

THIS CIRCULAR TO SHAREHOLDERS OF FOCUS DYNAMICS GROUP BERHAD (FORMERLY KNOWN AS FOCUS DYNAMICS TECHNOLOGIES BERHAD) (“FOCUS” OR THE “COMPANY”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. This Circular has been reviewed and approved by Mercury Securities Sdn Bhd, being the Principal Adviser to the Company for the Proposals (as defined herein).

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



FOCUS DYNAMICS GROUP BERHAD

(formerly known as Focus Dynamics Technologies Berhad)

(Company No. 582924-P)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

- (I) **PROPOSED DIVERSIFICATION OF THE BUSINESS OF FOCUS AND ITS SUBSIDIARIES INTO PROPERTY INVESTMENT AND MANAGEMENT (“PROPOSED DIVERSIFICATION”)**
- (II) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,245,384,218 NEW ORDINARY SHARES OF RM0.05 EACH IN FOCUS (“FOCUS SHARES” OR “SHARES”) (“RIGHTS SHARES”) TOGETHER WITH UP TO 622,692,109 FREE DETACHABLE WARRANTS IN FOCUS (“WARRANTS D”) ON THE BASIS OF TWO (2) RIGHTS SHARES TOGETHER WITH ONE (1) FREE WARRANT D FOR EVERY TWO (2) EXISTING FOCUS SHARES HELD BY THE ENTITLED SHAREHOLDERS OF THE COMPANY ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



Mercury Securities Sdn Bhd

(Company No. 113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting (“**EGM**”) of the Company to be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 25 October 2016 at 10.30 a.m. or at any adjournment thereof is enclosed together with the Form of Proxy in this Circular.

You are requested to complete, sign and return the enclosed Form of Proxy and deposit it 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 the time and date appointed for holding the EGM or any adjournment thereof. The completion and lodgement of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

Last date and time for lodging the Form of Proxy : Sunday, 23 October 2016 at 10.30 a.m.
Date and time of the EGM : Tuesday, 25 October 2016 at 10.30 a.m.

This Circular is dated 10 October 2016

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

Act	- Companies Act, 1965 of Malaysia, as amended from time to time including any re-enactment thereof
Additional Warrants C	- Additional Warrants C to be issued to holders of the existing Warrants C pursuant to the terms of the Deed Poll C
AGM	- Annual general meeting
Base Case Scenario	- Assuming none of the existing Convertible Securities are exercised prior to the Entitlement Date and all the Entitled Shareholders and/or their renounee(s) fully subscribe for their respective entitlements under the Proposed Rights Issue with Warrants
BNM	- Bank Negara Malaysia
Board	- The Board of Directors of Focus
Bursa Depository	- Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	- Bursa Malaysia Securities Berhad (Company No. 635998-W)
Business Partners	- Collectively, Mr. Ong Kah Hoe and Ms. Ong Yew Ming
Business Venture	- Business venture between the Company and the Business Partners to develop and manage the Project via Famous Ambience
CAGR	- Compound annual growth rate
Circular	- This circular in relation to the Proposals
City Growth	- City Growth Sdn Bhd (Company No. 320919-M), the master lessee of the Project Land
CMSA	- Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
Code	- Malaysian Code on Take-Overs and Mergers, 2016, as amended from time to time and any re-enactment thereof
Convertible Securities	- Collectively, the Warrants C and ESOS Options
Datuk Manan	Datuk Manan Bin Haji Md. Said, the Executive Chairman of the Company and a shareholder who has provided the Undertaking
Deed Poll B	- Deed poll dated 15 April 2011 constituting the Warrants B
Deed Poll C	- Deed poll dated 30 September 2014 constituting the Warrants C
Deed Poll D	- Deed poll constituting the Warrants D and governing the rights of Warrant D holders to be executed by the Company
Directors	- The directors of the Company for the time being
EGM	- Extraordinary general meeting

DEFINITIONS (CONT'D)

Engineering Services Segment	- 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
Entitled Shareholders	- Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date in order to be entitled to the Proposed Rights Issue with Warrants
Entitlement Date	- A date to be determined by the Board and announced later, on which the names of Shareholders must appear in the Record of Depositors of the Company as at the close of business on that date in order to be entitled to participate in the Proposed Rights Issue with Warrants
EPS	- Earnings per share
ESOS	- Existing employees' share option scheme of the Company
ESOS Options	- Options granted or which may be granted under the ESOS pursuant to the by-laws governing the ESOS, where each holder of the ESOS Options can subscribe for one (1) new Focus Share for every one (1) ESOS Option held
F&B	- Food and beverage
Famous Ambience	- Famous Ambience Sdn Bhd (Company No. 1031223-D), a 51%-owned subsidiary of Focus which will function as the special purpose vehicle through which Focus and the Business Partners will jointly develop the Project
FASB Share(s)	- Ordinary share(s) of RM1.00 each in Famous Ambience
Focus or the Company	- Focus Dynamics Group Berhad (<i>formerly known as Focus Dynamics Technologies Berhad</i>) (Company No. 582924-P)
Focus Group or the Group	- Collectively, Focus and its subsidiaries
Focus Share(s) or Share(s)	- Ordinary share(s) of RM0.05 each in the Company
Foreign-Addressed Shareholders	- Shareholders who have not provided an address in Malaysia for the service of documents which will be issued in connection with the Proposed Rights Issue with Warrants
FPE	- Financial period ended
FYE	- Financial year(s) ended / ending, as the case may be
GDP	- Gross domestic product
GFA	- Gross floor area
GP	- Gross profit
LAT	- Loss after taxation

DEFINITIONS (CONT'D)

LBT	- Loss before taxation
Listing Requirements	- ACE Market Listing Requirements of Bursa Securities, including any amendments made thereto from time to time
LPD	- 30 September 2016, being the latest practicable date prior to the printing of this Circular
Manufacturing Segment	- Manufacturing of variable speed drives and instruments for the control of industrial machines and processes
Market Day(s)	- Any day on which Bursa Securities is open for trading in securities
Maximum Scenario	- Assuming all the Convertible Securities are exercised into new Focus Shares prior to the Entitlement Date and all the Entitled Shareholders and/or their renounee(s) fully subscribe for their respective entitlements under the Proposed Rights Issue with Warrants
Mercury Securities or the Principal Adviser	- Mercury Securities Sdn Bhd (Company No. 113193-W)
MICE	Meetings, incentives, conferences and exhibitions
Minimum Scenario	- Assuming none of the Convertible Securities are exercised into new Focus Shares prior to the Entitlement Date and the Proposed Rights Issue with Warrants is undertaken on the Minimum Subscription Level
Minimum Subscription Level	- Minimum subscription level of 200,000,000 Rights Shares together with 100,00,000 Warrants D based on an illustrative issue price of RM0.05 per Rights Share to arrive at RM10 million pursuant to the Undertaking
NA	- Net assets
Official List	- The official list of the ACE Market of Bursa Securities
PAT	- Profit after taxation
PBT	- Profit before taxation
Project	- A mixed commercial development which is expected to feature retail / F&B lots, event hall, a Chinese restaurant, a seafood restaurant, karaoke centre and car parks in a five (5)-storey building with a basement level to be erected on the Project Land
Project Land	- Two (2) contiguous parcels of freehold land measuring approximately 169,504 sf held under HSD 110729 PT 431 and HSD 110730 PT 432, both in Section 90, Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
Proposals	- Collectively, the Proposed Diversification and Proposed Rights Issue with Warrants
Proposed Diversification	- Proposed diversification of the business of the Focus Group into property investment and management

DEFINITIONS (CONT'D)

Proposed Rights Issue with Warrants	- Proposed renounceable rights issue of up to 1,245,384,218 Rights Shares together with up to 622,692,109 free detachable Warrants D on the basis of two (2) Rights Shares together with one (1) free Warrant D for every two (2) existing Focus Shares held by the Entitled Shareholders on the Entitlement Date
Record of Depositors	- A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Rights Shares	- New Focus Shares to be allotted and issued pursuant to the Proposed Rights Issue with Warrants
RM and sen	- Ringgit Malaysia and sen respectively
RSGC	- The Royal Selangor Golf Club (Company No. 351-D)
Rules of Bursa Depository	- The Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, as amended from time to time
Rules on Take-Overs, Mergers and Compulsory Acquisitions	- Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC pursuant to Section 377 of the CMSA, as amended from time to time
SC	- Securities Commission Malaysia
sf	- Square feet
Shareholders	- Registered holders of Focus Shares
SMITH ZANDER	- Smith Zander International Sdn Bhd (Company No. 1058128-V), an independent market researcher
sqm	- Square metres
SSA	- Subscription and shareholders' agreement dated 29 August 2016 entered into between the Company, the Business Partners and Famous Ambience in relation to the Subscription and the Business Venture
Subscription	- The subscription by Focus of the Subscription Shares for the Subscription Consideration pursuant to the terms of the SSA
Subscription Consideration	- An amount of RM51,000 paid by the Company for the Company's subscription of the Subscription Shares
Subscription Shares	- 51,000 new FASB Shares, representing 51% equity interest in the enlarged issued and paid-up share capital of Famous Ambience, subscribed for by Focus at the Subscription Consideration
TERP	- Theoretical ex-rights price

DEFINITIONS (CONT'D)

- Undertaking** - Written undertaking from Datuk Manan pursuant to which he has irrevocably and unconditionally undertaken, amongst others, to apply and subscribe in full for his entitlement under the Proposed Rights Issue with Warrants and to apply for any Rights Shares not taken up by way of excess shares application, such that the aggregate subscription of Rights Shares received by the Company amounts to not less than RM10 million, details of which are set out in Section 5.3 of this Circular
- VWAP** - Volume-weighted average market price
- Warrants B** - Focus warrants 2011 / 2016 issued by the Company pursuant to the Deed Poll B which expired on 6 June 2016
- Warrants C** - Outstanding Focus warrants 2014 / 2019 issued by the Company pursuant to the Deed Poll C and expiring on 6 November 2019
- Warrants D** - Up to 622,692,109 free detachable warrants in Focus to be allotted and issued pursuant to the Proposed Rights Issue with Warrants

All references to "you" in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysia time, unless otherwise stated. Any discrepancies in the tables included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company's plans and objectives will be achieved.

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FOCUS DYNAMICS GROUP BERHAD

(formerly known as Focus Dynamics Technologies Berhad)

(Company No. 582924-P)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan
Malaysia

10 October 2016

Board of Directors

Datuk Manan Bin Haji Md. Said (*Executive Chairman*)

Ameezan Bin Jamal (*Executive Director*)

Leung Kok Keong (*Executive Director*)

Tan Aik Heang (*Independent Non-Executive Director*)

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

Chang Vun Lung (*Independent Non-Executive Director*)

To: The Shareholders

Dear Sir / Madam,

- (I) PROPOSED DIVERSIFICATION**
- (II) PROPOSED RIGHTS ISSUE WITH WARRANTS**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 29 August 2016, Mercury Securities had, on behalf of the Board, announced that the Company had entered into the SSA with the Business Partners and Famous Ambience whereby the Company had subscribed for the 51,000 Subscription Shares at the Subscription Consideration. The Subscription was completed on the same day in accordance with the terms of the SSA. Accordingly, Focus now holds 51% equity interest in Famous Ambience and Famous Ambience has been recognised as a subsidiary of the Company.

Pursuant to the terms of the SSA, Famous Ambience will function as the special purpose vehicle through which Focus and the Business Partners will jointly develop the Project on the Project Land.

On 2 September 2016, Mercury Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

On 28 September 2016, Mercury Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 27 September 2016, granted its approval for the following:-

- (i) admission of the Warrants D to the Official List;
- (ii) listing and quotation of the Rights Shares on the ACE Market of Bursa Securities;
- (iii) listing and quotation of the Additional Warrants C on the ACE Market of Bursa Securities; and
- (iv) listing and quotation of the new Focus Shares to be issued pursuant to the exercise of the Warrants D and Additional Warrants C on the ACE Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as set out in Section 12 of this Circular.

The purpose of this Circular is to provide you with relevant information on the Proposals and to set out the views and recommendation of the Board as well as to seek your approval for the resolutions pertaining to the Proposals which will be tabled at the forthcoming EGM. The Notice of the EGM and the Form of Proxy are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH ITS APPENDICES BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROJECT

In 2014, the Group diversified into the F&B business in order to improve its earnings base and reduce its reliance on its then existing core businesses of engineering services for energy efficiency management (i.e. the Engineering Services Segment) and manufacturing of variable speed drives and instruments for the control of industrial machines (i.e. the Manufacturing Segment). Currently, the Group's F&B segment operates the following F&B outlets:-

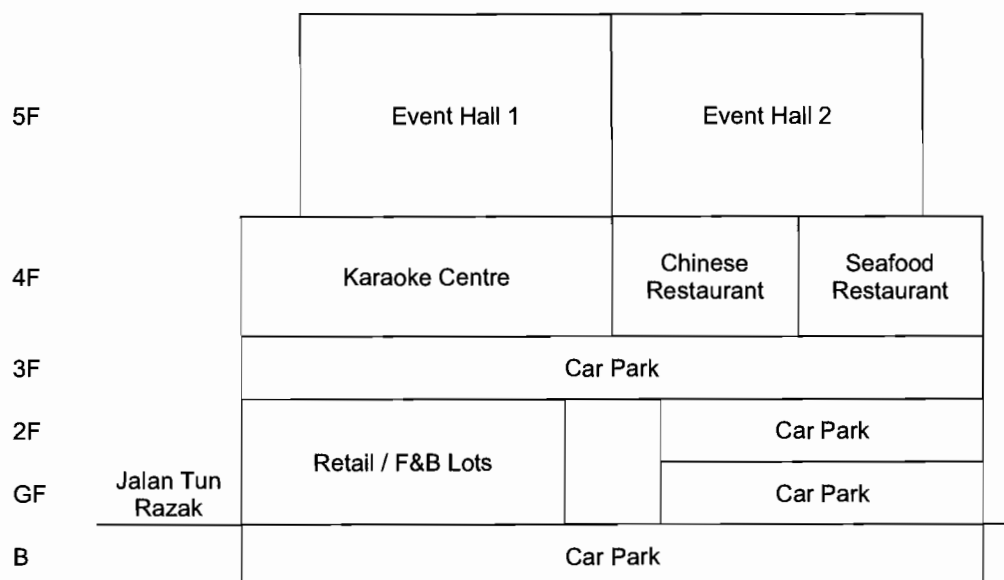
- (i) a Chinese restaurant known as '*The Prince*', serving home-style Chinese cuisine targeted at middle to high income consumers, located in 1 Mont Kiara at Mont Kiara;
- (ii) a lounge / bar known as '*Chaze*', located at Menara Lien Hoe, Tropicana Golf & Country Resort, Petaling Jaya ("**Menara Lien Hoe**"); and
- (iii) a restaurant / wine bar known as '*LAVO Restaurant & Wine Bar*', serving pork-free western food targeted at both middle to high income consumers in the vicinity, located at Menara Lien Hoe.

Since then, the Group has continued pursuing its diversification initiative by actively exploring opportunities for collaboration with potential business partners with the intention of expanding into other F&B-related businesses to complement its existing F&B operations and leverage on the experience of its F&B management team.

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2.1 Information on the Project

Layout of the Project



The Project consists of a five (5)-storey building with a basement level to be developed on the Project Land, being two (2) contiguous parcels of freehold land measuring approximately 169,504 sf.

Details of the Project Land are set out in Section 2.2 of this Circular.

Features of the Project

Based on the existing plan, upon completion, the Project is expected to have a total estimated gross floor area of approximately 530,000 sf and a total estimated lettable area of approximately 435,300 sf comprising the following:-

(i) **Retail lots cum showrooms / F&B lots**

The ground floor of the Project is expected to feature 19 units of specially-designated retail lots cum showrooms or F&B lots with a combined total floor space of approximately 21,800 sf. Some of these lots will be positioned at the front of the Project facing Jalan Tun Razak. Those lots situated at the front end are expected to benefit from good visibility as Jalan Tun Razak is one of the busiest roads in Kuala Lumpur, due to its linkage with a network of interconnected major highways and main roads serving traffic into and out from Kuala Lumpur. The retail / F&B lots are expected to measure between approximately 600 sf to 1,200 sf each.

The retail lots are convertible into showrooms, making them ideal for branding purposes. The retail lots cum showrooms will be catered to target renowned international brands, which will be sought to become premier tenants promoting and selling luxury goods such as cars, watches, handbags, jewellery and fashion accessories. Famous Ambience will seek to attract these tenants by leveraging on the good visibility offered by those lots positioned at the front end of the Project. The presence of international brands is envisaged to elevate the prestige of the Project and attract consumers with high spending power to the Project.

For the F&B lots, Famous Ambience will seek to attract tenants comprising a mix of local and foreign F&B operators to offer patrons a wide range of dining options. These outlets are envisaged to provide, amongst others, a variety of local, Asian and western cuisines with a mix of modern and traditional tastes. To cater for more casual dining options, Famous Ambience may also seek to attract fashionable cafes, lounges and wine bars as tenants. These F&B lots can also be designed to cater for alfresco dining spaces to allow patrons to indulge in casual outdoor dining experiences. This alfresco feature may strategically enhance consumer traffic visibility at the Project, thereby promoting vibrancy and a livelier atmosphere with spill-over benefits for the Project's other attractions.

The retail / F&B lots are expected to be the Project's main crowd-pulling feature, promoting the Project as a lifestyle retail, F&B and entertainment centre. The retail / F&B lots are expected to leverage on consumer traffic coming in from office workers during the daytime from surrounding office complexes such as the headquarters of RHB Banking Group, which is located immediately adjacent to the Project Land, as well as Menara JCorp and Menara AA, which are located immediately across Jalan Tun Razak facing the Project Land.

(ii) Event hall

The 5th floor of the Project is expected to feature a large event hall partitioned into two (2) inter-connected sections with a combined total floor space of approximately 45,500 sf. Upon completion, the event hall would be one of the largest in the Kuala Lumpur city centre in terms of floor space.

The multi-purpose event hall will be equipped with modern lighting and sound systems and will be ideal for hosting an array of large scale events such as banquets, wedding dinners, concerts, commercial fairs, trade exhibitions, fashion shows and corporate functions. If the event hall is used to host large dining events, it will have the capacity to host approximately 198 tables.

During events, the event hall will serve to pull a considerable crowd of event-goers, thereby providing spill-over consumer traffic for the Project's retail / F&B lots, Chinese restaurant, seafood restaurant and karaoke centre.

Upon completion, the event hall is intended to be operated by Famous Ambience.

