9,298,360
	51,000	51,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of incorporation	Effective equity interest		Principal activities
		2017	2016	
		%	%	
<i>Held by the Company</i>				
Focus Dynamics Centre Sdn. Bhd. ("FDCSB")	Malaysia	100	100	Marketing, distribution and sale of industrial machines and processes, providing a range of support services covering project management services, maintenance support, engineering conceptualisation, system audit, energy saving services and other support services in relation to the company's business and products.
Focus Dynamics Drives Sdn. Bhd. ("FDDSB")	Malaysia	100	100	Manufacture, research and development of variable speed drives and, supply and trading of instruments for the control of industrial machines and processes.
DPC Industrial Systems Sdn. Bhd. ("DPCISSB")	Malaysia	100	100	Trading of industrial equipment, designing, installation and implementation of automation system for the energy resource based industry and providing other related products and services.
Marquee International Holding Sdn. Bhd. ("MIHSB")	Malaysia	100	100	Investment holding.
Famous Ambience Sdn. Bhd. ("FASB")	Malaysia	51	51	Engage in letting of property business.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows: (Cont'd)

Name of subsidiary companies	Country of incorporation	Effective equity interest		Principal activities
		2017	2016	
		%	%	
<u>Subsidiary companies of MIHSB</u>				
Marquee International Sdn. Bhd. (“MISB”)	Malaysia	100	100	Operate and manage food and beverage outlets.
Modern Cuisine Sdn. Bhd. (“MCSB”)	Malaysia	100	100	Engage in the business of restaurant, food and beverage as well as investment holding and general trading.
Marquee Resources Sdn. Bhd. (“MRSB”)	Malaysia	100	100	Engage in human resources, event management and general trading.
Finch Entertainment Sdn. Bhd. (“FESB”)	Malaysia	100	100	Engage in the business of restaurant, food and beverage.
Wine Commerce Sdn. Bhd. (“WCSB”)	Malaysia	100	–	Online wine retailing and distribution.
Focus Dynamic Limited * (“FDL”)	Republic of Seychelles	100	100	Engage in food and beverage business and investment holding.
<u>Subsidiary company of FDL</u>				
Focus Dynamic Group Limited * (“FDGL”)	Hong Kong	100	100	Engage in food and beverage business and investment holding.

* Not audited by Siew Boon Yeong & Associates and the financial statements of these subsidiary companies were consolidated based on the management accounts as the financial position, results and cash flows of these subsidiary companies are insignificant.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

The Group's subsidiary company that have material non-controlling interests ("NCI") are as follows:

	FASB	
	2017 RM	2016 RM
NCI percentage of ownership interest and voting interest	49%	49%
Carrying amount of NCI	1,025,180	(415,024)
Profit/(loss) allocated to NCI	1,440,204	(379,351)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Summarised financial information before intra-group elimination

	2017 RM	FASB 2016 RM
Non-current assets	1,367,470	1,182,067
Current assets	6,261,838	2,769,329
Current liabilities	(5,544,102)	(4,805,382)
Net assets/(liabilities)	2,085,206	(853,986)
Revenue	7,659,504	816,816
Profit/(loss) for the year	2,939,192	(774,185)
Cash flows from operating activities	64,967	365,565
Cash flows from investing activities	(184,289)	(195,807)
Cash flows from financing activities	–	51,000
Net (decrease)/increase in cash and cash equivalents	(119,322)	220,758

Impairment loss recognised

Impairment loss was provided for investment in subsidiary companies in which these subsidiary companies had accumulated losses and had deficits in their shareholders' equity. The forecasted financial position, performance and cash flows of these subsidiary companies are not able to generate sufficient recoverable amount to justify the carrying amount of the investment in these subsidiary companies.

Disposal of a subsidiary company

On 18 April 2016, the Group had disposed off 100% equity interest in SRSB for RM2.00. Upon the disposal, SRSB ceases to be a wholly-owned subsidiary company of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The effects of the disposal on the consolidated statement of financial position are as follows:

	2017 RM	Group 2016 RM
ASSETS		
Cash and bank balances	–	2
LIABILITIES		
Other payables and accruals	–	3,214
Amount owing to related companies	–	4,185
	–	7,399
Net liabilities	–	(7,397)
Add: Goodwill on acquisition	–	–
	–	(7,397)
Cash consideration	–	(2)
Gain on disposal	–	(7,399)

The effect of the disposal on cash flow is as follows:

	2017 RM	Group 2016 RM
Proceeds from disposal of subsidiary company	–	2
Less: Cash and bank balances disposed off	–	(2)
Net cash inflow on disposal of subsidiary company	–	–

Incorporation of new subsidiary companies

On 9 August 2017, the Company's wholly-owned subsidiary company, MIHSB has incorporated a new wholly-owned subsidiary company, WCSB. WCSB has an issued share capital of RM2 comprising 2 ordinary shares.

On 25 April 2016, the Company's wholly-owned subsidiary company, MIHSB has incorporated a new wholly-owned subsidiary company, MRSB. MRSB has an authorised share capital of RM400,000 comprising 400,000 ordinary shares, of which RM2 comprising 2 ordinary shares of have been issued.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Acquisition of subsidiary companies

On 29 August 2016, the Company entered into a subscription and shareholders' agreement ("SSA") with Mr. Ong Kah Hoe, Ms. Ong Yew Ming whereby the Company has subscribed for 51,000 new ordinary shares in FASB for a total cash consideration of RM51,000 ("Subscription").

The Subscription has been completed on 29 August 2016 in accordance with the terms of the SSA. Accordingly, the Company now holds 51% equity interest in FASB and FASB will be recognised as a subsidiary company of the Company.

On 20 October 2016, the Company's wholly-owned subsidiary company, MIHSB has acquired 100% equity interest in FESB for a total cash consideration of RM2. Upon the acquisition, FESB became a wholly-owned subsidiary company of the Group.

The fair values of net identifiable assets and liabilities of FASB and FESB as at the date of acquisitions were:

	Pre-acquisition carrying amount RM	Fair value RM
Property, plant and equipment	1,107,226	1,107,226
Other receivables	3,638,930	3,638,930
Cash and bank balances	148,892	148,892
	4,895,048	4,895,048
Trade payables	(27,902)	(27,902)
Other payables and accruals	(4,939,946)	(4,939,946)
Net identifiable liabilities	(72,800)	(72,800)
Less: NCI share of the acquiree net identifiable liabilities		35,673
Net identifiable liabilities acquired		(37,127)

Total cost of the business combination

The total cost of the business combination is as follows:

	2017 RM	Group 2016 RM
Cash paid	—	51,002

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The effect of the acquisition on cash flow is as follows:

	2017 RM	Group 2016 RM
Total cost of the business combination	–	51,002
Less: Cash and cash equivalents of subsidiary companies acquired	–	(148,892)
Net cash inflow on acquisition	–	(97,890)

Goodwill arising on acquisition of subsidiary companies

	2017 RM	Group 2016 RM
Fair value of net identifiable liabilities	–	(72,800)
Less: NCI share of the acquiree net identifiable liabilities	–	35,673
Group's interest in fair value of net identifiable liabilities	–	(37,127)
Goodwill on acquisition of subsidiary companies (Note 6)	–	88,129
Total cost of the business combination	–	51,002

Impact of acquisition in statements of profit or loss and other comprehensive income

From the dates of acquisition, the revenue and losses after taxation contributed by FASB and FESB to the Group are as follows:

	2017 RM	2016 RM
Revenue	–	816,816
Loss after taxation	–	(99,524)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

9. INVESTMENT IN JOINT VENTURE

	2017 RM	Group 2016 RM
Unquoted shares in Malaysia, at cost		
At 1 January	–	–
Additions	45	–
	45	–
Share of loss of joint venture	(45)	–
At 31 December	–	–

Name of joint venture	Effective equity interest		Principal activities
	2017 %	2016 %	
W Club Enterprise Sdn. Bhd. ("WCESB")	45	–	Engaged in the business of entertainment centre and food and beverage.