(iii) Chinese restaurant and seafood restaurant

On the 4th floor of the Project, Famous Ambience intends to develop an upmarket Chinese restaurant and a seafood restaurant measuring approximately 24,000 sf each. The Chinese restaurant is envisaged to serve banquet-style fine Chinese cuisine whereas the seafood restaurant is envisaged to serve Chinese cuisine featuring quality, fresh and live seafood sourced locally and abroad. These restaurants can also cater for hosting larger dining events such as wedding dinners by transforming the Project's event hall into a banquet hall.

The Chinese restaurant and seafood restaurant are intended to be operated by Famous Ambience, thereby allowing the Group to capitalise on its experience in managing '*The Prince*' and '*LAVO Restaurant & Wine Bar*' as well as utilise some of the Group's existing key personnel in the F&B segment.

Notwithstanding the foregoing, Famous Ambience may consider cooperating with local or foreign Chinese restaurant chains with an established brand and reputation to run the Chinese restaurant and/or the seafood restaurant on a joint venture basis. Amongst others, Famous Ambience will consider whether the restaurant partner it identifies can add value to Famous Ambience's business. The Company will make the relevant announcements if Famous Ambience enters into any joint venture arrangement in this regard. At this juncture, Famous Ambience has yet to identify any restaurant partner to cooperate with.

(iv) Karaoke centre

Famous Ambience intends to develop a karaoke centre which will be situated adjacent to the Chinese restaurant and seafood restaurant on the 4th floor. With a gross floor area of approximately 34,000 sf, the karaoke centre provides an entertainment offering to complement the Project's retail / F&B attractions and event hall. The outlet will consist of private karaoke rooms equipped with the latest sound and karaoke systems as well as other facilities such as F&B offerings, bar / lounge area and individual private toilets.

The karaoke centre is envisaged to adopt a family-oriented concept similar to established karaoke brands in the Klang Valley such as "Neway" and "Red Box". A comprehensive selection of classic hits as well as the latest songs featuring a variety of languages to cater to different cultures and ethnic races is expected to be available.

The karaoke centre is intended to be leased out to an established karaoke brand to be identified.

(v) Car park

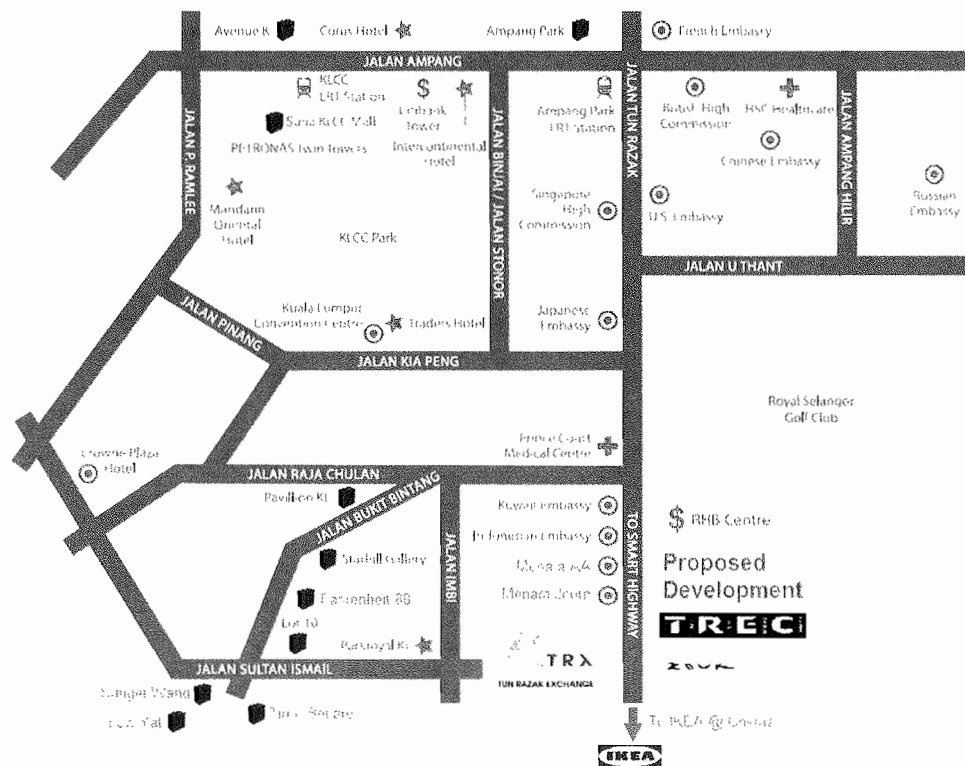
Parking facilities will be provided via a full basement level car park with 289 parking lots as well as additional car park on the ground floor, 2nd floor and 3rd floor providing another 570 parking lots. The car park is expected to capitalise on the Project Land's strategic location surrounded by office complexes including, amongst others, the headquarters of RHB Banking Group, Menara JCorp and Menara AA, as well as the relative lack of car park space in the locality.

During the day time, car park revenue is expected to come from workers from not only the Project's F&B / retail lots, karaoke centre, Chinese restaurant and seafood restaurant, but also from surrounding office complexes. As the sun sets, car park revenue is expected to come from consumers heading to the Project for leisure and entertainment. Hence, the car park is expected to provide a continuous stream of revenue to Famous Ambience throughout the day and night.

With a total of 859 parking lots, the Project's car park facilities will ensure that there will be sufficient parking for the convenience of guests of large scale events hosted at the Project's event hall.

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Location of the Project



The Project Land fronts Jalan Tun Razak on one end and is located adjacent to TREC KL, the headquarters of RHB Banking Group and the Royal Selangor Golf Club. TREC KL is an urban F&B, lifestyle and entertainment centre situated on a seven (7)-acre site featuring Zouk Club KL, the largest dance entertainment centre in Malaysia, as its anchor tenant and main attraction as well as various F&B outlets, retail lots and commercial spaces. Since the launch of Phase 1 of Zouk Club KL in August 2015, TREC has attracted a loyal crowd of party-goers.

In December 2015, TREC KL launched Electric Boulevard, which features 20 F&B venues of Malaysia's finest brands. Early-2016 saw the launch of Mercedes-Benz Cycle & Carriage Bintang TREC Autohaus, the first Mercedes-Benz City Store of its kind. TREC KL also hosts musical events and gigs performed by Malaysian independent artists at 'A Sunday Affair', Kuala Lumpur's first music-centric flea market. As subsequent phases of TREC KL are gradually launched with more entertainment, retail and F&B offerings, it is only expected to draw an even larger crowd to its entertainment hub in the coming years.

Once completed, the Project together with TREC KL is envisioned to be the largest urban entertainment, F&B and retail hub in Kuala Lumpur with entertainment venues, casual and fine dining F&B outlets and luxurious retail spaces.

The Project Land is also situated in close proximity to the Tun Razak Exchange. A government initiative under the Economic Transformation Plan, the Tun Razak Exchange is slated to be Kuala Lumpur's first international world-class financial district comprising commercial, residential, retail and hospitality features across 70 acres of land.

Once developed in the next few years, the Tun Razak Exchange is expected to host a multi-layered population of working class professionals, high income individuals, travelling businessmen and expatriates which will likely look across the road for retail, entertainment and night life activities. In this regard, the Project would be ideal in complementing the Tun Razak Exchange and, together with TREC KL, they are expected to be Kuala Lumpur's newest high street cum central business district, the city's focal point for business, entertainment and modern lifestyle.

Facing the Project Land immediately across Jalan Tun Razak are the office towers of Menara JCorp and Menara AA. The Project Land is also a ten (10)-minute drive from the Petronas Twin Towers and the 'Golden Triangle', Kuala Lumpur's commercial, shopping, entertainment and tourism hub comprising the areas surrounding Jalan Bukit Bintang, Jalan Imbi, Jalan Sultan Ismail and Jalan Raja Chulan.

Through Jalan Tun Razak, the Project will be accessible via a network of interconnected major highways and main roads, including Jalan Ampang, Lebuhraya Bertingkat Ampang–Kuala Lumpur, Lebuhraya Sultan Iskandar, Lebuhraya Kuala Lumpur–Putrajaya and Lebuhraya SMART. The proposed Pasar Rakyat MRT station, expected to be completed by 2017, is also situated close to the Project across Jalan Tun Razak.

The relevant applications for planning approval and building plans for the Project will be submitted by Famous Ambience to the relevant authorities in the fourth (4th) quarter of 2016. The construction of the Project is expected to commence in the first (1st) quarter of 2017 and is expected to be completed within 24 months from commencement of construction i.e. by first (1st) quarter of 2019.

Other information on the Project

Description	: Mixed commercial development comprising a five (5)-storey building together with a basement level												
Estimated lettable area (approximate)	: <table style="margin-left: 20px;"> <tr> <td>Event hall</td> <td>- 45,500 sf</td> </tr> <tr> <td>Retail / F&B lots</td> <td>- 21,800 sf</td> </tr> <tr> <td>Chinese restaurant</td> <td>- 24,000 sf</td> </tr> <tr> <td>Seafood restaurant</td> <td>- 24,000 sf</td> </tr> <tr> <td>Karaoke centre</td> <td>- 34,000 sf</td> </tr> <tr> <td>Car park</td> <td>- 286,000 sf</td> </tr> </table>	Event hall	- 45,500 sf	Retail / F&B lots	- 21,800 sf	Chinese restaurant	- 24,000 sf	Seafood restaurant	- 24,000 sf	Karaoke centre	- 34,000 sf	Car park	- 286,000 sf
Event hall	- 45,500 sf												
Retail / F&B lots	- 21,800 sf												
Chinese restaurant	- 24,000 sf												
Seafood restaurant	- 24,000 sf												
Karaoke centre	- 34,000 sf												
Car park	- 286,000 sf												
Total estimated lettable area	: Approximately 435,300 sf												
Total estimated gross floor area	: Approximately 530,000 sf												
Estimated rental income per annum	: Approximately RM18.80 million per annum												
Total estimated construction cost	: Approximately RM60 million. Please refer to Section 6(i) of this Circular for details on the breakdown. The construction is expected to be out-sourced to a third party contractor.												
Sources of funds for Famous Ambience's portion of the funding requirement of the Project	: Proceeds from the Proposed Rights Issue with Warrants, internally generated funds and bank borrowings to be procured. The actual funding breakdown cannot be determined at this juncture and can only be determined once the Proposed Rights Issue with Warrants is completed with the actual proceeds ascertained, as well as the availability and suitability of funding options at the relevant time.												
Stage of completion	: Construction has yet to commence												

2.2 Details of the Project Land

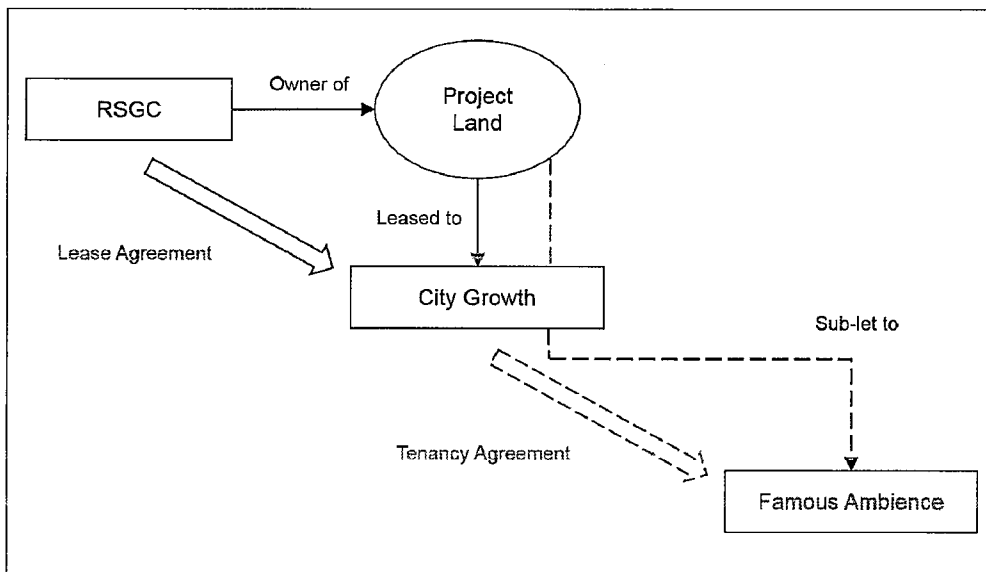
The Project Land is owned by RSGC and leased to City Growth, being the master lessee, for a lease period of 30 years commencing from 6 June 2008 which is renewable for additional three (3) terms of three (3) years each until 5 June 2047.

In turn, the Project Land is sub-let by City Growth to Famous Ambience for a term of three (3) years commencing from 1 February 2013, which shall be extended automatically and continuously⁽¹⁾ for additional 11 terms of three (3) years each until 31 May 2047, at a current rental rate of approximately RM2.00 per sf or RM0.34 million per month.

Note:-

(1) Subject always that there shall not be any existing breach or non-observance on the part of Famous Ambience of the terms of the tenancy agreement dated 1 February 2013 ("**Tenancy Agreement**").

The land ownership structure is illustrated below:-



Further details of the Project Land are as follows:-

Title particulars	: Held under HSD 110729 PT 431 and HSD 110730 PT 432, both in Section 90, Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
Tenure	: Freehold
Land owner / Lessor	: RSGC
Master lessee	: City Growth
Details of master lease	: The Project Land, together with two (2) other contiguous parcels of land held under HSD 110731 PT 433 and HSD 110732 PT 434, are currently leased by RSGC to City Growth via a Master Lease Agreement dated 6 June 2008 for a lease period of 30 years commencing from 6 June 2008 and expiring on 5 June 2038, which is renewable for additional three (3) terms of three (3) years each until 5 June 2047.
Sub-tenant	: Famous Ambience

Details of sub-tenancy	: The Project Land is currently being sub-let by City Growth to Famous Ambience via a Tenancy Agreement dated 1 February 2013 for a term of three (3) years commencing from 1 February 2013, which shall be extended automatically and continuously for additional 11 terms of three (3) years each until 31 May 2047.
Land area	: Total of 169,503 sf as follows:- (i) <u>HSD 110729 PT 431</u> 97,676 sf (ii) <u>HSD 110730 PT 432</u> 71,827 sf
Category of land use	: Nil
Restriction in interest	: Nil
Encumbrance	: Nil
Endorsement	: Nil
Existing use	: Open space car park

3. DETAILS OF THE BUSINESS VENTURE

3.1 Information on the Subscription

The change in the shareholding structure of Famous Ambience pursuant to the Subscription is illustrated below:-

Name	Before the Subscription		After the Subscription	
	No. of FASB Shares	% ⁽¹⁾	No. of FASB Shares	% ⁽²⁾
Focus	-	-	51,000	51.00
Business Partners				
Ong Kah Hoe ("OKH")	43,000	87.76	43,000	43.00
Ong Yew Ming ("OYM")	6,000	12.24	6,000	6.00

Notes:-

- (1) Based on the issued and paid-up share capital of Famous Ambience of 49,000 FASB Shares as at 26 August 2016, being the last business day prior to the Subscription.
- (2) Based on the enlarged issued and paid-up share capital of Famous Ambience of 100,000 FASB Shares after the Subscription.

The Subscription Consideration was financed by internally generated funds of the Company.

At this juncture, Focus and the Business Partners do not have any intention to increase the issued and paid-up share capital of Famous Ambience. Any injection of funds into Famous Ambience in the future for the Project will be via shareholders' advances in accordance with their respective percentage shareholding in Famous Ambience.

3.2 Basis of determining the Subscription Consideration

The Subscription Consideration of RM51,000 for the Subscription Shares was arrived at based on the par value of FASB Shares of RM1.00 each.

3.3 Background information on Famous Ambience

3.3.1 History and principal activities

Famous Ambience was incorporated in Malaysia under the Act on 11 January 2013 as a private limited company. It is principally engaged in the business of letting of property.

Famous Ambience is the sub-tenant of the Project Land. The Project Land is currently used as an open space car park managed by a third party operator. On average, car park charges of approximately RM235,000 per month is being collected by Famous Ambience. The operation of car park will cease upon commencement of the Project.

Details of the Project Land are set out in Section 2.2 of this Circular.

3.3.2 Share capital

The authorised, issued and paid-up share capital of Famous Ambience as at the LPD are as follows:-

Share capital	No. of FASB Shares	Par value (RM)	Amount (RM)
Authorised share capital	1,000,000	1.00	1,000,000
Issued and paid-up share capital	100,000	1.00	100,000

3.3.3 Directors

The directors of Famous Ambience and their respective shareholdings in Famous Ambience as at the LPD are as follows:-

Directors	Nationality	Direct		Indirect	
		No. of FASB Shares	%	No. of FASB Shares	%
OKH	Malaysian	43,000	43.00	-	-
Leung Kok Keong ⁽¹⁾	Malaysian	-	-	-	-
Chieng Siong Kuong ⁽²⁾	Malaysian	-	-	-	-

Notes:-

(1) He is also an Executive Director of Focus.

(2) He is also the Group Finance Manager of Focus.

3.3.4 Shareholders

The shareholders of Famous Ambience as at the LPD are as follows:-

Shareholders	Direct		Indirect	
	No. of FASB Shares	%	No. of FASB Shares	%
Focus	51,000	51.00	-	-
OKH	43,000	43.00	-	-
OYM	6,000	6.00	-	-

3.3.5 Subsidiaries and associated companies

As at the LPD, Famous Ambience does not have any subsidiary or associated company.

3.3.6 Material commitments and contingent liabilities

Material commitments

As at the LPD, apart from the rental payments to be made to City Growth pursuant to the Tenancy Agreement for the Project Land, the directors of Famous Ambience are not aware of any other material commitments incurred or known to be incurred by Famous Ambience that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial results or position of Famous Ambience.

Contingent liabilities

As at the LPD, the directors of Famous Ambience are not aware of any contingent liabilities incurred or known to be incurred by Famous Ambience which may have a material impact on the financial results or position of the Group.

3.4 Financial information on Famous Ambience

The historical financial information on Famous Ambience are as follows:-

	Audited			
	FPE 11 January 2013 to 31 October 2013 ⁽¹⁾ (RM)	FYE 31 October 2014 (RM)	FYE 31 October 2015 (RM)	FPE 31 July 2016 (RM)
Revenue	696,929	1,384,845	1,984,335	2,115,682
(Loss) before tax	(1,237,649)	(889,698)	(1,881,603)	(1,273,599)
(Loss) after tax	(1,237,649)	(889,698)	(1,881,603)	(1,273,599)
Gross (loss) per share	(124)	(89)	(188)	(26)
Net (loss) per share	(124)	(89)	(188)	(26)
Share capital	10,000	10,000	10,000	49,000
Net assets / (liabilities)	(1,237,649)	(2,117,347)	(3,998,950)	42,761
Net assets / (liabilities) per share	(124)	(212)	(400)	(1)
Current ratio (times)	0.48	0.31	0.33	0.77
Total borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-

Note:-

(1) The financial statements of Famous Ambience for the FPE 11 January 2013 to 31 October 2013 represent the first audited financial statements of Famous Ambience since incorporation on 11 January 2013.