On 17 March 2017, the Company wholly-owned subsidiary company, MISB entered into a subscription and shareholders' agreement whereby MISB has subscribed for 45 new ordinary shares in WCESB for a consideration of RM45 to form a joint venture vehicle. MISB now holds 45% equity interest in WCESB.

The company's aggregate share of the current assets, current liabilities, income and expenses of the jointly controlled entity is as follows:

	2017 RM	Group 2016 RM
Assets and liabilities		
Current assets	593,984	–
Current liabilities	602,333	–
Statement of Profit or Loss and Other Comprehensive Income		
Revenue	–	–
Loss after taxation	(333)	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

10. OTHER INVESTMENT

	2017 RM	Group 2016 RM
Unquoted shares in Malaysia, at cost At 1 January/31 December	714,471	714,471
Less: Accumulated impairment losses (individually impaired) At 1 January	–	–
Addition	714,471	–
	714,471	–
At 31 December	–	714,471

Investment in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to lack of marketability of the shares.

Impairment loss recognised

Impairment loss was provided for other investment in which the company had accumulated losses and had deficits in its shareholders' equity.

11. INVENTORIES

	2017 RM	Group 2016 RM
At cost:		
Work-in-progress	55,350	–
Finished goods	36,570	38,365
Food and beverages	3,094,314	1,465,264
	3,186,234	1,503,629

12. TRADE RECEIVABLES

	2017 RM	Group 2016 RM
Trade receivables	7,606,118	8,014,906
Less: Accumulated impairment losses	(5,319,029)	(6,477,502)
	2,287,089	1,537,404

The Group's normal trade credit terms ranged from 30 to 150 days (2016: 30 to 150 days). Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

12. TRADE RECEIVABLES (CONT'D)

Movements of the accumulated impairment losses (individually impaired) are as follows:

	2017 RM	Group 2016 RM
At 1 January	6,477,502	1,214,111
Additions	–	5,263,391
Reversal	(1,158,473)	–
At 31 December	5,319,029	6,477,502

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 RM	Group 2016 Restated RM	2017 RM	Company 2016 RM
Other receivables	8,328,371	627,606	2,503	–
Deposits	4,252,095	4,385,508	1,250	1,250
Prepayments	1,426,640	1,193,653	935,871	708,094
	14,007,106	6,206,767	939,624	709,344

14. AMOUNT OWING BY SUBSIDIARY COMPANIES

Company

The amount owing by subsidiary companies are non-trade in nature, unsecured, interest-free and repayable on demand.

15. FIXED DEPOSITS WITH LICENCED BANKS

Group and Company

The fixed deposits with licenced banks earn interest at rates ranging from 3.10% to 3.80% (2016: 3.10% to 3.80%) per annum.

Included in fixed deposits with licenced banks of the Group and of the Company is an amount of RM1,316,401 (2016: RM1,278,898), being fixed deposits pledged for bank overdraft facility granted to a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

16. SHARE CAPITAL

	2017	Group and Company 2016	2017	2016
	Number of ordinary shares		RM	RM
Issued share capital:				
At 1 January	777,089,722	705,502,788	38,854,486	70,550,279
Par value reduction	–	–	–	(35,275,139)
Issuance of shares pursuant to conversion of Warrants	4,968,366	71,586,934	248,419	3,579,346
At 31 December	782,058,088	777,089,722	39,102,905	38,854,486

* Prior to par value reduction as mentioned in (a) below, the par value of the ordinary shares was RM0.10.

During the financial year, the Company increased issued share capital from RM38,854,486 to RM39,102,905 by way of the issuance of 4,968,366 new ordinary shares in the Company at an issue price of RM0.05 per share for cash pursuant to the conversion of 4,968,366 Warrants 2014/2019 ("Warrants C") of the Company.

The newly issued shares rank pari passu in all respects with the previously issued shares.

In the previous financial year, the Company:

- completed the par value reduction from RM0.10 to RM0.05 per share. Pursuant to the par value reduction, the issued share capital of the Company had been reduced from RM70,550,279 comprising 705,502,788 issued share capital to RM35,275,140 comprising 705,502,788 issued share capital; and
- increased its issued share capital from RM35,275,140 to RM38,854,486 by way of the issuance of 71,586,934 new ordinary shares in the Company at an issue price of RM0.05 per share pursuant to the conversion of 71,586,934 Warrants 2011/2016 ("Warrants B") of the Company.

The newly issued shares rank pari passu in all respects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

Warrants B

Warrants B were listed on Bursa Malaysia Securities Berhad ("Bursa Securities") on 7 June 2011. Each Warrant B entitles its holder the right to subscribe for one (1) new ordinary share in the Company at any time up to the expiry date of 6 June 2016 at an exercise price of RM0.05 payable in cash.

In the previous financial year, 71,586,934 of the Warrants B had been exercised at an issue price of RM0.05 per share, with the remaining balance of the Warrants B which had not been exercised treated as lapsed and ceased to be valid for any purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

16. SHARE CAPITAL (CONT'D)

Warrants C

Warrants C were listed on Bursa Securities on 14 November 2014. Each Warrant C entitles its holder the right to subscribe for one (1) new ordinary share in the Company at any time up to the expiry date of 6 November 2019 at an exercise price of RM0.05 payable in cash.

The number of Warrants C remained unexercised at the end of the financial year is as follows:

	Company	
	2017 Unit	2016 Unit
Unexercised Warrants C	230,199,230	235,167,596

During the year, 4,968,366 (2016: Nil) of the Warrants C had been exercised at an issue price of RM0.05 per share.

17. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Share premium	28,657,465	28,657,465	28,657,465	28,657,465
ESOS reserve	4,458,112	4,458,112	4,458,112	4,458,112
Foreign currency translation reserve	(13,312)	—	—	—
Accumulated losses	(41,758,860)	(45,061,985)	(4,395,327)	(3,922,834)
	(8,656,595)	(11,946,408)	28,720,250	29,192,743

Share Premium

	Group and Company	
	2017 RM	2016 RM
At 1 January	28,657,465	2,966,427
Reclassified from excess credits arising from par value reduction	—	25,835,475
Expenses on par value reduction	—	(144,437)
At 31 December	28,657,465	28,657,465

Share premium represents premium arising from issuance of shares in previous years, net of its related expenses. Share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 618(2) of the Companies Act 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

17. RESERVES (CONT'D)

ESOS Reserve

On 26 June 2014, the Company obtained approval from the shareholders at the Extraordinary General Meeting for the issuance of ESOS of not exceeding in aggregate thirty percent (30%) of the Company's total issued share capital at any point of time during the duration of the ESOS. The ESOS shall be allocated to any eligible employees of the Company and its subsidiary companies who fulfilled the eligibility criteria for participation in the ESOS.

Each ESOS option entitles the eligible employee to subscribe for such number of ordinary shares in the Company pursuant to an offer duly accepted by the eligible employee at the exercise price to be determined by the ESOS Committee at its discretion based on the 5-day weighted average market price (5D-VWAMP) of the Company's shares as quoted in Bursa Malaysia Securities Berhad, immediately prior to the date of offer made by the ESOS Committee with a discount of not more than 10%, if deemed appropriate.

The ESOS shall be valid for a duration of five years from the effective date of the ESOS, and may upon the recommendation of the ESOS Committee, be extended for a further five years.

The Company offered a total of 104,999,700 share options under the ESOS at the option price of RM0.10 to eligible employees of the Company.

On 16 February 2016, the Company announced that the subscription price of the ESOS has been revised from RM0.10 to RM0.05 per share pursuant to the Company's ESOS By-Law 17.