FYE 31 October 2014 vs FPE 11 January 2013 to 31 October 2013 (approximately 10 months)

Famous Ambience recorded revenue of RM1.4 million for the FYE 31 October 2014 as compared to revenue of RM0.7 million for the FPE 11 January 2013 to 31 October 2013. The revenues were derived from rental collection from the open space car park on the Project Land. Famous Ambience has been collecting car park rental since February 2013.

Famous Ambience incurred a LAT of RM0.9 million for the FYE 31 October 2014 as compared to a LAT of RM1.2 million for the FPE 11 January 2013 to 31 October 2013. Under the terms of the Tenancy Agreement, Famous Ambience is contractually obliged to make rental payments to City Growth in accordance with the specified rental rate. The LAT was incurred as the rental collection from the open space car park was not sufficient to offset the rental payments to City Growth.

FYE 31 October 2015 vs FYE 31 October 2014

Famous Ambience recorded revenue of RM2.0 million for the FYE 31 October 2015 as compared to revenue of RM1.4 million for the FYE 31 October 2014. The increase in revenue was mainly due to higher rental collection from the open space car park on the Project Land as a result of higher car park charges.

Famous Ambience incurred a LAT of RM1.9 million for the FYE 31 October 2015 as compared to a LAT of RM0.9 million for the FYE 31 October 2014. The higher LAT was mainly due to higher rental paid to City Growth, which was not sufficient to offset the higher rental collection from the open space car park.

FPE 31 July 2016 (9 months) vs FYE 31 October 2015

Famous Ambience recorded revenue of RM2.1 million for the FPE 31 July 2016 as compared to revenue of RM2.0 million for the FYE 31 October 2015.

Famous Ambience incurred a LAT of RM1.3 million for the FPE 31 July 2016 as compared to a LAT of RM1.9 million for the FYE 31 October 2015. Despite higher car park charges, Famous Ambience continues to incur LAT as the rental collection from the open space car park was not sufficient to offset the rental payments to City Growth.

3.5 Background information on the Business Partners

3.5.1 Ong Kah Hoe

Mr. Ong Kah Hoe, aged 41, is the Managing Director of O&C Resources Berhad (*formerly known as Takaso Resources Berhad*) ("OCR"). He was first appointed to the Board of OCR as a Non-Independent Non-Executive Director on 14 November 2014 before being re-designated to Executive Director on 2 April 2015 and subsequently assuming his present role as Managing Director on 19 August 2016.

He graduated from the University of Coventry, United Kingdom in 1997 with a Bachelor Degree (Honours) in Business Administration. After graduation, Mr. Ong worked for a few years as a marketing executive in an established manufacturing and property company gaining invaluable experience in the process. He has over 15 years of property development and construction experience via his employment with OCR Land Holdings Sdn Bhd ("OCR Land"), where he currently holds a management role.

He joined OCR Land in 2002 as Managing Director and started off by overseeing its Dahlia Villa Townhouse project in an upscale neighbourhood. While serving as Managing Director, he successfully oversaw the development of and completed projects such as Beverly Residence, Eastwood Terrace, Westwood Terrace, Residence 8, Chestwood Terrace, PJ5 Soho, Boulevard Residence, Casa Utama Townhouses, Palm Reserve I, Palm Reserve II, D'Residency, Cloverton, Canary Residence and The Resident at Ampang South.

He currently holds a pivotal role managing and overseeing the on-going development projects of OCR Land and its subsidiaries. Apart from that, he is also involved in construction companies where he has successfully led and completed numerous construction projects including residential and hotel.

3.5.2 Ong Yew Ming

Ms. Ong Yew Ming, aged 41, is the Sales and Marketing Director of OCR. She graduated from the University of Western Illinois, United States of America with a Bachelor of Business Studies in 1998.

She joined OCR Land in 2004 as the Sales and Marketing Director and led the Sales and Marketing Division. Her role included setting and achieving sales targets and marketing strategic plans. She was an Executive Director of OCR Land from 2004 until 2015 and was overseeing the corporate development of the company. During her tenure with OCR Land and its subsidiaries, she was also involved in project development which included feasibility studies, market survey and research and project launches.

She joined Takaso Land Sdn Bhd in July 2015 and was subsequently transferred to OCR in August 2015. She is currently tasked to develop, implement, execute and monitor as well as establish sales and marketing strategies. She has accumulated approximately 12 years of experience in sales, marketing, advertising and promotional activities involving the property development industry.

3.6 Liabilities to be assumed by the Company

Save for the obligations and liabilities that may be assumed arising from the SSA, the Company will not assume any liability, including contingent liabilities and guarantees, pursuant to the Business Venture.

3.7 Salient terms of the SSA

3.7.1 Agreement to subscribe

Focus shall on the date of the SSA, subscribe for, at par, and Famous Ambience shall, immediately upon the subscription and payment of the relevant subscription moneys by Focus, allot and issue to Focus, at par, the Subscription Shares. For information, the Subscription was completed on 29 August 2016 in accordance with the terms of the SSA.

3.7.2 Shareholding Proportions

The respective shareholdings of Focus and the Business Partners shall at all times throughout the duration of the SSA be maintained in the following shareholding proportions ("**Shareholding Proportions**"):-

Shareholders	Shareholding Proportions
Focus	51.0%
OKH	43.0%
OYM	6.0%

3.7.3 Financing principles

- (i) The shareholders of Famous Ambience shall use its best endeavours to procure financing for Famous Ambience, if required, in accordance with the terms of the SSA, in an amount solely determined by the board of Famous Ambience and in accordance with the Shareholding Proportions.
- (ii) Any finance for Famous Ambience shall be procured, wherever possible, without any additional security or guarantee being provided by the shareholders of Famous Ambience.

3.7.4 Number and appointment of directors

- (i) At all times while the SSA remains in force, the shareholders of Famous Ambience shall procure that at any one time, unless otherwise expressly agreed by the shareholders of Famous Ambience, the number of directors shall not be more than 3 in number.
- (ii) Except as otherwise provided in the SSA, Focus will, while it remains a shareholder of Famous Ambience, be entitled to nominate and appoint 2 directors; and the Business Partners will, while they remain as shareholders of Famous Ambience, be entitled to nominate and appoint one director, and each director shall hold office for such term as may be determined by that shareholder who appointed him and shall not be subject to retirement by rotation.

3.7.5 Chairman

The chairman of Famous Ambience's board of directors' and shareholders' meetings will be a director nominated by the board of Famous Ambience from amongst its members from time to time. The chairman shall chair Famous Ambience's board of directors' and shareholders' meetings and shall not be entitled to exercise any casting vote.

3.7.6 Appointment of chief financial officer

The parties to the SSA agree that the chief financial officer to be appointed by Famous Ambience shall be nominated by Focus.

3.7.7 Transfer of FASB Shares

No shareholder of Famous Ambience may during the term of the SSA sell, transfer, assign, charge, mortgage, lien over, pledge, encumber, grant options over or otherwise dispose of or encumber any of their FASB Shares, except in compliance with the terms of the SSA.

3.7.8 Termination

The SSA will continue in full force and effect until terminated in accordance with the terms of the SSA. The SSA shall be deemed terminated upon occurrence of any of the following events:

- (i) the termination of the SSA by mutual written consent of all the shareholders of Famous Ambience; or
- (ii) the winding-up of Famous Ambience in accordance with the terms of the SSA; or
- (iii) when Famous Ambience ceases to carry on any business.

3.7.9 Default

In the event that a shareholder of Famous Ambience (the “**Defaulting Shareholder**”):

- (i) commits any material breach of any of his / her / its obligations under the SSA and fails to take appropriate steps to remedy such breach (if capable of remedy) within 30 days after being given notice so to do by the other non-defaulting shareholder of Famous Ambience;
- (ii) assigns, transfers or disposes of his / her / its FASB Shares in violation of the terms and conditions of the SSA;
- (iii) goes into liquidation, whether compulsory or voluntary or shall cease or threaten to cease to carry on the whole or substantially all of its business (except for the purposes of a *bona fide* reconstruction or amalgamation with the consent of the other shareholder of Famous Ambience, such consent not to be unreasonably withheld) or becomes a bankrupt; or
- (iv) becomes insolvent or is unable to pay his / her / its debts or admits in writing his / her / its inability to pay his / her / its debts as they fall due or enters into any composition or arrangement with his / her / its creditors or makes a general assignment for the benefit of his / her / its creditors,

then any other shareholder of Famous Ambience (other than the Defaulting Shareholder) will be entitled (but not after 60 days of the event in question first coming to the attention of the shareholder of Famous Ambience entitled to give the notice) to give a notice (“**Default Notice**”) to the Defaulting Shareholder.

At any time within 60 days of the service of the Default Notice on the Defaulting Shareholder, the non-defaulting shareholder of Famous Ambience will be entitled to give written notice (“**Default Buy-Sell Notice**”) to the Defaulting Shareholder, and upon service of a Default Buy-Sell Notice, the non-defaulting shareholder of Famous Ambience shall at its discretion be entitled to any one of the following remedies:

- (a) require the Defaulting Shareholder to purchase all the FASB Shares of the non-defaulting shareholder of Famous Ambience at a purchase price to be determined by the auditors appointed in accordance with the provisions of the SSA equivalent to the fair value of such FASB Shares determined in accordance with the provisions of the SSA (“**Fair Value**”), provided that if the Fair Value of all the FASB Shares of the non-defaulting shareholders of Famous Ambience is zero or a negative amount, the purchase price for all the FASB Shares shall be RM1.00; or
- (b) purchase all the FASB Shares of the Defaulting Shareholder at a purchase price to be determined by the auditors appointed in accordance with the provisions of the SSA equivalent to the Fair Value of such FASB Shares, provided that if the Fair Value of all the FASB Shares of the Defaulting Shareholder is zero or a negative amount, the purchase price for all the FASB Shares shall be RM1.00.

4. PROPOSED DIVERSIFICATION

4.1 Details of the Proposed Diversification

Pursuant to the Business Venture, the Group will be venturing into property investment and management through the management and operation of the event hall as well as rental collection from the retail / F&B lots, Chinese restaurant, seafood restaurant, karaoke centre and car park. These businesses are expected to contribute 25% or more of the net profits of the Group. In view thereof, the Board proposes to seek Shareholders' approval for the Proposed Diversification.

Pursuant to Rule 10.13(1) of the Listing Requirements, a listed corporation must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (a) the diversion of 25% or more of the NA of the listed corporation to an operation which differs widely from those operations previously carried on by the listed corporation; or
- (b) the contribution from such an operation of 25% or more of the net profits of the listed corporation.

Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's existing businesses in the same manner.

4.2 Key management team and personnel for the property investment and management business segment

The Group expects revenue contribution from the Project to also include rental / fee collection from the retail / F&B lots, event hall, karaoke centre and car park. This will be managed by Famous Ambience's property investment and management division to be formed. Famous Ambience will employ the following senior personnel who has relevant expertise and experience to spearhead the property investment and management division:-

(i) Ti Say Kwan

Mr. Ti Say Kwan, aged 33, is presently an Assistant Manager under the Project Management division of OCR Land Holdings Sdn Bhd, a property development company controlled by the Business Partners. He is expected to join Famous Ambience as Property Manager upon commencement of the Project.

He holds a degree in Urban and Regional Planning from Universiti Teknologi Malaysia. After graduation in 2007, he joined Trinity Towers Sdn Bhd, a company under the Trinity Group of companies, as Project Executive until 2009. While he was there, he was involved in land matters and planning for the The Zest @ Kinrara 9 project, a mixed development comprising serviced apartments, commercial shop offices and retail offices.

In 2009, he joined OCR Land Holdings Sdn Bhd where he currently holds the position of Assistant Manager. His experience includes his involvement in various capacities for the following projects:-

- (a) land matters and planning for the development of 292 units of condominium in Kajang (2009 - 2014);
- (b) planning and tender for the development of a retail and F&B mall in Jalan Tun Razak (2013 - 2015);

- (c) land matters, planning and implementation for the development of four (4) units of bungalows in Petaling Jaya (2010 - 2014).

In addition, upon obtaining the requisite approval for the Proposed Diversification and completion of the Project, the Group plans to employ additional key personnel for the management and operation of the retail / F&B lots, event hall, karaoke centre and car park as follows:-

Position	Expected no. of persons
Property manager	1
Property maintenance	3
Leasing executive	2

At this juncture, the recruitment of the aforesaid personnel is still in the planning stage. The Group will exercise its discretion and use its best endeavours to recruit the appropriate personnel who have the relevant skills, expertise and experience in the property investment and management segment to ensure the smooth management and operation of the retail / F&B lots, event hall, karaoke centre and car park.

Notwithstanding that, the exact size and structure of the team of key personnel may be subject to changes due to various factors such as the progress of the Project and the availability of qualified and suitable candidates.

Assuming that the Project progresses as planned and there is no shortage of suitable candidates, the team is expected to join the Group within three (3) months from completion of the Project.

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5. PROPOSED RIGHTS ISSUE WITH WARRANTS

5.1 Basis and number of Rights Shares and Warrants D to be issued

The Proposed Rights Issue with Warrants involves the issuance of up to 1,245,384,218 Rights Shares together with up to 622,692,109 free Warrants D to be implemented on a renounceable basis of two (2) Rights Shares together with one (1) free Warrant D for every two (2) Focus Shares held by the Entitled Shareholders on the Entitlement Date at an issue price to be determined and announced by the Board at a later date.

The actual number of Rights Shares and Warrants D to be issued will depend on the total number of issued and paid-up Focus Shares on the Entitlement Date after taking into consideration the number of Convertible Securities being exercised as well as the eventual level of subscription for the Proposed Rights Issue with Warrants.

The Rights Shares and Warrants D will be provisionally allotted and issued to the Entitled Shareholders. The Entitlement Date shall be determined by the Board after obtaining all approvals for the Proposed Rights Issue with Warrants.

The Warrants D are attached to the Rights Shares without any cost and will be issued only to the Entitled Shareholders and/or their renounee(s) who subscribe for the Rights Shares. Each Warrant D will entitle its holder to subscribe for one (1) new Share at an exercise price to be determined by the Board at a later date. The Warrants D will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants D will be issued in registered form and constituted by the Deed Poll D.

The entitlements for the Rights Shares together with the Warrants D are renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Proposed Rights Issue with Warrants. However, the Rights Shares and Warrants D cannot be renounced separately and only the Entitled Shareholders who subscribe for the Rights Shares will be entitled to the Warrants D. As such, the Entitled Shareholders who renounce all of their Rights Share entitlements shall be deemed to have renounced all the accompanying entitlements to the Warrants D to be issued together with the Rights Shares under the Proposed Rights Issue with Warrants. If the Entitled Shareholders accept only part of their Rights Share entitlements, they shall be entitled to the Warrants D in proportion to their acceptance of their Rights Share entitlements.

Any Rights Shares which are not validly taken up shall be offered to other Entitled Shareholders and/or their renounee(s) under excess shares applications. It is the intention of the Board to reduce the incidence of odd lots and to allocate excess Rights Shares in a fair and equitable manner and on a basis to be determined by the Board and announced later by the Company.

Fractional entitlements arising from the Proposed Rights Issue with Warrants, if any, will be disregarded, and dealt with by the Board in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit or expedient and in the best interests of the Company.

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5.2 Indicative salient terms of the Warrants D

The indicative salient terms of the Warrants D are as follows:-

Issuer	:	Focus
Issue size	:	Up to 622,692,109 Warrants D to be issued pursuant to the Proposed Rights Issue with Warrants.
Form and detachability	:	The Warrants D will be issued in registered form and constituted by the Deed Poll D. The Warrants D which are to be issued with the Rights Shares will immediately be detached from the Rights Shares upon allotment and issuance and will be traded separately on Bursa Securities.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of Warrants D shall be 100 units of Warrants D, or such other number of units as may be prescribed by Bursa Securities.
Tenure of the Warrants D	:	Three (3) years commencing on and including the date of issuance of the Warrants D.
Exercise Period	:	The Warrants D may be exercised at any time within a period of three (3) years commencing from and including the date of issuance of the Warrants D to the close of business at 5.00 p.m. on the Market Day immediately preceding the date which is the third (3 rd) anniversary from the date of issuance of the Warrants D (" Exercise Period "). Any Warrants D not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	:	The exercise price of the Warrants D (" Exercise Price ") shall be determined by the Board at a later date after obtaining the relevant approvals but prior to the Entitlement Date. The Exercise Price and/or the number of Warrants D in issue during the Exercise Period shall however be subject to adjustments under circumstances prescribed in accordance with the terms and provisions of the Deed Poll D.
Subscription rights	:	Each Warrant D shall entitle its registered holder to subscribe for one (1) new Focus Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll D.
Mode of exercise	:	The holders of Warrants D are required to lodge a subscription form with the Company's registrar, duly completed, signed and stamped together with payment by way of banker's draft or cashier's order drawn on a bank operating in Malaysia or money order or postal order issued by a post office in Malaysia for the aggregate of the Exercise Price payable when exercising their Warrants D to subscribe for new Focus Shares. The payment of such fee must be made in Ringgit Malaysia.