The option prices and the details in the movements of the options granted are as follows:

Date of Offer	Exercise price	Number of Options Over Ordinary Shares each			
		As at 01.01.2017	Granted	Lapsed	As at 31.12.2017
11 February 2015	RM0.05	70,546,000	–	–	70,546,000
15 June 2015	RM0.05	23,148,400	–	–	23,148,400
18 August 2015	RM0.05	11,305,300	–	–	11,305,300
		104,999,700	–	–	104,999,700

Date of Offer	Exercise price	Number of Options Over Ordinary Shares each			
		As at 01.01.2016	Granted	Lapsed	As at 31.12.2016
11 February 2015	RM0.05	70,546,000	–	–	70,546,000
15 June 2015	RM0.05	23,148,400	–	–	23,148,400
18 August 2015	RM0.05	11,305,300	–	–	11,305,300
		104,999,700	–	–	104,999,700

Executive Directors of the Group and of the Company and other members of key management have been granted the following number of options:

	2017 RM	2016 RM
At 1 January/31 December	63,958,900	63,958,900

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

17. RESERVES (CONT'D)

The fair values of the share options granted were estimated using Black-Scholes Option Pricing Model ("BSOPM"), taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:

	1st offer Grant dates 23.02.2015 to 17.03.2015	2nd offer Grant dates 19.06.2015 to 23.06.2015	3rd offer Grant dates 19.08.2015 to 29.09.2015
Fair value of share options at the grant date (RM)	0.029	0.034	0.036
Assumed share price ranged (RM)	0.075 - 0.105	0.065 - 0.100	0.055 - 0.100
Share price volatility (%)	20 - 50	30 - 80	40 - 85
Exercise price (RM)*	0.10	0.10	0.10
Expected life (years)	4.83	4.56	4.29
Risk free interest rate (%)	3.68	3.61	3.95

* The exercise price was revised to RM0.05 subsequently.

18. FINANCE LEASE LIABILITIES

	Future instalments payable RM	Undue interest RM	Principal payable RM
<i>Group</i>			
<i>2017</i>			
<i>Shown under current liabilities</i>			
Within 1 year	48,516	(4,680)	43,836
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	80,841	(3,091)	77,750
	129,357	(7,771)	121,586
<i>2016</i>			
<i>Shown under current liabilities</i>			
Within 1 year	48,516	(6,799)	41,717
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	129,357	(7,771)	121,586
	177,873	(14,570)	163,303

The effective interest rate for the finance lease liabilities is 2.75% (2016: 2.60% to 2.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

19. DEFERRED TAX LIABILITIES

	2017 RM	Group 2016 RM
At 1 January	—	—
Transfer from profit or loss (Note 28)	44,824	—
At 31 December	44,824	—

The deferred tax liabilities are in respect of taxable temporary differences arising from the qualifying property, plant and equipment's total capital allowances claimed in excess of corresponding accumulated depreciation.

20. TRADE PAYABLES

Group

The normal trade credit terms granted to the Group ranged from 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

21. OTHER PAYABLES AND ACCRUALS

	2017 RM	Group 2016 Restated RM	2017 RM	Company 2016 RM
Other payables	7,344,283	6,767,684	820,045	1,111,506
Accruals	564,751	557,292	60,700	275,900
	7,909,034	7,324,976	880,745	1,387,406

Group

Included in other payables is an amount of RM5,014,255 (2016: RM4,164,492) owing to a company in which certain directors of a subsidiary company have financial interest. This amount is unsecured, interest free and repayable on demand.

Group and Company

Included in other payables is an amount of RM774,580 (2016: RM774,580) owing to the directors of a subsidiary company. This amount is unsecured, interest free and repayable on demand.

22. PROVISION FOR WARRANTY AND MAINTENANCE COSTS

	2017 RM	Group 2016 RM
At 1 January/31 December	72	72

The Group gives warranties on certain products and undertakes to replace defective items. A provision has been recognised at the year end for expected warranty claims based on past experience of the level of returns.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

23. AMOUNT OWING TO DIRECTORS

Group

The amounts owing are non-trade in nature, unsecured, interest free and repayable on demand.

24. BANK OVERDRAFTS

Group

Secured

The bank overdrafts are denominated in RM and granted by a licenced bank.

The bank overdrafts are secured as follows:

- (a) Existing Memorandum of Deposit and Letter of Authorisation by the Company in favour of the licenced bank in respect of fixed deposit(s) of not less than RM204,698 together with all interest accruing from time to time in respect of the fixed deposits(s); and
- (b) Execution Memorandum of Deposit (creating a charge) and Letter of Authorisation by the Company in favour of the licenced bank in respect of fixed deposit(s) of not less than RM1,000,000 together with all interest accruing from time to time in respect of the fixed deposits(s).

The bank overdrafts bear effective interest rate of 4.85% (2016: 4.85%) per annum.

25. REVENUE

	2017 RM	Group 2016 RM
Billboard advertisement	5,565,000	-
Car park collection	2,094,504	816,816
Food and beverages	23,020,060	11,118,938
Project	340,180	958,630
Trading	663,784	2,638,549
	31,683,528	15,532,933

26. FINANCE COSTS

	2017 RM	Group 2016 RM
Bank overdraft interest	56,952	54,525
Finance lease interest	6,799	10,516
Other finance costs	149	-
	63,900	65,041

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

27. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(loss) before taxation is stated <i>after charging:</i>				
Auditors' remuneration				
- current year's provision	115,500	92,000	32,000	30,000
- under provision in respect of prior year	-	9,700	-	2,200
- other services	5,000	55,000	5,000	5,000
Bad debts written off	-	46,651	-	35,930
Depreciation	3,122,244	2,427,924	-	-
Impairment loss on investment in subsidiary companies	-	-	-	3,208,192
Impairment loss on other investment	714,471	-	-	-
Impairment loss on property, plant and equipment	1,121,880	-	-	-
Impairment loss on trade receivables	-	5,263,391	-	-
Loss of cash due to burglary	-	3,486	-	-
Property, plant and equipment written off	403,467	1,311,527	-	-
Rental of motor vehicles	-	84	-	-
Rental of premises	6,694,773	7,899,273	-	-
Revocation of property, plant and equipment	-	192,360	-	-
Share of loss on investment in joint venture	45	-	-	-
Employee benefits expense (Note 30)	6,698,103	6,916,315	30,785	734,258
<i>and crediting:</i>				
Dividend income	4,062	1,559	-	-
Gain on disposal of a subsidiary company	-	7,399	-	-
Gain on disposal of property, plant and equipment	2,019,266	-	-	-
Gain on foreign exchange - realised	46	-	-	-
Interest income	250,061	611,961	220,989	607,587
Reversal of impairment loss on trade receivables	1,158,473	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

28. INCOME TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysian income tax:				
- current year's provision	594,999	74,216	–	74,216
- over provision in respect of prior year	(4,752)	(589)	(4,752)	(589)
Deferred tax (<i>Note 19</i>):				
- relating to origination and reversal of temporary differences	44,824	–	–	–
	635,071	73,627	(4,752)	73,627

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(loss) before taxation	5,378,400	(17,027,677)	(477,245)	(3,849,207)
Income tax expense at Malaysian statutory tax rate of 24% (2016: 24%)	1,290,816	(4,086,642)	(114,539)	(923,810)
• Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	1,256,434	1,557,730	114,539	998,026
- deferred tax assets not recognised during the year	–	2,603,764	–	–
- utilisation of deferred tax assets not recognised in prior year	(1,280,687)	–	–	–
- income not subject to tax	(626,740)	(636)	–	–
	(650,993)	4,160,858	114,539	998,026
• Over provision of taxation in respect of prior year	(4,752)	(589)	(4,752)	(589)
	635,071	73,627	(4,752)	73,627

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

28. INCOME TAX EXPENSE (CONT'D)

The amount of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	2017 RM	Group 2016 RM
Qualifying property, plant and equipment's total capital allowances claimed in excess of corresponding accumulated depreciation	(12,149)	(812,043)
Unutilised capital allowances	1,030,170	2,615,424
Unabsorbed business losses	24,625,542	29,176,379
	25,643,563	30,979,760