- Adjustments to the Exercise Price and/or the number of Warrants D : Subject to the provisions of the Deed Poll D, the Exercise Price and/or the number of unexercised Warrants D in issue may be subject to adjustments by the Board in consultation with an approved adviser appointed by the Company or the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants D, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll D. Any adjustment to the Exercise Price will be rounded up to the nearest one (1) sen and in no event shall any adjustment (otherwise than upon the consolidation of ordinary shares into shares of a larger par value) involve an increase in the Exercise Price or result in the Exercise Price falling below the par value of the ordinary shares for the time being.
- Rights of the Warrant D holders : The Warrants D do not confer on their holders any voting rights or participation in any forms of distribution and/or offer of further securities in the Company until and unless such holders of Warrants D exercise their Warrants D for new Focus Shares in accordance with the provisions of the Deed Poll D and such new Focus Shares have been allotted and issued to such holders.
- Ranking of the new Focus Shares to be issued pursuant to the exercise of the Warrants D : The new Focus Shares to be issued pursuant to the exercise of the Warrants D in accordance with the provisions of the Deed Poll D shall, upon allotment, issuance and full payment of the Exercise Price of the Warrants D, rank *pari passu* in all respects with the then existing issued and fully paid-up Focus Shares, save and except that the new Focus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the Entitlement Date of which is prior to the date of allotment of the new Focus Shares to be issued arising from the exercise of the Warrants D.
- Rights in the event of winding up, liquidation, compromise and/or arrangement : Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies, then:-
- (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of Warrants D (or some other persons designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants D; and

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- (ii) in any other cases, every Warrants D holder shall be entitled to exercise his / her Warrants D at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of the Company or within six (6) weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new Focus Shares to the Warrant D holder credited as fully paid subject to the prevailing laws, and such Warrant D holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if he / she had on such date been the holder of the new Focus Shares to which he / she would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above six (6) weeks, all subscription rights of the Warrants D shall lapse and cease to be valid for any purpose.
- Modification of rights of Warrant D holders : Save as otherwise provided in the Deed Poll D, a special resolution of the Warrants D holders is required to sanction any modification, alteration or abrogation in respect of the rights of the Warrants D holders.
- Modification of Deed Poll D : Any modification to the terms and conditions of the Deed Poll D may be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll D. Any of such modification shall however be subject to the approval of Bursa Securities (if so required).
- The Company in consultation with an approved adviser appointed by the Company for the purposes of the Deed Poll D, may from time to time without the consent or sanction of the Warrants D holders make any modification (except to provisions for convening meetings of the Warrants D holders) to the Deed Poll D which will not be materially prejudicial to the interest of the Warrants D holders or is to correct any typographical errors or relate purely to administrative matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia.
- Listing : Bursa Securities had on 27 September 2016 granted its approval for the admission of the Warrants D to the Official List and the listing and quotation of new Focus Shares to be issued arising from the exercise of the Warrants D on the ACE Market of Bursa Securities. The listing and quotation of the Warrants D on the ACE Market of Bursa Securities is subject to a minimum of 100 holders of Warrants D.
- Transferability : The Warrants D shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.
- Deed Poll : The Warrants D shall be constituted by the Deed Poll D to be executed by the Company.
- Governing laws : The Warrants D and the Deed Poll D shall be governed by the laws and regulations of Malaysia.

5.3 Minimum Subscription Level and Undertaking

The Company intends to raise a minimum of RM10 million from the Proposed Rights Issue with Warrants to meet the funding requirements of the Group, which will be channelled towards the proposed utilisation as set out in Section 6 of this Circular.

In view of the above, the Board has determined to undertake the Proposed Rights Issue with Warrants on the Minimum Subscription Level of 200,000,000 Rights Shares together with 100,000,000 Warrants D, on the assumption that the Rights Shares are issued at an issue price of RM0.05 per Rights Share.

The Company has procured the Undertaking from Datuk Manan (*the Executive Chairman of the Company*) to subscribe in full for his entitlement under the Proposed Rights Issue with Warrants together with any Rights Shares not taken up by way of excess shares application to arrive at the Minimum Subscription Level.

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Details of the Undertaking are as follows:-

Undertaking shareholder	Existing direct shareholdings as at the LPD		Minimum Rights Shares to be subscribed for pursuant to the Undertaking		Assuming none of the other Entitled Shareholders subscribe for their Rights Shares		
	Existing no. of Focus Shares held	% of existing issued and paid-up share capital ⁽¹⁾	Subscription based on entitlement	Subscription based on excess shares application	Total	No. of Focus Shares held after the Proposed Rights Issue With Warrants	% of enlarged issued and paid-up share capital ⁽²⁾
Datuk Manan	2,000	⁽³⁾ -	2,000	199,998,000	200,000,000	200,002,000	20.47

Notes:-

- (1) Based on the issued and paid-up share capital of 777,089,722 Focus Shares as at the LPD.
- (2) Based on the enlarged issued and paid-up share capital of 977,089,722 Focus Shares after the Proposed Rights Issue with Warrants, pursuant to the Minimum Subscription Level and excluding any exercise of Warrants D.
- (3) Negligible.

Pursuant to the Undertaking, Datuk Manan has:-

- (i) irrevocably and unconditionally warranted that he shall not sell or in any other way dispose of or transfer his existing equity interest in the Company or any part thereof during the period commencing from the date of the Undertaking up to the Entitlement Date; and
- (ii) confirmed that he has sufficient financial means and resources to subscribe in full for his entitlement pursuant to the Proposed Rights Issue with Warrants on the Entitlement Date and take up additional Rights Shares not taken up by other Entitled Shareholders by way of excess shares application, such that the aggregate subscription of Rights Shares under the Proposed Rights Issue with Warrants including the subscription for excess shares application received by the Company amounts to not less than RM10 million. For illustrative purposes, Datuk Manan will be subscribing for a total of 200,000,000 Rights Shares based on an illustrative issue price of RM0.05 per Rights Share. Mercury Securities has verified the sufficiency of financial resources of Datuk Manan for the purpose of subscribing for the Rights Shares pursuant to the Undertaking.

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Datuk Manan has confirmed that the Undertaking will not give rise to any mandatory take-over offer obligation under the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisition immediately after completion of the Proposed Rights Issue with Warrants.

In the event that Datuk Manan triggers an obligation to undertake a mandatory take-over offer under the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisition pursuant to the Undertaking, a separate announcement will be made.

Nonetheless, Datuk Manan has confirmed that he will at all times observe and ensure compliance with the provisions of the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisition and will seek from the SC the necessary exemptions from undertaking such mandatory offer, if required and if he qualifies for such exemption pursuant to the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisition.

As the Minimum Subscription Level will be fully satisfied via the Undertaking, the Company will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

5.4 Basis and justification of determining the issue price of the Rights Shares and the Exercise Price of the Warrants D

(i) Issue price of the Rights Shares

The issue price of the Rights Shares shall be determined and announced by the Board at a later date after taking into consideration, amongst others, the following:-

- (a) the funding requirements of the Group as set out in Section 6 of this Circular;
- (b) the par value of Focus Shares of RM0.05 each;
- (c) the TERP of Focus Shares based on the five (5)-day VWAP of Focus Shares up to and including the price-fixing date. The issue price of the Rights Shares may be fixed at a discount to the said TERP if deemed appropriate by the Board. As at the LPD, the Board has yet to determine the range of discounts to be applied to the issue price of Rights Shares over the TERP of Focus Shares; and
- (d) the historical share price and volatility of Focus Shares.

In any event, the issue price of the Rights Shares will not be lower than RM0.05, being the par value of Focus Shares.

The illustrative issue price of RM0.05 per Rights Share represents a discount of approximately 13.49% to the TERP of RM0.0578, calculated based on the five (5)-day VWAP of Focus Shares up to and including the LPD of RM0.0695.

(ii) Exercise price of the Warrants D

The exercise price of the Warrants D shall be determined and announced by the Board at a later date after taking into consideration, amongst others, the following:-

- (a) the par value of Focus Shares of RM0.05 each; and

- (b) the TERP of Focus Shares based on the five (5)-day VWAP of Focus Shares up to and including the price-fixing date. The issue price of the Rights Shares may be fixed at a discount to the said TERP if deemed appropriate by the Board. As at the LPD, the Board has yet to determine the range of discounts to be applied to the issue price of Rights Shares over the TERP of Focus Shares.

In any event, the exercise price of the Warrants D will not be lower than RM0.05, being the par value of Focus Shares.

Based on the illustrative exercise price of RM0.05 per Warrant D, this represents a discount of approximately 13.49% to the TERP of RM0.0578, calculated based on the five (5)-day VWAP of Focus Shares up to and including the LPD of RM0.0695. The illustrative exercise price of RM0.05 per Warrant D is based on the illustrative issue price of RM0.05 per Rights Share.

5.5 Ranking of Rights Shares and new Focus Shares arising from the exercise of the Warrants D

(i) Rights Shares

The Rights Shares shall, upon allotment, issuance and full payment, rank *pari passu* in all respects with the then existing issued and fully paid-up Focus Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares.

(ii) New Focus Shares to be issued arising from the exercise of the Warrants D

The new Focus Shares to be issued pursuant to the exercise of the Warrants D shall, upon allotment, issuance and full payment of the exercise price of the Warrants D, rank *pari passu* in all respects with the then existing issued and fully paid-up Focus Shares, save and except that the new Focus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new Focus Shares to be issued arising from the exercise of the Warrants D.

5.6 Foreign-Addressed Shareholders

An abridged prospectus together with its accompanying documents or any other documents to be issued in connection with the Proposed Rights Issue with Warrants are not intended to comply with the laws of any jurisdiction other than Malaysia and will not be lodged, registered or approved under applicable securities legislation of any jurisdiction other than Malaysia. Accordingly, the Proposed Rights Issue with Warrants will not be offered for subscription in any countries or jurisdictions other than Malaysia.

The abridged prospectus together with its accompanying documents or any other documents relating to the Proposed Rights Issue with Warrants will only be sent to Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in the Company's Record of Depositors on the Entitlement Date and will not be sent to Foreign-Addressed Shareholders as at the Entitlement Date. Foreign-Addressed Shareholders who wish to provide Malaysian addresses should inform their respective stockbrokers as well as the share registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, 8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia to effect the change of address prior to the Entitlement Date.

Alternatively, such Foreign-Addressed Shareholders may collect the abridged prospectus from the Company's share registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the abridged prospectus.

The Company will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in the Company's Record of Depositors as at the Entitlement Date and will not accept or to be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign-Addressed Shareholders may only exercise their rights in respect of the Proposed Rights Issue with Warrants to the extent that it would be lawful to do so and the Company and/or any of its advisers would not, in connection with the Proposed Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the Foreign-Addressed Shareholders may be subject to.

Foreign-Addressed Shareholders will be responsible for payment of any issue or transfer fees or costs, and any taxes or requisite payments due in such jurisdiction and the Company shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such persons may be required to pay. They will have no claims whatsoever against the Company, its share registrar and/or any of its advisers in respect of their rights or entitlements under the Proposed Rights Issue with Warrants. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue with Warrants.

The Foreign-Addressed Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by such applicants in the Proposed Rights Issue with Warrants shall be on the basis of a warranty by such applicants that they are allowed to do so lawfully without the Company and/or the advisers being in breach of the laws of any jurisdiction.

Neither the Company nor any of its advisers to the Proposed Rights Issue with Warrants shall accept any responsibility or liability in the event that any acceptance by a Foreign-Addressed Shareholder of his/her rights in respect of the Proposed Rights Issue with Warrants is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Foreign-Addressed Shareholders who do not provide an address in Malaysia or who are not entitled to subscribe for the Rights Shares under the laws and jurisdiction to which they are subject, will have no claims whatsoever against the Company and/or any of its advisers to the Proposed Rights Issue with Warrants in respect of their rights entitlements or any net proceeds arising from the Proposed Rights Issue with Warrants.

The Company reserves the right in its absolute discretion to treat any subscription for the Rights Shares as being invalid if it believes or has reason to believe that such subscription for the Rights Shares may violate applicable legal or regulatory requirements.

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6. UTILISATION OF PROCEEDS

The total funding requirement for the Project is estimated to be RM85 million, which covers construction, renovation, fixtures and fittings as well as working capital.

Out of this amount, the Company is required to contribute a total RM43.35 million and the Business Partners are required to contribute a total RM41.65 million, being 51% and 49% of the Project's total funding requirement, in accordance with the Company and the Business Partners' percentage shareholding in Famous Ambience respectively. The funds are expected to be injected into Famous Ambience via shareholders' advances, which are expected to be interest-free and have no fixed term of repayment.

The breakdown of the funding requirement is estimated to be as follows:-

Funding requirement for the Project	Total funding requirement RM'000	To be contributed by	
		Focus RM'000	Business Partners RM'000
Construction works for the Project	60,000	30,600	29,400
Renovations, fixtures and fittings for the Project	18,000	9,180	8,820
Working capital for the Project	7,000	3,570	3,430
Total	85,000	43,350	41,650

Given the above and based on an illustrative issue price of RM0.05 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue with Warrants are intended at this juncture to be utilised in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Minimum Scenario RM'000	⁽¹⁾ Base Case Scenario RM'000	⁽²⁾ Maximum Scenario RM'000
(i) Construction works for the Project	Within 24 months	10,000	30,600	30,600
(ii) Renovations, fixtures and fittings ⁽⁵⁾ for the Project	Within 3 months from completion of the Project's construction	-	7,254	9,180
(iii) Working capital for the Project	Upon completion of the Project's construction and renovation	-	-	3,570
(iv) Acquisition and/or investment in other complementary F&B businesses	Within 24 months	-	-	17,919
(v) Estimated expenses for the Proposals	Immediate	⁽³⁾ -	⁽⁴⁾ 1,000	⁽⁴⁾ 1,000
Total		10,000	38,854	62,269

Notes:-

(1) Any additional proceeds raised in excess of the RM10 million under the Minimum Scenario will be allocated up to its respective maximum allocation in the following order:-

- (i) estimated expenses for the Proposals;
- (ii) construction works for the Project;
- (iii) renovations, fixtures and fittings for the Project;
- (iv) working capital for the Project; and
- (v) acquisition and/or investment in other complementary F&B businesses.

- (2) *The Board wishes to highlight that the illustrative amount of up to approximately RM62.3 million that will be raised under the Maximum Scenario is based on the assumption that all the Convertible Securities are exercised prior to the Entitlement Date.*

The Board is of the view that based on the timeline for implementation of the Proposed Rights Issue with Warrants, it is unlikely for all the outstanding Warrants C and ESOS Options to be exercised prior to the Entitlement Date in view of the remaining tenure of approximately 37 months and 39 months from the LPD for the Warrants C (expiring on 6 November 2019) and ESOS Options (expiring on 12 January 2020) respectively.

For information, the current exercise price of the Warrants C and ESOS Options is RM0.05 per Warrant C and RM0.05 per ESOS Option.

- (3) *Under the Minimum Scenario, the estimated expenses for the Proposals of RM1 million will be funded via internally generated funds.*
- (4) *If the actual expenses incurred are higher than the budgeted amount of RM1 million, the deficit will be funded via internally generated funds. Conversely, any surplus of funds following payment of expenses will be utilised in the order as set out in note (1) above.*
- (5) *Please refer to Section 6(ii) of this Circular for details on the types of fixtures and fittings.*

Based on the Company's funding requirement of RM43.35 million and the amount to be raised under the Proposed Rights Issue with Warrants, there will be a shortfall of approximately RM33.35 million and RM5.50 million under the Minimum Scenario and Base Case Scenario respectively. The shortfall will be financed via internally generated funds and bank borrowings. The exact breakdown cannot be determined at this juncture and can only be determined upon completion of the Proposed Rights Issue with Warrants.

Under the Maximum Scenario, if the Company's actual funding requirement exceeds the budgeted amount of RM43.35 million, the deficit will be funded from the portion allocated for the acquisition and/or investment in other complementary F&B businesses. Conversely, any surplus of funds from completion of the Project will be reallocated for the acquisition and/or investment in other complementary F&B businesses.

Under the Minimum Scenario, the Company has set the Minimum Subscription Level based on a funding requirement of RM10 million instead of RM43.35 million in view that the Company:-

- (a) has identified other sources of funds i.e. internally generated funds and/or bank borrowings to meet the balance financial commitment of RM33.35 million; and
- (b) would not need to procure underwriting arrangements, thereby saving on additional expenses such as underwriting fees and legal fees.

(i) Construction works for the Project

The breakdown of the estimated construction cost of the Project of RM60 million is illustrated below:-

<u>Construction works</u>	<u>Amount RM'000</u>
<i>Preliminaries</i>	5,770
<i>Building & external works</i>	32,500
<i>Mechanical & electrical works</i>	15,940
<i>Provisional sums such as project contingencies, landscape and final finishing costs</i>	5,790
<u>Total estimated construction cost</u>	<u>60,000</u>

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(ii) **Renovations, fixtures and fittings for the Project**

Once construction of the Project is completed, Famous Ambience will need approximately RM18 million to renovate as well as install fixtures and fittings at the Project's event hall, Chinese restaurant and seafood restaurant.

The breakdown of the estimated costs for renovations, fixtures and fittings is illustrated below:-

<u>Renovations, fixtures and fittings</u>	Amount RM'000
<i>Event hall</i>	⁽¹⁾ 10,000
<i>Chinese restaurant</i>	⁽²⁾ 4,000
<i>Seafood restaurant</i>	⁽²⁾ 4,000
Total estimated cost for renovations, fixtures and fittings	18,000

Notes:-

(1) *These include, amongst others, renovations, initial setup costs for fixtures and fittings such as interior design and decoration, air-conditioning systems, audio-visual systems, partitions, tables and chairs, stage platforms, podiums, props and other furnishing.*

(2) *These include, amongst others, renovations, initial setup costs for fixtures and fittings such as interior design and decoration, air-conditioning systems, kitchen equipment and machinery, kitchen utensils, dining tables and chairs.*

(iii) **Working capital for the Project**

Once the Project is launched, Famous Ambience will need approximately RM7 million as initial working capital to operate the Project's Chinese restaurant, seafood restaurant and event hall.

The breakdown of the working capital requirement is illustrated below:-

<u>Working capital</u>	Amount RM'000
<i>Chinese restaurant</i>	⁽¹⁾ 2,500
<i>Seafood restaurant</i>	⁽¹⁾ 2,500
<i>Event hall</i>	⁽²⁾ 2,000
Total working capital	7,000

Note:-

(1) *These include, amongst others, purchasing costs for F&B raw materials and payment of salaries.*

(2) *This includes, amongst others, payment of salaries.*

(iv) **Acquisition and/or investment in other complementary F&B businesses**

The proceeds of up to approximately RM17.92 million is earmarked to finance any potential acquisitions and/or investments in similar or other complementary F&B businesses when the opportunity arises for future business expansion of the Group.

These acquisitions and/or investments may include businesses within the Company's core business in the F&B industry, as well as businesses within the same value chain, and such other businesses which the Board may deem beneficial and are complementary to the Group's business expansion in the F&B business.

As at the LPD, the Board has yet to identify any specific business for acquisition and/or investment. The Company will make the necessary announcements as provided for in the Listing Requirements. In the event that Shareholders' approval and/or other regulatory bodies' approvals are required, the necessary approvals will be sought as per the provisions in the Listing Requirements or such other regulatory bodies.

Pending the identification of new businesses to be invested in, the Company will place the unutilised cash proceeds in interest-bearing bank deposits and/or money market financial instruments.

If the Company is unable to identify suitable investments within 24 months from the completion of the Rights Issue with Warrants, the timeframe for the utilisation of proceeds that has been allocated for the said purpose will be extended and announced as well as disclosed in the Company's quarterly result announcements until the Company has successfully identified suitable businesses to acquire and/or invest in.