29. EARNINGS/(LOSS) PER SHARE

Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per ordinary share is arrived at by dividing the Group's profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares issued and calculated as follows:

	2017	Group 2016
Profit/(loss) attributable to owners of the Company (RM)	3,303,125	(16,721,953)
Weighted average number of ordinary shares (units):		
Ordinary shares as at 1 January	777,089,722	705,502,788
Effect of new ordinary shares issued as a result of the exercise of Warrants B	–	43,482,393
Effect of new ordinary shares issued as a result of the exercise of Warrants C	587,121	–
Weighted average number of ordinary shares as at 31 December	777,676,843	748,985,181
Basic profit/(loss) per share (Sen)	0.42	(2.23)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

29. EARNINGS/(LOSS) PER SHARE (CONT'D)

Diluted Profit/(Loss) Per Share

	2017	Group 2016
Profit/(loss) attributable to owners of the Company (RM)	3,303,125	(16,721,953)
Weighted average ordinary shares issued as at 31 December	777,676,843	748,985,181
Effect of exercised of Warrants C	230,199,230	–
Effect of exercised ESOS	104,999,700	–
Weighted average ordinary shares issued as at 31 December	1,112,875,773	748,985,181
Diluted earnings per share (Sen)	0.30	N/A *

* The fully diluted loss per ordinary share for the Group for the previous financial year was not presented as the warrants and the ESOS would be anti-dilutive since the exercise price was higher than the fair value of the Company's shares.

30. EMPLOYEE BENEFITS EXPENSE

The employee benefits expense recognised in profit or loss are as follows:

	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
Salaries and wages	4,912,266	4,134,779	–	–
Defined contribution plan	393,930	327,456	–	–
Other employee benefits expense	1,391,907	1,235,838	30,785	253,959
Shared-based payment under ESOS	–	1,218,242	–	480,299
	6,698,103	6,916,315	30,785	734,258

Included in employee benefits expense are directors' remuneration who are also the key management personnel of the Group and of the Company:

	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
Directors of the Company				
Directors' remuneration				
- fees				
- current year's provision	510,446	546,000	170,446	198,000
- over provision in respect prior year	(202,500)	–	(202,500)	–
- other emoluments				
- current year's provision	96,200	52,600	74,200	52,600
- over provision in respect prior year	(23,800)	–	(23,800)	–
- shared-based payment under ESOS	–	1,218,242	–	480,299

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

31. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group arising from the financing activities, including both cash and non-cash changes as follows:-

<i>Group</i>	At 1.1.2017 RM	Cash Flows RM	Non-cash Changes RM	At 31.12.2017 RM
Finance lease liabilities	163,303	(41,717)	–	121,586

32. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as chief operating decision makers in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into main business segments as follows:

(a) Property investment and management

Engage in letting of property.

(b) Engineering services

Implementation and installation of industrial machines and processes, energy efficiency system, research and development of variable speed drives, installation of automation system, providing a range of support services covering project management services, maintenance support, engineering conceptualisation, system audit, energy saving services and other support services in relation to the Group's business and products.

(c) Food and beverages

Operate and manage food and beverage outlets.

(d) Others

Other segments comprise investment holding, manufacturing, trading and distribution of industrial equipment, machines and processes, and dormant companies.

For the purpose of making decisions about resource allocation, the Executive Directors assess the performance of the operating segments based on operating profits or losses which is measured differently from those disclosed in the financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items.

The Executive Directors are of the opinion that all inter-segment transactions are entered into in the normal course of business and are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

32. OPERATING SEGMENTS (CONT'D)

(i) Business Segments

Group 2017	Property investment and management RM	Engineering services RM	Food and beverages RM	Others RM	Total RM
Revenue					
External revenue	7,659,504	1,003,964	23,020,060	–	31,683,528
Inter-segment revenue	–	–	–	–	–
Total revenue	7,659,504	1,003,964	23,020,060	–	31,683,528
Results					
Segment results	2,933,193	1,745,124	2,107,592	(1,343,564)	5,442,345
Finance costs					(63,900)
Share of loss on investment in joint venture					(45)
Profit before taxation					5,378,400
Income tax expense					(635,071)
Profit after taxation					4,743,329
Other comprehensive loss					(13,312)
Non-controlling interests					(1,440,204)
					3,289,813
Assets					
Segment assets	7,385,115	1,568,220	23,430,333	968,010	33,351,678
Unallocated assets:					
Goodwill					88,129
Fixed deposits with licenced banks					7,406,049
Cash and bank balances					2,975,325
Total assets					43,821,181
Liabilities					
Segment liabilities	5,544,102	458,932	3,659,585	945,012	10,607,631
Unallocated liabilities:					
Bank overdrafts					1,199,758
Finance lease liabilities					121,586
Current tax liabilities					375,892
Deferred tax liabilities					44,824
Total liabilities					12,349,691
Other information					
Capital expenditures	188,351	45,842	4,964,698	3,583	5,202,474
Depreciation	2,948	160,509	2,958,787	–	3,122,244

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

32. OPERATING SEGMENTS (CONT'D)

(i) Business Segments (Cont'd)

Group 2016	Property investment and management RM	Engineering services RM	Food and beverages RM	Others RM	Total RM
Revenue					
External revenue	816,816	3,597,179	11,118,938	–	15,532,933
Inter-segment revenue	–	–	–	–	–
Total revenue	816,816	3,597,179	11,118,938	–	15,532,933
Results					
Segment results	(775,185)	(7,858,830)	(7,695,005)	(641,015)	(16,970,035)
Gain on disposal of a subsidiary company					7,399
Finance costs					(65,041)
Loss before taxation					(17,027,677)
Income tax expense					(73,627)
Loss after taxation					(17,101,304)
Non-controlling interests					379,351
					(16,721,953)
Assets					
Segment assets	3,587,882	2,018,796	16,288,879	709,344	22,604,901
Unallocated assets:					
Goodwill					88,129
Other investment					714,471
Cash and bank balances					2,075,991
Fixed deposits with licenced banks					11,220,610
Current tax assets					56,372
Total assets					36,760,474
Liabilities					
Segment liabilities	4,799,383	591,139	2,102,732	1,414,406	8,907,660
Unallocated liabilities:					
Bank overdrafts					1,196,457
Finance lease liabilities					163,303
Total liabilities					10,267,420
Other information					
Capital expenditures	75,974	382,034	5,029,336	–	5,487,344
Depreciation	1,133	542,274	1,884,517	–	2,427,924

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

32. OPERATING SEGMENTS (CONT'D)

Geographical information

Group 2017	Malaysia RM	Hong Kong RM	Total RM
Revenue			
External revenue	31,096,918	586,610	31,683,528
Inter-segment revenue	–	–	–
Total revenue	31,096,918	586,610	31,683,528
Results			
Segment results	5,128,727	313,618	5,442,345
Finance costs	(63,900)	–	(63,900)
Share of loss on investment in joint venture venture	(45)	–	(45)
Profit before taxation	5,064,782	313,618	5,378,400
Income tax expense	(553,949)	(81,122)	(635,071)
Profit after taxation	4,510,833	232,496	4,743,329
Other comprehensive loss	–	(13,312)	(13,312)
Non-controlling interests	(1,440,204)	–	(1,440,204)
	3,070,629	219,184	3,289,813
Assets			
Segment assets	32,796,788	554,890	33,351,678
Unallocated assets:			
Goodwill	88,129	–	88,129
Fixed deposits with licenced banks	7,406,049	–	7,406,049
Cash and bank balances	2,456,308	519,017	2,975,325
Total assets	42,747,274	1,073,907	43,821,181
Liabilities			
Segment liabilities	10,601,631	6,000	10,607,631
Unallocated liabilities:			
Bank overdrafts	1,199,758	–	1,199,758
Finance lease liabilities	121,586	–	121,586
Current tax liabilities	294,770	81,122	375,892
Deferred tax liabilities	44,824	–	44,824
Total liabilities	12,262,569	87,122	12,349,691
Other information			
Capital expenditures	5,202,474	–	5,202,474
Depreciation	3,122,244	–	3,122,244