Notwithstanding the foregoing, the Board wishes to highlight that the illustrative amount of up to approximately RM17.92 million is based on the assumption that all the Convertible Securities are exercised prior to the Entitlement Date as well as full subscription by the Entitled Shareholders and/or their renouncee(s) of their respective entitlements under the Rights Issue with Warrants. The Board is of the view that based on the timeline for implementation of the Proposed Rights Issue with Warrants, it is unlikely for all the outstanding Warrants C and ESOS Options to be exercised prior to the Entitlement Date in view of the remaining tenure of approximately 37 months and 39 months from the LPD for the Warrants C (*expiring on 6 November 2019*) and ESOS Options (*expiring on 12 January 2020*) respectively.

(v) Estimated expenses for the Proposals

The breakdown of the estimated expenses for the Proposals is illustrated below:-

Estimated expenses	Amount RM'000
Professional fees	700
Fees to relevant authorities	80
Printing, despatch and advertising expenses	100
Miscellaneous charges	120
Total	1,000

The actual gross proceeds to be raised from the Proposed Rights Issue with Warrants will depend on the actual number of Rights Shares that will be eventually issued as well as the issue price of the Rights Shares, which shall be determined in due course.

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants D would depend on the actual number of Warrants D exercised as well as the exercise price of the Warrants D, which shall be determined by the Board at a later date. The proceeds from the exercise of the Warrants D will be received on an "as and when basis" over the tenure of the Warrants D.

Strictly for illustrative purposes, based on the illustrative exercise price of RM0.05 per Warrant D, the Company will raise gross proceeds of up to RM31.13 million upon full exercise of the Warrants D under the Maximum Scenario. Any proceeds arising from the exercise of the Warrants D in the future will be used to finance future working capital requirements including those illustrated in Section 6(iii) above. The exact breakdown cannot be determined at this juncture and would be dependent on the actual requirements at the relevant time.

7. RATIONALE FOR THE BUSINESS VENTURE AND THE PROPOSALS

7.1 Business Venture

The Business Venture is to facilitate the Group's involvement in the development of the Project.

The Business Venture represents part of the continuous efforts by the Focus Group in expanding its existing F&B segment. Currently, the Company's F&B segment operates a Chinese restaurant known as 'The Prince', a lounge / bar known as 'Chaze' and a restaurant / wine bar known as 'LAVO Restaurant & Wine Bar'. Further details are set out in Section 2 of this Circular.

As the Project is expected to comprise, amongst others, retail / F&B lots, restaurants and a karaoke centre, the Company would be able to tap on its experience in operating 'The Prince', 'Chaze' and 'LAVO Restaurant & Wine Bar' to ensure the smooth and successful running of the Project's F&B features and karaoke centre.

The Board is of the view that the prospects for the Project is positive given its unique features and strategic location in a prime area of Kuala Lumpur. The Project fronts Jalan Tun Razak, which is one of the busiest roads in Kuala Lumpur given its linkage with major highways and main roads serving traffic into and out from Kuala Lumpur. In addition, as set out in Section 2.1 of this Circular, the Project is located near landmarks such as TREC KL, Tun Razak Exchange and office complexes such as the headquarters of RHB Banking Group, Menara JCorp and Menara AA.

7.2 Proposed Diversification

The Proposed Diversification represents a continuation of the Group's diversification initiative by tapping on its experience in F&B operations to venture into property investment and management via the management of retail / F&B lots, event hall, karaoke centre and car park, which are all complementary to the F&B outlets in the Project. This is part of the Group's long-term strategy of diversifying into other business segments to reduce its reliance on its existing core businesses.

The Board is of the view that the Proposed Diversification is in the best interests of the Group after taking into consideration the following:-

- (i) strategic location of the Project as well as the prospects of the MICE segment in Kuala Lumpur, as set out in Section 8.3 of this Circular; and
- (ii) potential profits to be derived from the Project which shall translate into future earnings contribution to the Group.

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7.3 Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants will enable the Company to raise funds and channel them towards the proposed utilisation as set out in Section 6 of this Circular.

After due consideration of the various options available, the Board is of the opinion that the Proposed Rights Issue with Warrants is the most suitable means of fund raising for the Company for the following reasons:-

- (i) it will involve the issuance of new Focus Shares without diluting the Entitled Shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants and exercise their Warrants D subsequently;
- (ii) it provides an opportunity for the Entitled Shareholders to participate in the equity offering of the Company on a pro-rata basis; and
- (iii) it will enable the Company to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs.

The free Warrants D which are attached to the Rights Shares are intended to provide an added incentive to Entitled Shareholders to subscribe for the Rights Shares. In addition, the free Warrants D will provide Entitled Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants D and will allow Entitled Shareholders to further participate in the future growth of the Company as and when the Warrants D are exercised.

The exercise of the Warrants D in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings. Furthermore, should the Company increase its borrowings in the future, the exercise of the Warrants D will increase Shareholders' funds and lower the Company's gearing level, thereby providing the Company with flexibility in terms of the options available to meet its funding requirements.

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8. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

8.1 Malaysian economy

The Malaysian economy expanded by 4.0% in the second quarter of 2016 (1Q 2016: 4.2%). Private sector expenditure remained the key driver of growth (6.1%; 1Q 2016: 4.5%), and contributed towards the continued expansion in domestic demand. However, growth was affected by the continued decline in net exports and a significant drawdown in stocks. While real exports registered a better performance (1.0%; 1Q 2016: -0.5%) due to higher demand for manufactured products, real imports increased at a faster rate of 2.0% (1Q 2016: 1.3%) on account of improvement in growth of capital and intermediate goods. As a result, net exports continued to register a negative growth during the quarter, albeit at a slower pace of -7.0% (1Q 2016: -12.4%). The drawdown in stocks was attributed to lower production in agriculture and manufactured products. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 0.7% (1Q 2016: 1.0%).

Inflation, as measured by the annual change in the Consumer Price Index ("CPI"), declined to 1.9% in the second quarter of 2016 (1Q 2016: 3.4%), due mainly to the lapse of the impact of the Goods and Services Tax ("GST"), which was implemented in April 2015. The decline in inflation was observed in all twelve CPI categories.

The RM and most regional currencies depreciated against the USD during the quarter due to uncertainties surrounding US monetary policy. The RM, however, faced stronger depreciation pressure due to continued volatility in global crude oil prices and lower weightage of certain Malaysian stocks during the rebalancing of the Morgan Stanley Capital International Emerging Markets Index. The depreciation was, however, partially offset in June as expectations of a delay in a US interest rate increase resurfaced amid the release of weaker-than-expected US labour market data.

Growth of the Malaysian economy is expected to be 4-4.5% in 2016 (2015: 5.0%). Domestic demand will continue to be the main driver of growth, supported primarily by private sector spending. Private consumption is projected to expand further, underpinned by continued growth in wages and employment, as well as additional disposable income from Government measures. While the growth in private investment has moderated due to lower capital expenditures in the oil and gas sector, overall investment will remain supported by the implementation of infrastructure development projects and capital spending in the manufacturing and services sectors. Exports are projected to remain weak given the subdued global demand. Overall, while domestic conditions remain resilient, uncertainties in the external environment may pose downside risks to Malaysia's growth prospects.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2016, BNM and BNM's Annual Report 2015)

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8.2 F&B segment in Malaysia

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.

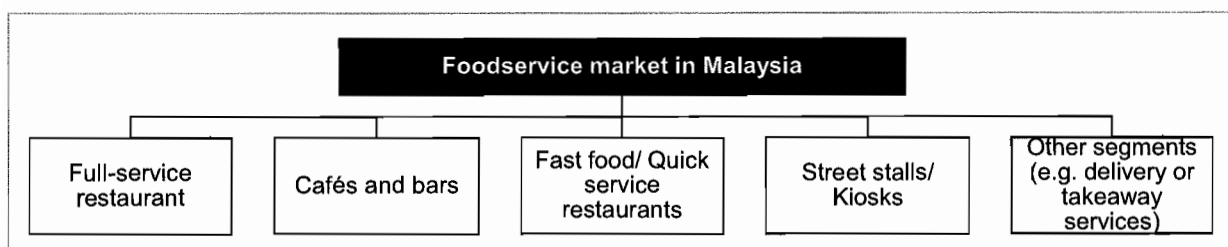
Cafés and bars have a stronger focus on beverages, as compared to full-service restaurants. In general, cafés do not have waiters to serve patrons, and are largely self-service restaurants. Meanwhile, the differentiating factor for bars is that they have a stronger focus on alcoholic beverages. Visiting 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.

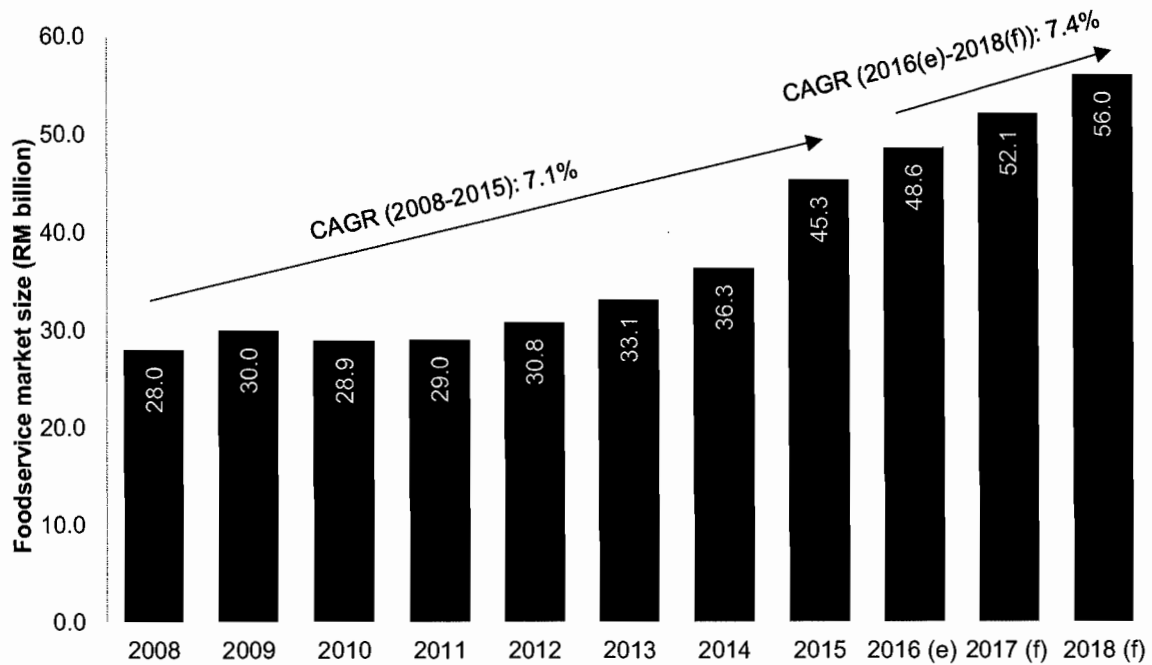
Segmentation of the foodservice market (Malaysia)



Note: This list is not exhaustive.

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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 RM37,324 in 2015. The increasing GDP per capita indicates a more affluent population with greater propensity to spend, which would in turn benefit the foodservice segment.

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 25.7 million in 2015, at a CAGR of 4.4%. In 2014, Selangor (which is part of Klang Valley) was the most-visited state in the country with 21.8 million domestic visitors, followed by Sabah (16.2 million) and Kuala Lumpur (15.4 million).

(Source: Extracted from the independent market research report by SMITH ZANDER)

8.3 Meetings, incentives, conferences and exhibitions (“MICE”) segment in Kuala Lumpur

The MICE industry encompasses venues specifically designed to hold functions, meetings, conferences and exhibitions:

Functions: typically involve the convening of individuals in a particular place for an event such as a wedding, celebration dinner or lunch and product launches.

Meetings: are organised to bring employees of a corporation together in a place, usually to discuss and share ideas, and solve problems. Examples of meetings include board/management/shareholder meetings, training seminars, as well as company retreats.

Conferences: are organised on a regular basis, usually by associations to bring attendees with common interests/purposes to the pre-determined venue, commonly for educational purposes; and

Exhibitions: allows corporations to showcase new products, services or information to interested attendees. As exhibitions are usually organised on a large scale, corporations interested to participate will have to purchase a booth space.

According to the International Congress and Convention Association (“ICCA”), the number of association meetings held in Malaysia increased from 87 meetings in 2008 to 133 meetings in 2014. Accordingly, the number of participants for these meetings increased from 59,880 persons in 2008 to 71,157 persons in 2014. In 2014, Malaysia’s ICCA world ranking, based on the number of MICE meetings held, improved from the 35th position in 2013 to 30th in 2014. Malaysia’s ICCA ranking amongst Asia Pacific countries, based on the number of MICE meetings held, improved from the 9th position in 2013 to the 7th position in 2014. Malaysia’s higher ranking in 2014 signifies a growing demand for MICE venues in Malaysia.

The growth in demand for MICE venues in Malaysia has been supported by the government initiatives to support and boost the local MICE industry through the setting up of Malaysia Convention and Exhibition Bureau (“MyCEB”) as well as the Sarawak Convention Bureau under the Ministry of Tourism and Culture Malaysia; and MICE venues located throughout the country of varying sizes and facilities to cater to different needs.

Further, based on SMITH ZANDER’s research, as at 31 July 2016, the take-up rate for function halls, with sizes of approximately 25,000 sf or less, in Kuala Lumpur on Saturdays over the next three (3) months is approximately 80.0%⁽¹⁾. In other words, there is only 20.0% availability of these function halls over the next three (3) months, indicating the demand for such venues to hold social gatherings such as weddings and celebration dinners or lunches in Kuala Lumpur.

Note:-

(1) Based on nine (9) venues with function halls, with sizes of approximately 25,000 sf or less, located in Kuala Lumpur.

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Example of MICE venues in Kuala Lumpur are as listed below:-

Examples of MICE venues (Kuala Lumpur)

Venue	Size ⁽²⁾ (sf)	Examples of events/ exhibitions held
Berjaya Times Square Hotel	18,794	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM
Concorde Hotel Kuala Lumpur	9,064	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM
Grand Hyatt Kuala Lumpur	11,248	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM
Grand Millennium Hotel Kuala Lumpur	3,875	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM
JW Marriott Kuala Lumpur	9,779	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM
Kuala Lumpur Convention Centre ⁽¹⁾	25,705	<ul style="list-style-type: none"> • Exhibitions and exposition for home furnishings and baby products • Concerts • Conferences • Educational and career fairs • Scientific conferences and congresses
MATRADE Exhibition & Convention Centre ⁽¹⁾	13,778	<ul style="list-style-type: none"> • Online marketplace seminars • Seminars on investment opportunities in other countries, such as Cambodia, Vietnam, Japan and the United States
Putra World Trade Centre ⁽¹⁾	16,204	<ul style="list-style-type: none"> • Exhibitions and exposition for renovation, diving, rubber plastic mould and die, packaging and labelling food processing machinery and equipment, international sign and led and beauty products • Ramadan buffets
Renaissance Kuala Lumpur	15,392	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM
Shangri-la Hotel Kuala Lumpur	16,242	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM
Sheraton Imperial Kuala Lumpur	7,169	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM

Venue	Size ⁽²⁾ (sf)	• Examples of events/ exhibitions held
Sime Darby Convention Centre	19,000	<ul style="list-style-type: none"> • Medical seminars • Corporate dinner/lunch • EGM and AGM • Weddings
The Westin Kuala Lumpur	6,613	<ul style="list-style-type: none"> • Weddings • Celebration dinner/lunch • Corporate dinner/lunch • Seminars • EGM and AGM

Notes:-

(1) *The venue size refers to the size of the largest function hall in the venue.*

(2) *In general, the size of function halls in the venues listed above can be reduced to meet customers' requirements.*

Moving forward, the MICE industry in Kuala Lumpur will likely gain from the positive long term economic growth prospects in Malaysia, as the country's GDP and disposable income continue to increase.

The growing affluence and propensity to spend in Malaysia as a result of the country's growing economy, will lead to greater spending power for social gatherings such as weddings and celebration dinners or lunches. The fact that it is common in Malaysia for middle and high income households in urban areas such as Kuala Lumpur and Selangor to hold such social gatherings in hotels and function halls will also continue to drive the growth of the MICE industry in Kuala Lumpur.

Further, the positive long term economic growth prospects in Malaysia also indicates growth amongst businesses and enterprises. As a result, these businesses and enterprises have a higher likelihood of having a larger budget for corporate functions such as EGM, AGM, seminars, corporate dinners or lunches, educational and career fairs and conferences.

In addition, Kuala Lumpur, which is the capital of Malaysia and one of the country's main cities, has a higher density of affluent population in relative to other areas in Malaysia. This has resulted in Kuala Lumpur being one of the main hubs to hold concerts, events, exhibitions and fairs in Malaysia.

(Source: Extracted from the independent market research report by SMITH ZANDER)

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8.4 Property market in Kuala Lumpur

The state's property market performance witnessed slight moderation as market activity and construction sector softened. There were 18,574 transactions recorded in 2015 worth RM23.39 billion, down by 9.8% in volume and decreased 1.6% in value against 2014 (20,590 transactions worth RM23.78 billion). Residential sub-sector retained its lion share of the market, contributed 74.8% of total transactions followed by commercial (21.9%), development land (2.1%) and industrial (1.2%).

Market activity across all sub-sectors was on downtrend, preceded by commercial (-15.0%), industrial (-8.7%), residential (-8.3%) and development land (-6.6%). In terms of value, similar downward trend was recorded with the exception of development land sub-sector, showing a positive growth of 43.1%.

Prices of shops showed mixed performance with increases noted in established commercial areas served with efficient road linkages. In the retail sub-sector, prices were stable for most shopping complexes with movements witnessed at selected complexes namely Plaza GM, Kenanga Wholesale City and Berjaya Times Square.

Rentals of ground floor shops were generally stable with increases recorded at selected areas and established shopping localities. Shops in Jalan Tuanku Abdul Rahman secured the highest rental range of RM15,000 to RM36,000 per month.

In the retail segment, rentals of retail space were generally stable for most shopping complexes with notable movements witnessed at selected complexes. Suria KLCC sustained its prominence, recording a marginal increase of 5.0% to 10.0%, ranged from RM208.82 per sqm to as high as RM2,000 per sqm. Similar upward pattern was also noted in Plaza Low Yat, The Gardens Mall and Mid Valley Mega Mall due to rental renewal. Another notable increase was witnessed in Wilayah Complex, though the rental range was on a lower range.

In the office sub-sector, upward price trend was recorded. One Mon't Kiara recorded an increase of 11.8% whilst Menara UOA Bangsar fetched a higher price range of RM10,652 per sqm to RM12,277 per sqm. However, marginal decrease was recorded in Megan Avenue, as well as Plaza Pantai.