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

32. OPERATING SEGMENTS (CONT'D)

Geographical information (Cont'd)

Group 2016	Malaysia RM	Hong Kong RM	Total RM
Revenue			
External revenue	15,532,933	–	15,532,933
Inter-segment revenue	–	–	–
Total revenue	15,532,933	–	15,532,933
Results			
Segment results	(16,963,384)	(6,651)	(16,970,035)
Gain on disposal of a subsidiary company	7,399	–	7,399
Finance costs	(65,041)	–	(65,041)
Loss before taxation	(17,021,026)	(6,651)	(17,027,677)
Income tax expense	(73,627)	–	(73,627)
Loss after taxation	(17,094,653)	(6,651)	(17,101,304)
Non-controlling interests	379,351	–	379,351
	(16,715,302)	(6,651)	(16,721,953)
Assets			
Segment assets	22,604,901	–	22,604,901
Unallocated assets:			
Goodwill	88,129	–	88,129
Other investment	714,471	–	714,471
Fixed deposits with licenced banks	11,220,610	–	11,220,610
Cash and bank balances	2,075,986	5	2,075,991
Current tax assets	56,372	–	56,372
Total assets	36,760,469	5	36,760,474
Liabilities			
Segment liabilities	8,905,660	2,000	8,907,660
Unallocated liabilities:			
Bank overdrafts	1,196,457	–	1,196,457
Finance lease liabilities	163,303	–	163,303
Total liabilities	10,265,420	2,000	10,267,420
Other information			
Capital expenditures	5,487,344	–	5,487,344
Depreciation	2,427,924	–	2,427,924

(ii) Major Customers

The Group has one (2016: Nil) major customers contributing approximately RM3,720,000 (2016: Nil), representing 12% (2016: Nil) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

33. RELATED PARTY DISCLOSURES

(a) Identities of related parties

- (i) The Group has a controlling related party relationships with its subsidiary companies;
- (ii) Companies where certain directors of the subsidiary companies are also the directors; and
- (iii) The directors of the Company and the directors of the subsidiary companies who are the key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year:

(i) Transactions between the Group and the Company with the related parties

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>With related parties</u>				
Other income from a company where a director of the Company is also the director	(200,000)	–	–	–
Rental income from a company where a director of the Company is also the director	(3,720,000)	–	–	–

(ii) Key management compensation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Employee benefits expense				
- Short term	380,346	598,600	18,346	250,600
- Long term	–	1,218,242	–	480,299

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

34. FINANCIAL INSTRUMENTS

The Group's and the Company's activities are exposed to foreign currency risk, interest rate risk, equity price risk, credit risk, liquidity and cash flow risks. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's and the Company's financial performance.

(a) Financial Risk Management Policies

The Group's and the Company's policies in respect of the major areas of treasury activity are as follows:

i. Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposures to foreign currencies are as follows:

<i>Group</i> 2017	Hong Kong Dollar (HKD) RM	Ringgit Malaysia RM	Total RM
Financial Assets			
Trade receivables	554,890	1,732,199	2,287,089
Other receivables and deposits	–	12,580,466	12,580,466
Fixed deposits with licenced banks	–	7,406,049	7,406,049
Cash and bank balances	519,017	2,456,308	2,975,325
	1,073,907	24,175,022	25,248,929
Financial Liabilities			
Trade payables	–	2,680,712	2,680,712
Other payables and accruals	–	7,909,034	7,909,034
Amount owing to directors	–	17,813	17,813
Bank overdrafts	–	1,199,758	1,199,758
Finance lease liabilities	–	121,586	121,586
	–	11,928,903	11,928,903
Net financial assets	1,073,907	12,246,119	13,320,026
Less: Net financial liabilities denominated in the respective entities' functional currencies	(1,073,907)	(12,246,119)	(13,320,026)
Foreign currency exposures	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

34. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

i. Foreign Currency Risk (Cont'd)

The Group's exposures to foreign currencies are as follows (Cont'd):

Group 2016	Hong Kong Dollar (HKD) RM	Ringgit Malaysia RM	Total RM
Financial Assets			
Trade receivables	–	1,537,404	1,537,404
Other receivables and deposits	–	5,013,114	5,013,114
Fixed deposits with licenced banks	–	11,220,610	11,220,610
Cash and bank balances	5	2,075,986	2,075,991
	5	19,847,114	19,847,119
Financial Liabilities			
Trade payables	–	1,582,612	1,582,612
Other payables and accruals	2,000	9,425,207	9,427,207
Bank overdrafts	–	1,196,457	1,196,457
Finance lease liabilities	–	163,303	163,303
	2,000	12,367,579	12,369,579
Net financial (liabilities)/assets	(1,995)	7,479,535	7,477,540
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	1,995	(7,479,535)	(7,477,540)
Foreign currency exposures	–	–	–

Foreign Currency Risk Sensitivity Analysis

The Group and the Company do not account for any sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

34. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

ii. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arise mainly from interest-bearing fixed deposits with licenced banks, finance lease liabilities and bank overdrafts. The Group's and the Company's policies are to obtain the most favourable interest rates available.

Interest Rate Risk Sensitivity Analysis

The interest rate risk sensitivity analysis on the fixed rates financial instruments is not disclosed as the interest-bearing financial instruments carry fixed interest rates where the Group and the Company believe that no reasonably possible change in the risk variable could affect the results of the Group and of the Company materially.

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	Group	
	2017 RM	2016 RM
	Increase/ (Decrease)	Increase/ (Decrease)
Effects on profit after tax/equity		
Increase of 100 basis point (bp)	(570)	(545)
Decrease of 100 bp	570	545

iii. Equity Price Risk

The Group and the Company are not exposed to equity price risk. The Group and the Company do not have exposures to commodity price risk.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

iv. Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk arises mainly from trade and other receivables. The Company's exposure to credit risk arises mainly from other receivables as well as amount owing by subsidiary companies. The maximum exposure to credit risk is represented by the carrying amount of these financial assets in the statements of financial position reduced by the effects of any netting arrangements with counterparties. The Group and the Company manage their exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. The Company only provides advances to subsidiary companies. For other financial assets (including fixed deposits and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties and financial institutions.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main component of this allowance is a specific loss component that relates to individually significant exposures. Impairment is estimated by management based on prior experience and the current economic environment.

Credit Risk Concentration Profile

The Group has significant concentration of credit risk as 65% (2016: 93%) of the Group's trade and other receivables were owing by 11 (2016: 5) major customers.

The Company only provides loans to its subsidiary companies where risks of default have been assessed to be low.

Exposure to Credit Risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the reporting date.

Ageing Analysis

The ageing analysis of the Group's trade receivables at the reporting date is as follows:

	2017 RM	Group 2016 RM
Not past due	576,794	562,623
Past due but not impaired:		
- 1 to 30 days	207,946	—
- 31 to 60 days	129,296	—
- 61 to 90 days	2,540	—
- 91 to 120 days	720,936	181
- more than 121 days	649,577	974,600
Impaired	1,710,295	974,781
	5,319,029	6,477,502
	7,606,118	8,014,906

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

34. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

iv. Credit Risk (Cont'd)

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due of more than 120 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are neither past due nor impaired are regular customers of the Group.