In general, purpose-built office rental market remained stable. Investment grade buildings in good locations within city transit hub are amongst those in demand and fetched higher rents. New buildings that are Green Building Index (GBI) compliant, MSC Malaysia cyber centre status and close to city transit hubs such as Ilham Tower @ KLCC, TH Tower and Naza Tower @ Platinum Park, Q Sentral, Menara Bangkok Bank @ Berjaya Central Park and KL Trillion @ Jalan Tun Razak have competitive edge against older buildings.

Nevertheless, Petronas Twin Towers retained its highest rental range in the country between RM96.87 per sqm and RM139.93 per sqm per month. Another notable passing rent within KLCC/Golden Triangle is Menara Prestige, a relatively new office building in the vicinity, recorded a rental ranging from RM74.06 per sqm to RM95.80 per sqm per month. Apart from that, rental movements by more than 10.0% was seen in Plaza OSK, Menara IMC and Menara SMI. The presence of a new supply of purpose-built office in the city center and fringe areas since 2015 have partly influenced the rental trend.

Performance of retail sub-sector softened in the review period. The overall occupancy rate dropped to 87.4% (2015), slightly lower than 89.8% recorded last year (2014). This year noted two new completions namely Wangsa 118 in Jalan Cheras and IKEA Cheras in Jalan Cochrane which injected a total of 46,212 sqm retail spaces into the market. Meanwhile, Sunway Putra Mall, formerly known as The Mall, which was closed down in May 2013 for refurbishment has reopened in Q2 2015 with a larger net lettable area of 50,535.80 sqm and enjoyed occupancy rate of about 70.0% in Q3 2015. As at end-2015, there were 101 existing shopping complexes (2,671,384 sqm) with another 10 complexes (430,758 sqm) in the incoming supply and five complexes (400,128 sqm) in the planned supply.

In the office sub-sector, the occupancy rate of purpose-built office moderated from 83.3% (2014) drop to 81.2% with a contraction in annual take-up by nearly 22,000 sqm. The year recorded the completions of nine new private office buildings that are with GBI compliant namely Naza Tower and TH Tower at Platinum Park, Ilham Tower, Menara Bangkok Bank, Menara MBMR, Q Sentral, KL Trillion, Menara MITI as well as Kompleks Kerja Raya 2. These new entrants contributed a combined space measuring 339,315 sqm into the market. As at end-2015, there were 427 existing purpose-built office buildings (8,282,678 sqm), with another 21 buildings (771,617 sqm) in the incoming supply and 7 buildings (447,612 sqm) in the planned supply.

The commercial segment is expected to witness the entrance of MyTown Shopping Centre, a five-storey retail mall which is currently under construction located next to IKEA Cheras (which is located a short distance away from TREC KL). The shopping centre is expected to have a net lettable area of 92,902 sqm.

In Greater Kuala Lumpur / Klang Valley, transport infrastructure development is being stepped up and leading the transformation of public transport in line with the rapid urbanisation in the region. The much eagerly awaited project is the proposed Kuala Lumpur-Singapore High Speed Rail (HSR), which is likely to be completed post 2020. With increasing traffic between the two neighbouring countries, the HSR provides seamless connectivity by reducing travelling time between Kuala Lumpur and Singapore. The cross-border HSR project is expected to boost investment, improve trade and business opportunities, as well as promote tourism.

Amongst the infrastructure projects that are expected to improve accessibility and connectivity are:-

- (i) The realignment of the Sungai Buluh-Serdang-Putrajaya MRT line 2, which will head straight from the Tun Razak Exchange station to the yet-to-build Bandar Malaysia.
- (ii) Duta-Ulu Kelang Expressway (DUKE) extension, expected completion in 2016.

(Source: Property Market Report 2015, Kuala Lumpur, Valuation and Property Services Department, Ministry of Finance, Malaysia)

8.5 Prospects and future plans for the Group

Prior to the Group's diversification into the F&B segment in 2014, the Group has been incurring consecutive losses since 2009 due to the weak financial performance of its then existing core businesses, namely the Engineering Services Segment and Manufacturing Segment. The weak performance was mainly due to, amongst others, the increasingly competitive environment in the engineering and manufacturing sectors.

In order to improve its financial performance, the Group has undertaken various efforts as set out in Section 15.2 of this Circular including, amongst others, diversifying into the F&B segment in 2014. In addition, the Group further identified the business venture with the Business Partners to develop the Project as an opportunity to further contribute to the Group's earnings and improve its financial performance.

Moving forward, the Group expects its financial performance to improve in view of the following:-

- (i) with the Project's unique features and offerings as well as its strategic location next to TREC KL and the Tun Razak Exchange, the Project is expected to attract considerable consumer traffic, thereby generating streams of revenue to the Group to be contributed by the retail / F&B lots, event hall, Chinese restaurant, seafood restaurant, karaoke centre and car park;
- (ii) the Group intends to leverage on its existing F&B outlets, namely 'The Prince', 'Chaze' and 'LAVO Restaurant & Wine Bar', to further expand its F&B business including, amongst others, opening of additional outlets or launching new F&B brands or concepts; and
- (iii) for the Engineering Services Segment, the Group will implement cost-cutting measures, enhance its products and services and capitalise on the increasing awareness of green technology in Malaysia and government initiatives to promote green technology.

In addition, the Group is of the view that the prospects of the Malaysian economy, the F&B segment in Malaysia and the MICE segment in Kuala Lumpur as set out in Sections 8.1, 8.2 and 8.3 of this Circular should augur well for the commercial success of the Project.

(Source: Management of Focus)

9. RISK FACTORS IN RELATION TO THE PROJECT AND THE PROPOSED DIVERSIFICATION

9.1 Business diversification risks

The Group is principally involved in the Engineering Services Segment, the Manufacturing Segment and the F&B segment.

The Proposed Diversification would result in the diversification of the Group's business to include property investment and management through the management and operation of the retail / F&B lots, event hall, karaoke centre as well as car park. Hence, the Group will be subject to new challenges and certain risks inherent in those businesses which the Group has not been exposed to in the past.

These may include amongst others, slower demand for event spaces and karaoke centres in Kuala Lumpur, softer property market for commercial properties in Kuala Lumpur such as retail lots and F&B lots, general economic downturn and changes in the legal and environmental framework within which the F&B, MICE and karaoke industry operates.

The Group seeks to limit these risks through, amongst others, leveraging on the experience of its key management team as stated in Section 4.2 of this Circular, effective human resource development strategies, market research and feasibility studies, keeping abreast with the latest developments in the F&B, MICE, retail and karaoke industries and property market including monitoring consumer trends and preferences as well as active branding, marketing and promotional initiatives.

Although the Board believes that the Group may derive significant benefits from the Proposed Diversification and steps will be taken to mitigate these business risks, no assurance can be given that any changes in these factors will not have any material adverse effect on the Group.

9.2 Political, regulatory and economic considerations

The property market can be characterised as cyclical in nature. Hence, the performance of the property segment would be expected to be closely correlated to the general economic conditions of Malaysia.

Adverse changes in political, regulatory and economic conditions in Malaysia could materially affect the prospects of the property investment and management business which the Group is proposing to diversify into. Political, regulatory and economic uncertainties include changes in the relevant laws and regulations, interest rates, fiscal and monetary policies and taxation rates such as income tax, GST as well as sin taxes.

In mitigating such risks, the Group will continue to review its business development strategies in response to the changes in political, monetary, fiscal and economic conditions. Nonetheless, no assurance can be given that any changes to the political, regulatory and economic conditions would not have any material impact on the Group's property investment and management business arising from the Proposed Diversification, which in turn could affect the Group's financial performance in the future.

9.3 Competition risk

Pursuant to the Proposed Diversification, the Group will face direct competition from both new entrants and existing players in the property market. The Group may also face disadvantages as a new entrant in the property segment as it lacks the relevant track record and brand name as compared to existing players which enjoy the privilege of their established brand name and reputation in the industry.

The Group will mitigate competition risk through promotional initiatives to enhance the Project's branding as well as the Group's reputation in the property market and adopting unique branding and marketing strategies to differentiate the Project's property offerings from its competitors.

However, there can be no assurance that these efforts will enable the Group to compete successfully and effectively with current and new entrants in the property market in Malaysia.

9.4 Completion risk

The construction of the Project is expected to complete within 24 months from commencement. Notwithstanding that, the Project may be exposed to potential interruptions or delays arising from, amongst others, site accidents, adverse weather conditions, execution errors, unavailability of skilled manpower, shortages of building materials, equipment and labour as well as delay in obtaining necessary licences, permits or approvals from the relevant authorities.

Any delay in completion of the Project may lead to an escalation of construction costs due to the continuous incurrence of fixed costs such as labour cost. In addition, since part of the construction cost of the Project will be funded via bank borrowings, any delay in the construction schedule may also increase the Group's finance costs.

Apart from delays, constructions costs may also escalate following an increase in the cost of labour and/or raw materials during the construction period. Adverse developments in respect of these factors can lead to significant cost overruns and affect the profitability and cash flows of the Group.

The Group will strive to complete the Project within the specified timeframe through close project monitoring to ensure swift progress of the construction works and minimise potential errors or accidents. At the same time, the Group will strive to appoint reliable and reputable consultants, suppliers and contractors to ensure timely delivery of raw materials, careful planning and preparation, smooth implementation and swift execution of construction works in order to meet the project schedule and minimise the possibility of cost overruns.

Nonetheless, there is no assurance that there will be no adverse developments in respect of the abovementioned factors.

9.5 Dependence on key personnel

The success of the Group's venture into property investment and management will depend, to a certain extent, upon the abilities, skills, experience, competency and continued efforts of the Group's key personnel, including those set out in Section 4.2 of this Circular. The loss of any key personnel may adversely affect the Group's business performance.

The Group will continuously seek to attract additional qualified and experienced personnel to avoid over-dependency on any key personnel. Recognising the importance of key personnel, the Group will put in place an appropriate human resource strategy and succession plan which includes competitive remuneration packages, employee training and development, conducive working environment and opportunities for career growth.

However, there is no assurance that these measures will be successful in retaining key personnel or attracting sufficient qualified and experienced personnel such that any unplanned departures of key personnel will not have a material adverse effect on the Group's future performance.

9.6 Financing risks

The associated costs for the Project will be funded through a combination of proceeds raised from the Proposed Rights Issue with Warrants, internally generated funds and bank borrowings. Additional bank borrowings, if secured, will increase the gearing level of the Group and interest expenses to be incurred by the Group. Any adverse movement in the interests rates may have a significant impact on the project costs which would adversely affect our Group's financial performance in the future.

As at the LPD, the Group has outstanding borrowings amounting to approximately RM1.13 million with various financial institutions.

In mitigating such risk, the Group will actively review its debt portfolio taking into consideration the level as well as nature of borrowings and seek to adopt appropriate cost effective financing options. Furthermore, the management will continuously monitor the funding requirements of the Project and will adjust budgeting strategies in response to changes in the associated costs to ensure that the Project is carried out with due care and proper judgment.

10. EFFECTS OF THE PROPOSALS AND THE SUBSCRIPTION

10.1 Share capital

The Subscription did not have any effect on the issued and paid-up share capital of the Company. The Proposed Diversification will not have any effect on the issued and paid-up share capital of the Company.

The pro-forma effects of the Proposed Rights Issue with Warrants on the issued and paid-up share capital of the Company are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Focus Shares	Share capital (RM)	No. of Focus Shares	Share capital (RM)
Issued and paid-up share capital as at the LPD	777,089,722	38,854,486	777,089,722	38,854,486
New Focus Shares to be issued assuming the full granting and exercise of the ESOS Options	-	-	233,126,900	11,656,345
New Focus Shares to be issued assuming the full exercise of the Warrants C	-	-	235,167,596	11,758,380
After full granting and/or exercise of the Convertible Securities	777,089,722	38,854,486	1,245,384,218	62,269,211
New Focus Shares to be issued pursuant to the Proposed Rights Issue with Warrants	200,000,000	10,000,000	1,245,384,218	62,269,211
New Focus Shares to be issued assuming full exercise of the Warrants D issued pursuant to the Proposed Rights Issue with Warrants	100,000,000	5,000,000	622,692,109	31,134,605
Enlarged issued and paid-up share capital after the Proposals	1,077,089,722	53,854,486	3,113,460,545	155,673,027

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10.2 NA and gearing

The Proposed Diversification will not have any effect on the NA and gearing of the Group.

The effects of the Subscription and the pro-forma effects of the Proposed Rights Issue with Warrants on the NA and gearing of the Group are as follows:-

Minimum Scenario

	Audited as at 31 December 2015 RM'000	(I) After subsequent events ⁽²⁾ RM'000	(II) After (I) and the Proposed Rights Issue with Warrants ⁽³⁾⁽⁴⁾ RM'000	(III) After (I), (II) and upon full exercise of the Warrants D ⁽⁵⁾ RM'000
Share capital Reserves ⁽¹⁾	70,550 (31,573)	38,854 3,901	48,854 2,901	53,854 2,901
Shareholders' equity / NA	38,977	42,755	51,755	56,755
No. of Focus Shares in issue ('000) NA per Focus Share (RM)	705,503 0.06	777,090 0.06	977,090 0.05	1,077,090 0.05
Total borrowings (RM'000) Gearing (times)	1,476 0.04	1,476 0.03	1,476 0.03	1,476 0.03

Notes:-

- (1) Reserves comprise share premium, ESOS reserve, warrant reserve and accumulated losses.
- (2) After accounting for the:-
 - (i) issuance of 71,586,934 new Focus Shares arising from the exercise of Warrants B at the exercise price of RM0.05 per Warrant B from 1 January 2016 up to the LPD;
 - (ii) par value reduction via the cancellation of RM0.05 from the par value of every ordinary share of RM0.10 each in the Company, which was completed on 5 February 2016; and
 - (iii) Subscription, which was completed on 29 August 2016.
- (3) Based on the Minimum Subscription Level of 200,000,000 Rights Shares together with 100,000,000 Warrants D at an illustrative issue price of RM0.05 per Rights Share.
- (4) After accounting for the warrant reserve based on the issuance of 100,000,000 Warrants D at an allocated fair value of RM0.03 per Warrant D (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses incidental to the Proposals of approximately RM1 million.
- (5) Based on an illustrative exercise price of RM0.05 per Warrant D.

Maximum Scenario

	Audited as at 31 December 2015 RM'000	(I) After subsequent events ⁽²⁾ RM'000	(II) Assuming full granting and/or exercise of the Convertible Securities ⁽³⁾ RM'000	(III) After (I), (II) and the Proposed Rights Issue with Warrants ⁽⁴⁾⁽⁵⁾ RM'000	(IV) After (I), (II), (III) and upon full exercise of the Warrants D ⁽⁶⁾ RM'000
Share capital Reserves ⁽¹⁾ Shareholders' equity / NA	70,550 (31,573) 38,977	38,854 3,901 42,755	62,269 3,901 66,170	124,538 2,901 127,439	155,673 2,901 158,574
No. of Focus Shares in issue ('000) NA per Focus Share (RM)	705,503 0.06	777,090 0.06	1,245,384 0.05	2,490,768 0.05	3,113,461 0.05
Total borrowings (RM'000) Gearing (times)	1,476 0.04	1,476 0.03	1,476 0.02	1,476 0.01	1,476 0.01

Notes:-

- (1) Reserves comprise share premium, ESOS reserve, warrant reserve and accumulated losses.
- (2) After accounting for the:-
 (i) issuance of 71,586,934 new Focus Shares arising from the exercise of Warrants B at the exercise price of RM0.05 per Warrant B from 1 January 2016 up to the LPD; and
 (ii) par value reduction via the cancellation of RM0.05 from the par value of every ordinary share of RM0.10 each in the Company, which was completed on 5 February 2016; and
 (iii) Subscription, which was completed on 29 August 2016.
- (3) Assuming all the:-
 (i) 104,999,700 granted ESOS Options are exercised at the exercise price of RM0.05 per ESOS Option;
 (ii) 128,127,200 ESOS Options that have not been granted are granted and exercised at an illustrative exercise price of RM0.05 per ESOS Option; and
 (iii) 235,167,596 outstanding Warrants C are exercised at the exercise price of RM0.05 per Warrant C.
- (4) Assuming all the Entitled Shareholders and/or their renouncee(s) fully subscribe for their respective entitlements at an illustrative issue price of RM0.05 per Rights Share.
- (5) After accounting for the warrant reserve based on the issuance of 622,692,109 Warrants D at an allocated fair value of RM0.03 per Warrant D (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and deducting estimated expenses incidental to the Proposals of approximately RM1 million.
- (6) Based on an illustrative exercise price of RM0.05 per Warrant D.

10.3 Substantial shareholders' shareholdings

The Subscription did not have any effect on the shareholdings of the substantial shareholders of the Company. The Proposed Diversification will not have any effect on the shareholdings of the substantial shareholders of the Company.

The pro-forma effects of the Proposed Rights Issue with Warrants on the substantial shareholders' shareholdings based on the register of substantial shareholders of the Company as at the LPD are as follows:-

Minimum Scenario

	(i)					
	As at the LPD		After the Proposed Rights Issue with Warrants			
	Direct	Indirect	Direct	Indirect		
Substantial shareholders	No. of Focus Shares	% ⁽¹⁾	No. of Focus Shares	% ⁽²⁾	No. of Focus Shares	% ⁽²⁾
Asiabio Capital Sdn Bhd	123,600,000	15.91	-	123,600,000	12.65	-
Asia Bioenergy Technologies Berhad	-	-	⁽⁴⁾ 123,600,000	-	-	⁽⁴⁾ 123,600,000
Datuk Manan	2,000	⁽⁵⁾ -	-	200,002,000	20.47	-

	(ii)			
	After (i) and assuming full exercise of the Warrants D			
	Direct	Indirect	Direct	Indirect
Substantial shareholders	No. of Focus Shares	% ⁽³⁾	No. of Focus Shares	% ⁽³⁾
Asiabio Capital Sdn Bhd	123,600,000	11.48	-	-
Asia Bioenergy Technologies Berhad	-	-	⁽⁴⁾ 123,600,000	11.48
Datuk Manan	300,002,000	27.85	-	-

Notes:-

- (1) Based on the issued and paid-up share capital of 777,089,722 Focus Shares as at the LPD.
- (2) Based on the enlarged issued and paid-up share capital of 977,089,722 Focus Shares, under the Minimum Scenario.
- (3) Based on the enlarged issued and paid-up share capital of 1,077,089,722 Focus Shares, under the Minimum Scenario.
- (4) Deemed interested by virtue of its interest in Asiabio Capital Sdn Bhd.
- (5) Negligible.