Trade receivables that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

Trade receivables that were individually impaired were those in financial difficulties and have defaulted in payments.

v. Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's exposures to liquidity risk arise mainly from general funding and business activities. The Group and the Company practise risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following tables set out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting year):

Group 2017	Weighted Average Effective Rate %	Contractual Carrying Amount RM	On Demand Undiscounted Cash Flows RM	Or Within 1 Year RM	1 - 5 Years RM	Total RM
Trade payables	–	2,680,712	2,680,712	2,680,712	–	2,680,712
Other payables and accruals	–	7,909,034	7,909,034	7,909,034	–	7,909,034
Amount owing to directors	–	17,813	17,813	17,813	–	17,813
Bank overdrafts	4.85	1,199,758	1,199,758	1,199,758	–	1,199,758
Finance lease liabilities	2.75	121,586	129,357	48,516	80,841	129,357
		11,928,903	11,936,674	11,855,833	80,841	11,936,674

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

v. Liquidity Risk (Cont'd)

The following tables set out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting year) (Cont'd):

Group 2016	Weighted Average Effective Rate %	Contractual Carrying Amount RM	On Demand Undiscounted Cash Flows RM	Or Within 1 Year RM	1 - 5 Years RM	Total RM
Trade payables	–	1,582,612	1,582,612	1,582,612	–	1,582,612
Other payables and accruals	–	7,324,976	7,324,976	7,324,976	–	7,324,976
Bank overdrafts	4.85	1,196,457	1,196,457	1,196,457	–	1,196,457
Finance lease liabilities	2.60 - 2.75	163,303	177,873	48,516	129,357	177,873
		10,267,348	10,281,918	10,152,561	129,357	10,281,918

Company 2017	Weighted Average Effective Rate %	Carrying Amount RM	On Demand Or Within 1 Year RM	Total RM
Other payables and accruals	–	880,745	880,745	880,745
2016				
Other payables and accruals	–	1,387,406	1,387,406	1,387,406

(b) Capital Risk Management

The Group and the Company manage their capital to ensure that the Group and the Company will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as return the capital to shareholders or issuing new shares.

The Group and the Company manage their capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt for the Group is calculated as trade and other payables, accruals, amount owing to directors plus bank overdrafts and finance lease liabilities less fixed deposits with licenced banks and cash and bank balances. Net debt for the Company is calculated as other payables and accruals less fixed deposits with licenced banks and cash and cash balances.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

The debt-to-equity ratios of the Group and of the Company as at the end of the financial year were as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	2,680,712	1,582,612	–	–
Other payables and accruals	7,909,034	7,324,976	880,745	1,387,406
Amount owing to directors	17,813	–	–	–
Bank overdrafts	1,199,758	1,196,457	–	–
Finance lease liabilities	121,586	163,303	–	–
	11,928,903	10,267,348	880,745	1,387,406
<i>Less:</i>				
Fixed deposits with licenced banks	(7,406,049)	(11,220,610)	(5,377,853)	(11,204,336)
Cash and bank balances	(2,975,325)	(2,075,991)	(227,358)	(475,879)
Net debt	1,547,529	(3,029,253)	(4,724,466)	(10,292,809)
Total equity	31,471,490	26,493,054	67,823,155	68,047,229
Debt-to-equity ratio	0.05	N/A	N/A	N/A

Note:

N/A: The fixed deposits with licenced banks and cash and bank balances of the Group and of the Company are sufficient to settle all the outstanding debts of the Group and of the Company as at the financial year end.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
Financial Assets				
<u>Available-for-sale</u>				
Other investment	–	714,471	–	–
<u>Loans And Receivables</u>				
Trade receivables	2,287,089	1,537,404	–	–
Other receivables and deposits	12,580,466	5,013,114	3,753	1,250
Amount owing by subsidiary companies	–	–	61,914,497	56,957,412
Fixed deposits with licenced banks	7,406,049	11,220,610	5,377,853	11,204,336
Cash and bank balances	2,975,325	2,075,991	227,358	475,879
	25,248,929	19,847,119	67,523,461	68,638,877
Financial Liabilities				
<u>Other Financial Liabilities</u>				
Trade payables	2,680,712	1,582,612	–	–
Other payables and accruals	7,909,034	7,324,976	880,745	1,387,406
Amount owing to directors	17,813	–	–	–
Bank overdrafts	1,199,758	1,196,457	–	–
Finance lease liabilities	121,586	163,303	–	–
	11,928,903	10,267,348	880,745	1,387,406

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company reported in the financial statements approximated their fair values due to the short term nature, except for unquoted shares in other investments and non-current portion of the finance lease liabilities.

Financial instruments that do not approximate their fair value are as follows:

Unquoted shares in other investments

It was not practicable to estimate the fair value of investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values of Financial Instruments (Cont'd)

Non-current portion of finance lease liabilities

	Carrying amount RM	Group Fair value RM
2017		
<u>Financial liabilities</u>		
Finance lease liabilities (non-current portion)	77,750	70,889
2016		
<u>Financial liabilities</u>		
Finance lease liabilities (non-current portion)	121,586	112,410

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the end of the financial year.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Fair Value Hierarchy

As at 31 December 2017, there were no financial instruments measured at fair value in the statements of financial position.

35. CONTINGENT LIABILITY

FDCSB, a subsidiary company of the Company presented a winding up petition against Black Tiger Aquaculture Sdn Bhd ("BTASB") in the High Court of Malaya, Johor Bahru on 25 January 2010 based on a debt of RM121,320 and interest of RM28,106 which was admitted by BTASB. The Winding Up Order was granted by the High Court on 20 August 2010.

Due to its dissatisfaction with the decision of the High Court, BTASB filed a Notice of Motion for Leave to appeal against the said decision pursuant to Section 68 of the Courts of Judicature Act, 1964 on 14 September 2010 ("Application for leave to appeal").

BTASB filed an appeal against the Winding Up Order on 28 February 2011 via Court of Appeal. The appeal was dismissed by the Court of Appeal on 4 January 2013, where the Court of Appeal held that there was a clear admission by BTASB on its indebtedness to FDCSB. BTASB later sought leave from Federal Court to appeal against the decision of the Court of Appeal and was rejected by the Federal Court on 19 June 2013.

The solicitors in charge of this matter are of the view that since the earlier Winding Up Order is affirmed by the Court of Appeal and Federal Court, the Official Receiver will continue to act as liquidator of BTASB including to call for creditors' meeting and to manage the assets of BTASB to pay off the debts to creditors, including FDCSB, if any. As at to-date, there is no instruction and information for such distribution assets from the Official Receiver.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (CONT'D)

36. OPERATING LEASE COMMITMENTS

The Group has minimum aggregate non-cancellable operating lease commitments in respect of premises payable as follows:

	2017 RM	Group 2016 RM
Within 1 year	1,740,367	1,933,012
After 1 year but within 2 years	3,782,803	–
	5,523,170	1,933,012

The Group leases 2 units (2016: 3 units) of office lots, 3 units (2016: 2 units) of retail lots and 6 units (2016: Nil) of hostel under operating leases. The leases typically run for an initial three years, with an option to renew the leases after that date at such terms and conditions as may be agreed between the lessee and the lessor. None of the leases include contingent rentals.

37. CAPITAL COMMITMENTS

	2017 RM	Group 2016 RM
Approved and contracted but not provided for - property, plant and equipment	127,628,334	128,110,224

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 17 March 2017, the Company announced that MISB, a wholly-owned subsidiary company of MIHSB had entered into a subscription and shareholders' agreement with Dion Tan Yong Chien, Morvin Tan U-Jiang and W Club Enterprise Sdn. Bhd. ("WCESB") whereby MISB will subscribe for 45% new ordinary shares in WCESB for a total cash consideration of RM45 to form a joint venture vehicle.
- (b) On 28 July 2017, the Company announced that the Company proposed to undertake to revise the previous Rights Issue with Warrants to the following:
 - (i) Proposed renounceable rights issue of up to 1,245,384,218 new irredeemable convertible preference shares in the Company ("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 Company's shares held by the entitled shareholders of the Company on an entitlement date to be determined ("Entitlement Date") ("Entitled Shareholders") ("Proposed Rights Issue of ICPS with Warrants"); and
 - (ii) proposed amendments to the Constitution/Memorandum and Articles of Association of the Company ("M&A") ("Proposed M&A Amendments").

The proposed Rights Issue of ICPS with Warrants and Proposed M&A Amendments are collectively referred to as the Proposals.

The revision was made by the Board after taking into consideration that the issuance of ICPS will not have an immediate dilution effect on the earnings per share ("EPS") of the Company as compared to the issuance of Rights Shares as the ICPS are expected to be converted gradually over the tenure of the ICPS, i.e. 10 years ("Conversion Period"). As the proceeds to be raised from the Proposed Rights Issue of ICPS with Warrants are earmarked for the project, the earnings that are expected to be derived from the conversion of the ICPS throughout the conversion period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (c) On 9 August 2017, the Company announced that MIHSB, a wholly-owned subsidiary company, had incorporated a new wholly-owned subsidiary namely WCSB with share capital of RM2 comprising 2 ordinary shares. The principal activity of WCSB is online wine retailing and distribution.
- (d) On 11 August 2017, the Company announced on the Proposed Rights Issue of ICPS with Warrants of up to 1,245,384,218 new ICPS together with up to 207,564,036 Warrants D on the basis of 6 ICPS together with 1 free Warrant D for every 6 existing Company's shares held by the entitled shareholders of the Company on an entitlement date to be determined has been approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

On 7 September 2017, the Proposed Rights Issue of ICPS with Warrants were duly approved by the shareholders at the Extraordinary General Meeting.

39. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

- (a) On 9 January 2018, the Company announced that the Company had resolved to revise the Proposed Rights Issue of ICPS with Warrants, which was approved by shareholders on 7 September 2017 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 Company's shares held by the entitled shareholders of the Company on an entitlement date to be determined ("Rights Entitlement Date") ("Entitled Shareholders") ("New 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").

(collectively the above referred to as "New Proposals".)

On 24 January 2018, the Company announced that Bursa Securities had approved the New Proposals.

- (b) On 26 January 2018, the Company announced that MIHSB, the wholly-owned subsidiary company, had incorporated a new wholly-owned subsidiary company namely, Bounce Entertainment Sdn. Bhd. ("BESB") in Malaysia with share capital of RM2 comprising 2 ordinary shares. The principal activities of BESB are to carry out the business of restaurants, food and beverages as well as investment holdings and general trading.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 **(CONT'D)**

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and represented to conform with current year's presentation as follows:

	Group	
	As previously reported 2016 RM	As restated 2016 RM
Statements of financial position (extract)		
<i>Current Assets</i>		
Other receivables, deposits and prepayments	8,310,998	6,206,767
<i>Current Liabilities</i>		
Other payables and accruals	9,429,207	7,324,976
Statements of cash flows (extract)		
Increase in receivables	(5,086,185)	(2,981,954)
Decrease in payables	2,318,508	214,277

41. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 27 April 2018 by the Board of Directors.

ANALYSIS OF SHAREHOLDINGS

As at 30 March 2018

SHARE CAPITAL

Issued and Fully Paid-up Capital	:	2,041,533,608
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

SHAREHOLDING DISTRIBUTION SCHEDULE

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
130	Less than 100	10,337	*
95	100 to 1,000	31,893	*
243	1,001 to 10,000	1,397,233	0.07
574	10,001 to 100,000	22,648,452	1.11
251	100,001 to less than 5% of issued shares	1,124,353,861	55.07
3	5% and above of the issued shares	893,091,832	43.75
1,296	TOTAL	2,041,533,608	100.00

* Less than 0.01%

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Exempt An for Maybank Kim Eng Securities Pte Ltd (A/C 649063)</i>	385,677,642	18.89
2.	UOBM Nominees (Asing) Sdn Bhd <i>Exempt An for Sanston Financial Group Limited</i>	327,407,240	16.04
3.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt An for Nomura PB Nominees Ltd</i>	180,006,950	8.82
4.	Cartaban Nominees (Asing) Sdn Bhd <i>Barclays Bank Plc (RE Equities)</i>	102,060,590	5.00
5.	Affin Hwang Nominees (Asing) Sdn. Bhd. <i>Exempt An for Sanston Financial Group Limited (Account Client)</i>	98,167,805	4.81
6.	HSBC Nominees (Asing) Sdn Bhd <i>BNP Paribas Secs Svs Paris for Global Prime Partners Ltd</i>	82,540,180	4.04
7.	Citigroup Nominees (Asing) Sdn Bhd <i>UBS AG for Maybank Kim Eng Securities Pte Ltd</i>	72,200,000	3.54
8.	Maybank Securities Nominees (Asing) Sdn Bhd <i>Exempt An for Maybank Kim Eng Securities Pte Ltd (A/C 648849)</i>	72,068,330	3.53
9.	M & A Nominee (Asing) Sdn Bhd <i>Exempt An for Sanston Financial Group Limited (Account Client)</i>	56,885,050	2.79
10.	Amsec Nominees (Asing) Sdn Bhd <i>Exempt An for KGI Securities (Singapore) Pte.Ltd. (66580 A CL)</i>	54,043,220	2.65

ANALYSIS OF SHAREHOLDINGS

As at 30 March 2018 (CONT'D)

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER) (CONT'D)

	Name of Shareholders	No. of Shares Held	Percentage (%)
11.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for Credit Suisse Securities (Europe) Limited</i>	51,334,200	2.51
12.	SJ Sec Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Majority Securities Pty. Ltd</i>	48,545,000	2.38
13.	M & A Nominee (Tempatan) Sdn Bhd <i>Sanston Financial Group Limited for Tay Ben Seng, Benson</i>	41,933,380	2.05
14.	M & A Nominee (Tempatan) Sdn Bhd <i>Sanston Financial Group Limited for Koo Kien Yoon</i>	40,340,040	1.98
15.	M & A Nominee (Tempatan) Sdn Bhd <i>Sanston Financial Group Limited for Cheng Siong Kuong</i>	39,248,490	1.92
16.	UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)</i>	32,923,200	1.61
17.	Kenanga Nominees (Asing) Sdn Bhd <i>Monex Boom Securities (HK) Limited for Pinnacle Funds Management Pty Ltd</i>	28,038,110	1.37
18.	JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Cheng Kim Liang (Margin)</i>	18,827,100	0.92
19.	JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Jien Shiung (Margin)</i>	18,781,690	0.92
20.	JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Kim Yin (Margin)</i>	18,779,600	0.92
21.	JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kua Khai Shyuan (Margin)</i>	18,741,600	0.92
22.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tai Yok Yen</i>	18,012,000	0.88
23.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Pang Kia Fatt</i>	13,974,120	0.68
24.	UOBM Nominees (Tempatan) Sdn Bhd <i>Exempt An for Sanston Financial Group Limited</i>	13,719,710	0.67
25.	Piong Yon Wee	12,546,080	0.61
26.	Cartaban Nominees (Asing) Sdn Bhd <i>Exempt An for Standard Chartered Bank Singapore (EFGBHK-Asing)</i>	11,970,000	0.59
27.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Piong Yon Wee</i>	10,811,000	0.53
28.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Quek Yong Wah</i>	9,711,850	0.48
29.	Malacca Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lai Yee Ling</i>	6,841,900	0.34
30.	JF Apex Nominees (Tempatan) Sdn Bhd <i>Exempt An for Sanston Financial Group Limited (Account Client)</i>	5,700,000	0.28
	TOTAL	1,891,836,077	92.05

ANALYSIS OF SHAREHOLDINGS

As at 30 March 2018 **(CONT'D)**

SUBSTANTIAL SHAREHOLDERS

	NAME OF SHAREHOLDERS	DIRECT	NO. OF SHARES HELD		%
			%	INDIRECT	
1.	Asiabio Capital Sdn Bhd	493,292,692	24.16		—
2.	Fintec Global Berhad (formerly known as Asia Bioenergy Technologies Berhad)			493,292,692	** 24.16

DIRECTORS' SHAREHOLDINGS

	NAME OF DIRECTORS	DIRECT	NO. OF SHARES HELD		%
			%	INDIRECT	
1.	Leung Kok Keong	—	—	—	—
2.	Tay Ben Seng, Benson	41,933,380	2.05	—	—
3.	Chang Yun Lung	—	—	—	—
4.	Abdul Menon Bin Arsad @ Abdul Manan Bin Arshad	—	—	—	—
5.	Tan Aik Heang	—	—	—	—

* Less than 0.01%

** Deemed interest through the shares held by Asiabio Capital Sdn Bhd, the wholly-owned subsidiary of Fintec Global Berhad (formerly known as Asia Bioenergy Technologies Berhad).