Maximum Scenario

	(I) Assuming full granting and/or exercise of the Convertible Securities			
	As at the LPD		Indirect	
	Direct	Indirect	Direct	Indirect
Substantial shareholders	No. of Focus Shares	% ⁽¹⁾	No. of Focus Shares	% ⁽³⁾
Asiabio Capital Sdn Bhd	123,600,000	15.91	-	9.92
Asia Bioenergy Technologies Berhad	-	-	(2)123,600,000	-
				(2)123,600,000
				9.92

	(II) After (I) and the Proposed Rights Issue with Warrants				(III) After (I), (II) and assuming full exercise of the Warrants D			
	Direct		Indirect		Direct		Indirect	
	No. of Focus Shares	% ⁽⁴⁾	No. of Focus Shares	% ⁽⁴⁾	No. of Focus Shares	% ⁽⁵⁾	No. of Focus Shares	% ⁽⁵⁾
Substantial shareholders								
Asiabio Capital Sdn Bhd	247,200,000	9.92	-	-	309,000,000	9.92	-	-
Asia Bioenergy Technologies Berhad	-	-	(2)247,200,000	9.92	-	-	(2)309,000,000	9.92

Notes:-

- (1) Based on the issued and paid-up share capital of 777,089,722 Focus Shares as at the LPD.
- (2) Deemed interested by virtue of its interest in Asiabio Capital Sdn Bhd.
- (3) Based on the enlarged issued and paid-up share capital of 1,245,384,218 Focus Shares, assuming all the 233,126,900 ESOS Options and 235,167,596 Warrants C are fully granted and/or exercised.
- (4) Based on the enlarged issued and paid-up share capital of 2,490,768,436 Focus Shares, under the Maximum Scenario.
- (5) Based on the enlarged issued and paid-up share capital of 3,113,460,545 Focus Shares, under the Maximum Scenario.

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10.4 Earnings and EPS

The Subscription is not expected to have any material effect on the consolidated earnings of the Company for the FYE 31 December 2016.

The Proposals are not expected to have any immediate material effect on the consolidated earnings of the Company for the FYE 31 December 2016 as the Proposals are expected to be completed in the fourth (4th) quarter of 2016.

Subsequent to the completion of the Proposed Rights Issue with Warrants, the EPS of the Company is expected to be diluted as a result of the increase in the number of Focus Shares pursuant to the issuance of the Rights Shares as well as the new Focus Shares arising from the exercise of the Warrants D, if any. However, the Board expects the Proposals to contribute positively to the future earnings of the Group via the utilisation of proceeds as set out in Section 6 of this Circular.

The potential effects of the exercise of the Warrants D on the future consolidated earnings and EPS of the Company will depend upon, amongst others, any additional contributions to earnings that may be derived from the utilisation of proceeds received from the exercise of the Warrants D as well as the number of Warrants D exercised at any point in time.

10.5 Convertible securities

Save for the following, the Company does not have any other outstanding convertible securities as at the LPD:-

10.5.1 ESOS Options

As at the LPD, 104,999,700 ESOS Options have been granted at the exercise price of RM0.05 per ESOS Option, but none of them have been exercised yet. In addition, there are up to 128,127,200 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS.

The Subscription and the Proposed Diversification will not give rise to any adjustment to the exercise price and number of such ESOS Options under the provisions of the by-laws governing the ESOS Options.

Consequential to the Proposed Rights Issue with Warrants, the exercise price and/or number of ESOS Options which have been granted but not exercised prior to the Entitlement Date may be adjusted in accordance with the provisions of the by-laws governing the ESOS Options to ensure that the status of ESOS Option holders is not prejudiced as a result of the Proposed Rights Issue with Warrants.

10.5.2 Warrants C

As at the LPD, there are 235,167,596 outstanding Warrants C in the Company.

The Subscription and the Proposed Diversification will not give rise to any adjustment to both the exercise price and number of Warrants C under the provisions of the Deed Poll C.

Consequential to the Proposed Rights Issue with Warrants, the exercise price and/or number of Warrants C which are not exercised prior to the Entitlement Date may be adjusted in accordance with the provisions of the Deed Poll C ("**Adjustments**") to ensure that the status of the Warrant C holders is not prejudiced as a result of the Proposed Rights Issue with Warrants.

For illustrative purposes, assuming:-

- (i) the Entitlement Date has been fixed on the LPD;
- (ii) an illustrative issue price of RM0.05 per Rights Share;
- (iii) an illustrative exercise price of RM0.05 per Warrant D; and
- (iv) the Proposed Rights Issue with Warrants has been undertaken on the following scenarios:-
 - (a) all the ESOS Options are granted up to its maximum allowable amount under the ESOS and fully exercised prior to the Entitlement Date and the Proposed Rights Issue with Warrants is fully subscribed (“**Maximum Additional Warrants C Scenario**”); and
 - (b) none of the existing ESOS Options and Warrants C are exercised prior to the Entitlement Date and the Proposed Rights Issue with Warrants is fully subscribed i.e. Base Case Scenario,

the Adjustments would be as follows:-

	Maximum Additional Warrants C Scenario		Base Case Scenario	
	Existing	Adjustments	Existing	After the Adjustments
Exercise price of Warrants C	0.05	-	0.05	0.05
Number of Warrants C	235,167,596	20,989,457	235,167,596	256,157,053
			20,989,457	256,157,053

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Note:-

The illustrative adjustments above were computed based on the adjustment formulae as set out in the Deed Poll C, which are as follows:-

$$\text{New exercise price of Warrants C} = \frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C} \times \text{Existing exercise price of Warrants C}$$

$$\text{New number of Warrants C} = \frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \times \text{Existing number of Warrants C}$$

where:-

- C = the five (5)-day VWAP of Focus Shares up to and including the market day immediately preceding the date on which the capital distribution or, as the case may be, at the price fixing date or failing which, immediately preceding the date of the announcement of the Entitlement Date or, as the case may be, of the offer or invitation
- G = the aggregate number of issued and fully paid up Focus Shares in issue on the Entitlement Date
- H = the aggregate number of new Focus Shares under an offer or invitation to acquire or subscribe for Focus Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Focus Shares or rights to acquire or subscribe for Focus Shares, as the case may be
- H* = the aggregate number of new Focus Shares under an offer or invitation to acquire or subscribe for Focus Shares by way of rights
- I = the exercise consideration of one (1) additional Focus Share under the offer or invitation to acquire or subscribe for Focus Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Focus Share, as the case may be
- I* = the subscription consideration of one (1) additional Focus Share under the offer or invitation to acquire or subscribe for Focus Shares
- J = the aggregate number of Focus Shares to be issued to the Shareholders upon conversion of such securities or exercise of such rights to subscribe for Focus Shares by the Shareholders
- K = the exercise price on the conversion of such securities or exercise of such right to acquire or subscribe for one (1) additional Focus Share

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The illustrative adjustments under the Maximum Additional Warrants C Scenario are as follows:-

$$\begin{aligned} \text{New exercise price of Warrants C} &= \frac{(1,010,216,622 \times 0.0598) + (1,010,216,622 \times 0.05) + (505,108,311 \times 0.05)}{(1,010,216,622 + 1,010,216,622 + 505,108,311) \times 0.0598} \times 0.05 \\ &= 0.05 \text{ (rounded up in accordance to the provisions of the Deed Poll C)} \end{aligned}$$

$$\begin{aligned} \text{New number of Warrants C} &= \frac{(1,010,216,622 + 1,010,216,622) \times 0.0598}{(1,010,216,622 \times 0.0598) + (1,010,216,622 \times 0.05)} \times 235,167,596 \\ &= 256,157,053 \\ &\text{(rounded down in accordance to the provisions of the Deed Poll C)} \end{aligned}$$

The illustrative adjustments under the Base Case Scenario are as follows:-

$$\begin{aligned} \text{New exercise price of Warrants C} &= \frac{(777,089,722 \times 0.0598) + (777,089,722 \times 0.05) + (388,544,861 \times 0.05)}{(777,089,722 + 777,089,722 + 388,544,861) \times 0.0598} \times 0.05 \\ &= 0.05 \text{ (rounded up in accordance with the provisions of the Deed Poll C)} \end{aligned}$$

$$\begin{aligned} \text{New number of Warrants C} &= \frac{(777,089,722 + 777,089,722) \times 0.0598}{(777,089,722 \times 0.0598) + (777,089,722 \times 0.05)} \times 235,167,596 \\ &= 256,157,053 \\ &\text{(rounded down in accordance with the provisions of the Deed Poll C)} \end{aligned}$$

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Notwithstanding the above, Rule 6.51 of the Listing Requirements states that a listed corporation must ensure that the number of new shares which will arise from all outstanding warrants, when exercised, does not exceed 50% of the issued and paid-up capital of the listed corporation (excluding treasury shares and before the exercise of the warrants) at all times. The number of Warrants C after the Proposed Rights Issue with Warrants, based on the aforementioned scenarios, are as follows:-

	Maximum Additional Warrants C Scenario	Base Case Scenario
Existing number of Warrants C	235,167,596	235,167,596
Additional Warrants C	20,989,457	20,989,457
Warrants D to be issued arising from the Proposed Rights Issue with Warrants	505,108,311	388,544,861
Total number of Warrants C and Warrants D after the Proposed Rights Issue with Warrants [X]	761,265,364	644,701,914
Issued and paid-up share capital of the Company after the Proposed Rights Issue with Warrants [Y]	2,020,433,244	1,554,179,444
[X] / [Y] (%)	37.68	41.48

Given the above, based on the assumptions used in the illustration, the maximum additional number of Warrants C that can be issued pursuant to the Adjustments is not restricted by Rule 6.51 of the Listing Requirements.

Notwithstanding the above which are shown for illustrative purposes only based on the stated assumptions, the necessary adjustments will only be finalised on the Entitlement Date and will be effective on the date following the Entitlement Date, and the relevant notifications to the respective holders will be issued by the Company at a later date.

In relation thereto, the Company must appoint an approved adviser to consider the adjustment calculations or determination and the Company shall have discretion in determining the appropriate adjustment calculations or determination to be made in such manner as may be considered by such approved adviser in accordance with the provisions of the Deed Poll C. **For the avoidance of doubt, in all circumstances, the actual number of Additional Warrants C to be issued arising from adjustments made pursuant to the Proposed Rights Issue with Warrants will be subject to the requirements of Rule 6.51 of the Listing Requirements.**

Any Additional Warrants C which may be issued pursuant to the Adjustments will be part of the series of the existing Warrants C constituted by the Deed Poll C and will be issued subject to and with the benefit of the Deed Poll C and on such terms and conditions as set out for the Warrants C.

11. TENTATIVE TIMELINE

Subject to all relevant approvals being obtained, the Proposals are expected to be completed by the first (1st) quarter of 2017. The tentative timeline of events leading to the completion of the Proposals is as follows:-

Date	Events
25 October 2016	<ul style="list-style-type: none">• EGM for the Proposals
January 2017	<ul style="list-style-type: none">• Announcement of the Entitlement Date• Despatch of abridged prospectus, notices of provisional allotment and rights subscription forms in respect of the Proposed Rights Issue with Warrants• Last day for payment and acceptance of the Rights Shares
February 2017	<ul style="list-style-type: none">• Listing and quotation of the Rights Shares, Warrants D and Additional Warrants C

12. APPROVALS REQUIRED AND CONDITIONALITY

The Subscription, which was completed on 29 August 2016, was not subject to the approval of the Shareholders and any regulatory authorities. The Subscription was not conditional upon any other corporate exercise / scheme undertaken or to be undertaken by the Company.

The Proposals are subject to approvals being obtained from the following:-

- (i) Bursa Securities for the following:-
 - (a) admission of the Warrants D to the Official List;
 - (b) listing and quotation of the Rights Shares on the ACE Market of Bursa Securities;
 - (c) listing and quotation of the Additional Warrants C on the ACE Market of Bursa Securities; and
 - (d) listing and quotation of the new Focus Shares to be issued pursuant to the exercise of the Warrants D and Additional Warrants C on the ACE Market of Bursa Securities.
- The approval of Bursa Securities for the above was obtained on 27 September 2016, subject to, amongst others, the following conditions:-
 - (a) Focus and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue with Warrants;
 - (b) Focus and Mercury Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants; and
 - (c) Focus to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed.
- (ii) Shareholders at the forthcoming EGM for the Proposals; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed Rights Issue with Warrants and the Proposed Diversification are not conditional upon one another.

The Proposals are not conditional upon any other corporate exercise / scheme undertaken or to be undertaken by the Company.

13. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there are no other corporate exercises which have been announced by the Company and are pending completion as at the LPD.

14. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major Shareholders and/or persons connected to them have any interest, whether direct or indirect, in the Subscription as well as the Proposals apart from their respective entitlements under the Proposed Rights Issue with Warrants (including the right to apply for additional Rights Shares via excess shares application), to which all the Entitled Shareholders are similarly entitled.

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15. ADDITIONAL INFORMATION

15.1 Commentary on the financial performance of the Group

The profit and dividend records of the Group for the past three (3) FYEs 2013 to 2015 as well as the six (6)-month FPEs 30 June 2015 and 30 June 2016 are as follows:-

	Audited			Unaudited	
	FYE 2013	FYE 2014	FYE 2015	FPE 30 June 2015	FPE 30 June 2016
	(RM)	(RM)	(RM)	(RM)	(RM)
Revenue	8,747,197	12,210,718	8,045,098	4,354,168	6,731,664
Cost of sales	(5,309,488)	(5,853,484)	(4,894,259)	(2,103,064)	(4,285,272)
GP	3,437,709	6,357,234	3,150,839	2,251,104	2,446,392
Other income	1,163,343	498,888	1,347,746	684,129	385,556
Administrative and operating expenses	(9,137,937)	(12,944,322)	(17,682,173)	(9,894,132)	(7,463,513)
Sales and marketing expenses	(62,299)	(97,184)	(83,214)	(8,771)	(684,644)
Finance costs	(201,183)	(405,869)	(140,767)	(129,452)	(34,887)
PBT / (LBT)	(4,800,367)	(6,591,253)	(13,407,569)	(7,097,122)	(5,351,096)
Taxation	(215,745)	(6,815)	(200,703)	-	(53,600)
PAT / (LAT)	(5,016,112)	(6,598,068)	(13,608,272)	(7,097,122)	(5,404,696)
Profit / (loss) attributable to:-					
- owners of the Company	(4,873,824)	(6,481,873)	(13,608,272)	(7,097,122)	(5,404,696)
- non-controlling interests	(142,288)	(116,195)	-	-	-
Earnings / (loss) before interest, tax, depreciation and amortisation	(3,312,540)	(4,602,942)	(11,797,293)	(6,137,458)	(4,436,678)
GP margin (%)	39.3	52.1	39.2	51.7	36.3
PAT / (LAT) margin (%)	(57.3)	(54.0)	(169.1)	(163.0)	(80.3)
Weighted average number of Shares in issue	321,385,961	405,905,714	705,502,788	705,502,788	720,414,819
EPS / (LPS)					
- basic (sen)	(1.56)	(1.63)	(1.93)	(1.01)	(0.75)
- diluted (sen)	(1) ₋	(1) ₋	(1) ₋	(1) ₋	(1) ₋
Dividend (sen)	-	-	-	-	-

Note:-

(1) Diluted EPS is not presented as the conversion of ESOS options and warrants to Shares would be anti-dilutive given that their exercise price is higher than the fair value of the Shares.

(i) FYE 2014 vs 2013

The Group recorded a 39.6% increase in revenue for the FYE 2014 as compared to the previous financial year. This was mainly due to higher revenue contribution from Max Wisdom Sdn Bhd ("**MWSB**") (formerly a wholly-owned subsidiary of the Company). The financial results of MWSB was consolidated with the Group for a full year in FYE 2014 as compared to only 6 months in FYE 2013. The Company acquired 51% equity interest in MWSB in June 2013, followed by the remaining 49% equity interest in February 2014 before proposing to diversify into the F&B segment in March 2014. MWSB was principally involved in the restaurant, food and beverages business.

The Group achieved a higher GP margin of 52.1% during the FYE 2014 as compared to a GP margin of 39.3% during the previous financial year. This was mainly due to the higher GP margin recorded by the Group's F&B segment via MWSB. The F&B business typically enjoys a higher GP margin than manufacturing-related segments. Moreover, as the F&B outlets operated by MWSB targeted middle to high income consumers, prices were charged at a higher mark-up than average.

The Group recorded other income of RM0.5 million during the FYE 2014 as compared to RM1.2 million in the previous financial year. The significant variance was mainly due to a lawsuit settlement amounting to RM1 million received by Focus Dynamics Centre Sdn Bhd, a wholly-owned subsidiary of the Company, from former directors of the Company in August 2013.

Administrative and operating expenses increased by 41.7% during the FYE 2014 as compared to the previous financial year. This was mainly due to:-

- (a) start-up costs incurred in opening new F&B outlets following the Group's diversification into the F&B segment;
- (b) higher impairment loss on trade receivables amounting RM0.9 million in FYE 2014 as compared to RM0.3 million in FYE 2013;
- (c) higher rental expenses of RM2.1 million as compared to RM1.5 million due to the Group's rental of additional premises for its F&B segment; and
- (d) revaluation deficit of RM0.4 million arising from the revaluation of the Group's properties.

The Group recorded a 31.5% increase in LAT for the FYE 2014 as compared to the previous financial year, in line with the reduction in other income and increase in administrative and operating expenses.

(ii) FYE 2015 vs 2014

The Group recorded a 34.1% decrease in revenue for the FYE 2015 as compared to the previous financial year. This was mainly due to the deconsolidation of results from MWSB, formerly a wholly-owned subsidiary of the Company, where the Company's entire 100% equity interest in MWSB was disposed of in July 2015.

The Group achieved a lower GP margin of 39.2% during the FYE 2014 as compared to a GP margin of 52.1% during the previous financial year. This was mainly due to weaker performance of the Engineering Services Segment which recorded lower revenue but incurred higher material costs.

The Group recorded other income of RM1.3 million during the FYE 2015 as compared to RM0.5 million in the previous financial year. The significant variance was mainly due to higher fixed deposits interest of RM1.1 million in FYE 2015 as compared to RM0.2 million in FYE 2014.

Administrative and operating expenses increased by 36.6% during the FYE 2015 as compared to the previous financial year. This was mainly due to:-

- (a) share-based payment cost for the issuance of ESOS options to eligible employees of the Group amounting to RM3.2 million in FYE 2015;
- (b) impairment loss on goodwill amounting to RM1.7 million in FYE 2015;

- (c) the writing-off of property, plant and equipment amounting to RM0.8 million in FYE 2015; and
- (d) higher rental expenses of RM2.7 million as compared to RM2.1 million due to the Group's rental of additional premises for its F&B segment.