ANALYSIS OF WARRANT C HOLDINGS

As at 30 March 2018

No. of Warrants	:	3,277,100
Exercise Price of Warrants	:	RM0.05
Exercise Period of Warrants	:	7 November 2014 to 6 November 2019
Exercise Rights	:	Each warrant entitles the holder to subscribe for one new ordinary share in the Company
Voting Rights in the Meeting of Warrant Holders	:	One vote per warrant holder on a show of hands One vote per warrant on a poll
Number of Warrant Holders	:	176

WARRANT DISTRIBUTION SCHEDULE

No. of Warrantholders	Size of Warrant holdings	No. of Warrants Held	% of Warrant
68	Less than 100	3,779	0.12
42	100 to 1,000	7,683	0.23
21	1,001 to 10,000	86,494	2.64
35	10,001 to 100,000	1,310,689	40.00
3	100,001 to less than 5% of issued shares	367,330	11.21
7	5% and above of the issued shares	1,501,125	45.80
176	TOTAL	3,277,100	100.00

LIST OF 30 LARGEST WARRANT C ACCOUNT HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

	Name of Warrantholders	No. of Warrants Held	Percentage (%)
1.	Hian Bee Geok	285,000	8.70
2.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lee Eng Kee (E-KBU)</i>	228,000	6.96
3.	RHB Nominees (Tempatan) Sdn Bhd <i>Amara Investment Management Sdn Bhd for Lim Soo Ka</i>	228,000	6.96
4.	Chen Lee Han	190,125	5.80
5.	Lai Weng Chee @ Lai Kok Chye	190,000	5.80
6.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chow Soong Ming (E-SS2)</i>	190,000	5.80
7.	Tay Chong Ming	190,000	5.80
8.	C.K. Lim Realty Sdn Bhd	126,665	3.87
9.	Ch'ng Chor Seng	126,665	3.87
10.	Teo Boon Chong	114,000	3.48
11.	Seet Soon Hup	95,000	2.90

ANALYSIS OF WARRANT C HOLDINGS

As at 30 March 2018 (CONT'D)

LIST OF 30 LARGEST WARRANT C ACCOUNT HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER) (CONT'D)

	Name of Warrantholders	No. of Warrants Held	Percentage (%)
12.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Liew Kian Sin (E-JBU/PNS)</i>	83,600	2.55
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lee Yin Hov (7003430)</i>	76,000	2.32
14.	Chan Kam Chee	76,000	2.32
15.	Lee Mow Fatt	65,443	2.00
16.	Budiono Bin Ahmad	63,332	1.93
17.	Chaw Yoke Ling	63,332	1.93
18.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Chap Yan @ Ng Chip Lam (E-SGM)</i>	57,000	1.74
19.	Tan Kok Heng	57,000	1.74
20.	Teo Siew Lai	53,200	1.62
21.	Loh Yoke Lin	50,665	1.55
22.	Po Yoke Chin	50,665	1.55
23.	Chan Leong Ngiap	38,000	1.16
24.	Loh Soh Hong	38,000	1.16
25.	Maybank Nominees (Tempatan) Sdn Bhd <i>Lam Choy Choo</i>	38,000	1.16
26.	Ng Choo Ting (Ling) Ng Chor Teng	38,000	1.16
27.	Tan Shang Nean	38,000	1.16
28.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Md Aziman Bin Abd Aziz</i>	34,200	1.04
29.	Tan Hui Kee	25,332	0.77
30.	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Cha Soon Wen (CCTS)</i>	19,000	0.58
	TOTAL	2,928,224	89.35

DIRECTORS' WARRANTHOLDINGS

	NAME OF DIRECTORS	NO. OF WARRANTS HELD			
		DIRECT	%	INDIRECT	%
1.	Leung Kok Keong	—	—	—	—
2.	Tay Ben Seng, Benson	—	—	—	—
3.	Chang Yun Lung	—	—	—	—
4.	Abdul Menon Bin Arsad @ Abdul Manan Bin Arshad	—	—	—	—
5.	Tan Aik Heang	—	—	—	—

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CDS ACCOUNT NO.				-				-											
NO. OF SHARES HELD																			

FORM OF PROXY

I/We
(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration No)

of
(FULL ADDRESS)

being a member/members of **FOCUS DYNAMICS GROUP BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		

and/or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		

and/or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fifteenth Annual General Meeting ("15th AGM") of the Company to be held at Theatre Room, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on **Wednesday, 30 May 2018 at 2.30 p.m.** and at any adjournment thereof.

In case of a vote taken by a show of hands. "First Proxy "A"/" Second Proxy "B"/" Third Proxy "C" shall vote on my/our behalf.

My/our proxy/proxies shall vote as follows:

Please indicate with an "X" in the space provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting his discretion.

No.	Agenda								
1	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon								
		Resolution	First Proxy "A"		Second Proxy "B"		Third Proxy "C"		
			For	Against	For	Against	For	Against	
2	To approve the payment of Directors' Fees RM170,446 and benefit of RM74,200.00 for the financial year ended 31 December 2017	1							
3	To approve the payment of Directors' Fees of RM2,000.00 per month for each Independent Non-Executive Director	2							
4	Re-election of Mr. Tan Aik Heang	3							
5	Re-election of Mr. Leung Kok Keong	4							
6	Re-appointment of Auditors	5							
7	Authority to Issue Share Pursuant to Sections 75 and 76 of the Companies Act 2016	6							

* Strike out whichever not applicable

As witness *my/our hand this _____ day of _____

Signature of Member/Common Seal



Fold this flap for sealing

Please fold here

AFFIX
STAMP

The Company Secretary

FOCUS DYNAMICS GROUP BERHAD

(Company No. 582924-P)

No. 2-1
Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

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NOTES:-

1. A member of the Company who is entitled to attend, speak and vote at this 15th AGM may appoint a proxy to attend, speak and vote on his behalf. A proxy may not be a member of the Company and a member may appoint any person to be his proxy without limitation.
2. Where a member of the Company appoints up to three (3) proxies to attend at the same meeting, he shall specify in the instrument of proxy the proportions of his shareholdings to be represented by each proxy. He must also specify which proxy is entitled to vote on a show of hands and only one (1) of those proxies is entitled to vote on a show of hands.
3. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depository) Act, 1991 ("SICDA"), he may appoint up to three (3) proxies in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said security account.
4. Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA who is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. The instrument appointing a proxy shall be in writing by the appointer or an attorney duly authorized in writing or, if the appointer is a corporation, whether under its seal or by an officer or attorney duly authorised.
6. The instrument appointing either a proxy, a power of attorney or other authorities, where it is signed or certified by a notary as a true copy shall be deposited at the Registered Office of the Company at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL), Malaysia not less than 48 hours before this 15th AGM or at any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
7. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 May 2018 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at this 15th AGM.
8. Any alteration in the form of proxy must be initialed.
9. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.



FOCUS DYNAMICS GROUP BERHAD

(582924-P)

Lot 12.1, 12th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana,
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