(iii) FPE 30 June 2016 vs FPE 30 June 2015

The Group recorded a 54.6% increase in revenue for the six (6)-month FPE 30 June 2016 as compared to the previous corresponding period. This was mainly due to the contribution of revenue from the Group's new F&B outlet, namely 'Chaze' which opened in December 2015.

The Group achieved a lower GP margin of 36.3% during the six (6)-month FPE 30 June 2016 as compared to a GP margin of 51.7% during the previous corresponding period. This was mainly due to lower GP margin recorded by the Engineering Services Segment due to low revenue and high material costs. Apart from that, the opening of a new F&B outlet, 'Chaze', since early 2016 lowered the overall GP margin of the Group as the GP margin recorded by 'Chaze' is lower than the other existing F&B outlets of the Group.

In line with the higher revenue, the Group recorded a lower LAT of RM5.4 million as compared to RM7.1 million in the previous corresponding period. Administrative and operating expenses remained high, mainly due to share-based payment cost amounting to RM1.2 million and depreciation of property, plant and equipment amounting to RM0.9 million for the six (6)-month FPE 30 June 2016 as compared to RM2.8 million and RM0.8 million respectively in the previous corresponding period.

15.2 Steps undertaken or to be undertaken to improve the financial condition of the Group

Prior to the Group's diversification into the F&B segment in 2014, the Group has been facing challenges in its existing core businesses in the Engineering Services Segment and the Manufacturing Segment. The Group has been incurring consecutive losses since 2009, mainly due to the increasingly competitive market in the engineering and manufacturing sectors, amongst others.

In light of this, the Group diversified into the F&B segment in 2014 in order to reduce its reliance on its then existing core businesses and improve its financial performance. In addition, the Group has undertaken other efforts including, amongst others, disposal of loss-making subsidiaries, cost saving initiatives and identification of opportunities to further venture into F&B-related businesses.

Some of the steps which the Group has undertaken to strengthen its financial and operational performance are as follows:-

- (i) In May 2015, the Group incorporated a new subsidiary, namely Modern Cuisine Sdn Bhd, to undertake the establishment and operation of 'The Prince' which serves home-style Chinese cuisine.
- (ii) In July 2015, the Group completed the disposal of the entire equity interest in MWSB, which was an indirect wholly-owned subsidiary of the Company, for a disposal consideration of RM50,000. The disposal of MWSB enabled the Company to deconsolidate a loss-making business entity and focus its resources into other profitable F&B business.
- (iii) In December 2015, the Group launched 'Chaze', a lounge / bar which provides a luxurious environment for social gatherings and corporate functions / events.

- (iv) In February 2016, the Group completed a par value reduction exercise involving the cancellation of RM0.05 from the then existing par value of every ordinary share of RM0.10 each in the Company to RM0.05 each ("**Par Value Reduction**"). This resulted in, amongst others, the elimination of accumulated losses at the Company level as well as allowing the Company to issue shares at an issue price that is not lower than its then existing par value of RM0.10 each, in view that Focus Shares have been traded at below RM0.10 since 2013 (save for September and October 2014).

With the lower par value of RM0.05 being closer to the current market prices of Focus Shares, the Par Value Reduction provides the Company with greater flexibility to raise funds via corporate proposals which entail the issuance of new Shares, including the Proposed Rights Issue with Warrants as contemplated in this Circular.

- (v) In June 2016, the Group launched '*LAVO Restaurant & Wine Bar*', a casual dining restaurant / wine bar which serves pork-free western food.
- (vi) Since the FYE 2015, the Group has progressively scaled down and eventually discontinued its Manufacturing Segment as it has persistently continued to incur losses.

The Group's F&B segment contributes approximately 53% and 59% of the Group's total revenue for FYE 31 December 2015 and six (6)-month FPE 30 June 2016 respectively, making it the largest revenue contributor to the Group. Moving forward, although the Group's F&B segment recorded operating losses of RM6.26 million and RM3.26 million for FYE 31 December 2015 and six (6)-month FPE 30 June 2016 respectively, the Group's F&B segment via the operation of '*The Prince*', '*Chaze*' and '*LAVO Restaurant & Wine Bar*' is expected to contribute positively to the earnings of the Group.

The Group's continued diversification initiative also resulted in the opportunity for the Group to develop the Project with the Business Partners via Famous Ambience. By leveraging on the Group's existing experience in the F&B segment as well as key personnel as set out in Section 4.2 of this Circular, the Board believes that the Project will contribute positively to the future earnings of the Group upon its completion and commencement of operations.

Besides these ventures, the Board views its Engineering Services Segment as a strategic business that is worth retaining despite the loss-making trend in the past few years⁽¹⁾. This is in view of the increasing awareness on cost and energy efficiency as well as green technology initiatives gradually being adopted by manufacturers across the country. For its Engineering Services Segment, the Group will continue to implement prudent cost-cutting measures as well as leverage on government initiatives to promote green technology and renewable energy, such as the Green Technology Financing Scheme as well as various tax allowances and exemptions for the use of green technology equipment and systems.

Note:-

- (1) The financial information on the revenues and losses recorded by the Engineering Services Segment in the past three (3) years are as follows:-

	Audited			Unaudited
	FYE 2013 (RM)	FYE 2014 (RM)	FYE 2015 (RM)	FPE 30 June 2016 (RM)
<i>Revenue</i>	4,767,753	5,252,112	3,768,391	2,751,249
<i>Operating (LBT)</i>	(1,665,665)	(1,572,602)	(4,321,872)	(1,585,650)

The Board believes that the abovementioned initiatives in the F&B, property investment and management as well as Engineering Services Segment should place the Group in a better position to turnaround its financial performance and return to profitability in the near future.

15.3 Impact of the Proposals to the Group, value creation to the Group and its Shareholders and adequacy of the Proposals in addressing the financial concerns of the Group

The Proposed Diversification allows the Group to diversify into property investment and management. The Group's venture into these businesses is expected to contribute positively to its future earnings via revenue contribution from the Project's retail / F&B lots, event hall, Chinese restaurant, seafood restaurant, karaoke centre as well as car park once the Project has commenced operations. The Group will adopt close monitoring of the construction progress of the Project as well as careful planning and detailed marketing strategies to ensure that the Project is launched with a commercial success.

As set out in Section 6 of this Circular, the proceeds to be raised from the Proposed Rights Issue with Warrants will mainly be used to part finance the construction costs of the Project. The Proposed Rights Issue with Warrants will also enable the Group to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing, which will preserve the Company's shareholders' value.

Premised on the above and taking into consideration the steps taken by the Group to improve its financial condition as well as the proposed utilisation of proceeds from the Proposed Rights Issue with Warrants and its ensuing benefits, the Board is of the view that the Proposals are adequate to address the Group's current financial concerns.

16. BOARD'S STATEMENT ON THE BUSINESS VENTURE

The Board, having considered the current and prospective financial position, needs and capacity of the Group, and after careful deliberation and taking into consideration the rationale and all other aspects of the Business Venture, is of the opinion that the Business Venture is in the best interests of the Company.

17. BOARD'S RECOMMENDATION

The Board, having considered the current and prospective financial position, needs and capacity of the Group, and after careful deliberation and taking into consideration the rationale, risk factors and all other aspects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

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18. EGM

The EGM, the Notice of which is enclosed in this Circular, will be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 25 October 2016 at 10.30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions, with or without any modifications, to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the registered office of the Company not less than 48 hours before the time and date appointed for holding the EGM or any adjournment thereof. The completion and lodgement of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

19. FURTHER INFORMATION

You are requested to refer to the enclosed appendices for further information.

Yours faithfully,
For and on behalf of the Board of
FOCUS DYNAMICS GROUP BERHAD
(formerly known as Focus Dynamics Technologies Berhad)

DATUK MANAN BIN HAJI MD. SAID
Executive Chairman

FURTHER INFORMATION**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and the Directors collectively and individually accept full responsibility for the completeness and accuracy of the information contained in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular or other facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to Famous Ambience, the Business Partners, Project and Project Land has been extracted from information provided by the Business Partners and the management of Famous Ambience. Therefore, the responsibility of the Board is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS AND CONFLICT OF INTEREST**2.1 Mercury Securities**

The written consent of Mercury Securities, being the Principal Adviser for the Proposals, for the inclusion of its name in the form and context in which it appears in this Circular has been given and has not been subsequently withdrawn before the issuance of this Circular.

Mercury Securities is not aware of any existing conflict of interest nor of any circumstances which would or is likely to give rise to a possible conflict of interest in relation to its role as Principal Adviser for the Proposals.

2.2 SMITH ZANDER

The written consent of SMITH ZANDER for the inclusion of its name and independent market research report referred to in Sections 8.2 and 8.3 of this Circular in the form and context in which it appears in this Circular has been given and has not been subsequently withdrawn before the issuance of this Circular.

SMITH ZANDER is not aware of any existing conflict of interest nor of any circumstances which would or is likely to give rise to a possible conflict of interest in relation to its role as the independent market researcher for the Proposals.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIESMaterial commitments

Save as disclosed below, as at the LPD, the Board is not aware of any other material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial results or position of the Group:-

Capital commitments	RM'000
Capital commitment in respect of property, plant and equipment - approved and contracted for	1,220

FURTHER INFORMATION (Cont'd)Contingent liabilities

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group which may have a material impact on the financial results or position of the Group.

4. MATERIAL LITIGATION

As at the LPD, neither the Company nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Group and, to the best of the Board's knowledge and belief, the Board is not aware of any proceedings pending or threatened against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and/or its subsidiaries.

5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Focus Shares traded on Bursa Securities for the past twelve (12) months preceding the date of this Circular are as follows:-

	High RM	Low RM
2015		
October	0.085	0.050
November	0.095	0.070
December	0.090	0.080
2016		
January	0.085	0.075
February	0.090	0.075
March	0.085	0.065
April	0.080	0.065
May	0.070	0.055
June	0.060	0.050
July	0.060	0.050
August	0.060	0.050
September	0.075	0.060
Last transacted market price on 1 September 2016, being the last Market Day immediately prior to the first announcement of the Proposals	0.060	
Last transacted market price on the LPD	0.075	

(Source: Bloomberg)

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FURTHER INFORMATION (Cont'd)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia during normal business hours from Monday to Friday (except public holidays) following the date of this Circular up to and including the date of the EGM of the Company:-

- (i) Memorandum and Articles of Association of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 31 December 2014 and 31 December 2015;
- (iii) unaudited consolidated financial statements of the Company for the six (6)-month FPE 30 June 2016;
- (iv) audited consolidated financial statements of Famous Ambience for the FPE 11 January 2013 to 31 October 2013, FYE 31 October 2014, FYE 31 October 2015 and FPE 31 July 2016;
- (v) the Undertaking;
- (vi) letters of consent referred to in Section 2 of this Appendix; and
- (vii) draft Deed Poll D.

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FOCUS DYNAMICS GROUP BERHAD

(formerly known as Focus Dynamics Technologies Berhad)

(Company No. 582924-P)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Focus Dynamics Group Berhad *(formerly known as Focus Dynamics Technologies Berhad)* ("**Focus**" or the "**Company**") ("**EGM**") will be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 25 October 2016 at 10.30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions with or without any modifications:-

ORDINARY RESOLUTION 1

PROPOSED DIVERSIFICATION OF THE BUSINESS OF FOCUS AND ITS SUBSIDIARIES INTO PROPERTY INVESTMENT AND MANAGEMENT ("PROPOSED DIVERSIFICATION")

"**THAT** subject to the necessary approvals of the relevant authorities and parties (if required) being obtained, approval be and is hereby given to the board of directors of the Company ("**Board**") to implement the diversification of the business of Focus and its subsidiaries into property investment and management ("**Proposed Diversification**");

AND THAT the Board be and is hereby empowered and authorised to do all such acts, deeds and things to execute, sign and deliver on behalf of the Company all such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as they may deem fit, necessary or expedient or appropriate in order to give full effect to the Proposed Diversification with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant authorities or deemed necessary by the Board in the best interest of the Company."

ORDINARY RESOLUTION 2

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,245,384,218 NEW ORDINARY SHARES OF RM0.05 EACH IN FOCUS ("FOCUS SHARES" OR "SHARES") ("RIGHTS SHARES") TOGETHER WITH UP TO 622,692,109 FREE DETACHABLE WARRANTS IN FOCUS ("WARRANTS D") ON THE BASIS OF TWO (2) RIGHTS SHARES TOGETHER WITH ONE (1) FREE WARRANT D FOR EVERY TWO (2) EXISTING FOCUS SHARES HELD BY THE ENTITLED SHAREHOLDERS OF THE COMPANY ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

"**THAT** subject to the necessary approvals of the relevant authorities and parties (if required) being obtained, approval be and is hereby given for the Company to undertake the Proposed Rights Issue with Warrants as follows:-

- (i) to provisionally issue and allot by way of renounceable rights issue of up to 1,245,384,218 Rights Shares together with up to 622,692,109 Warrants D to the shareholders of the Company ("**Shareholders**") whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined by the Board ("**Entitlement Date**") ("**Entitled Shareholders**"), and/or their renounee(s), on the basis two (2) Rights Shares together with one (1) free Warrant D for every two (2) Focus Shares held on the Entitlement Date at an issue price to be determined by the Board and on such terms and conditions and in such manner as the Board may determine;

- (ii) to enter into and execute the deed poll constituting the Warrants D ("**Deed Poll D**") and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll D wherein each of the Warrants D will carry the rights to subscribe, subject to any adjustment in accordance with the Deed Poll D to be executed, at any time during the "Exercise Period" as defined in the Deed Poll D, for one (1) new Share at an exercise price to be determined by the Board at a later date and that the Common Seal of the Company be affixed to the Deed Poll D in accordance with the provisions of the Articles of Association of the Company;
- (iii) to allot and issue in registered form to the Entitled Shareholders (and/or their renounee(s), as the case may be) who subscribe for and are allotted the Rights Shares, each Warrant D conferring the right to subscribe for one (1) new Focus Share at an exercise price to be determined by the Board on the Entitlement Date, subject to the provisions for adjustment to the subscription rights attached to the Warrants D in accordance with the provisions of the Deed Poll D;
- (iv) to allot and issue such number of additional Warrants D as may be required or permitted to be issued as a result of any adjustments under the provisions of the Deed Poll D ("**Additional Warrants D**") and to adjust from time to time the exercise price of the Warrants D as a consequence of the adjustments under the provisions of the Deed Poll D and/or to effect such modifications, variations and/or amendments as may be imposed, required or permitted by Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant authorities or parties (if required); and
- (v) to allot and issue such number of new Shares credited as fully paid-up to the holders of the Warrants D upon their exercise of the relevant Warrants D to subscribe for new Shares during the tenure of the Warrants D, and such further new Shares as may be required or permitted to be issued pursuant to the exercise of the Additional Warrants D and such adjustments in accordance with the provisions of the Deed Poll D;

THAT the Board be and is hereby authorised to determine and vary if deemed fit, necessary and/or expedient, the issue price of the Rights Shares and the exercise price of the Warrants D to be issued in connection with the Proposed Rights Issue with Warrants;

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renounee(s) shall be made available for excess applications in such manner and to such persons ("**Excess Applicants**") as the Board shall determine at its absolute discretion;

THAT the Rights Shares, Warrants D and new Shares to be issued pursuant to the exercise of the Warrants D and Additional Warrants D (if any) shall be listed on the ACE Market of Bursa Securities;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in Section 6 of the Circular to Shareholders dated 10 October 2016 and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interests of the Company, subject (where required) to the approval of the relevant authorities;

THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Proposed Rights Issue with Warrants, with full powers to assent to and accept any condition, modification, variation, arrangement and/or amendment to the terms of the Proposed Rights Issue with Warrants as the Board may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue with Warrants in order to implement and give full effect to the Proposed Rights Issue with Warrants;

THAT the Rights Shares shall, upon allotment, issuance and full payment of the issue price of the Rights Shares, rank *pari passu* in all respects with the then existing issued and paid-up Focus Shares, save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares;

THAT the new Focus Shares to be issued pursuant to the exercise of the Warrants D (or the Additional Warrants D, as the case may be) shall, upon allotment, issuance and full payment of the exercise price of the Warrants D (or the Additional Warrants D, as the case may be), rank *pari passu* in all respects with the then existing issued and paid-up Focus Shares, save and except that the holders of such new Focus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of such new Focus Shares to be issued pursuant to the exercise of the Warrants D (or the Additional Warrants D, as the case may be);

THAT the Board be and is hereby entitled to deal with all or any of the fractional entitlements of the Rights Shares and the Warrants D arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner and to such persons as the Board may in its absolute discretion deem fit and in the best interest of the Company (including without limitation to disregard such fractional entitlements altogether);

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares, Warrants D, Additional Warrants D (if any) and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants."

BY ORDER OF THE BOARD

WONG YUET CHYN (MAICSA 7047163)
Company Secretary

Kuala Lumpur
10 October 2016

Notes:-

1. A member of the Company who is entitled to attend, speak and vote at this EGM 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 and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
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 which 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 EGM or at any adjournment thereof, 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 18 October 2016 ("**General Meeting Record of Depositors**") shall be eligible to attend, speak and vote at this EGM.
8. Any alteration in the form of proxy must be initialled.



FOCUS DYNAMICS GROUP BERHAD (582924-P)
 (Formerly known as Focus Dynamics Technologies Berhad)
 (Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

Number of Shares Held	CDS Account No.
-----------------------	-----------------

"A" I/We _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 being a *Member/Members of FOCUS DYNAMICS GROUP BERHAD ("**COMPANY**"), do hereby appoint
 _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 or failing him, _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 or failing whom, the CHAIRMAN of the Meeting as *my/our first proxy to vote for *me/us on my/our behalf at the Extraordinary General Meeting of the Company ("**EGM**") to be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 25 October 2016 at 10.30 a.m. or at any adjournment thereof.

"B" Where it is desired to appoint a second proxy, this section must also be completed, otherwise it should be deleted.
 I/We _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 being a *Member/Members of FOCUS DYNAMICS GROUP BERHAD, do hereby appoint
 _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 or failing him, _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 or failing whom, the CHAIRMAN of the Meeting as *my/our second proxy to vote for *me/us on my/our behalf at the EGM to be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 25 October 2016 at 10.30 a.m. or at any adjournment thereof.

"C" Where it is desired to appoint a third proxy, this section must also be completed, otherwise it should be deleted.
 I/We _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 being a *Member/Members of FOCUS DYNAMICS GROUP BERHAD, do hereby appoint
 _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 or failing him, _____ NRIC No. _____
 (Full Name in Capital Letters)
 of _____
 (Full Address)
 or failing whom, the CHAIRMAN of the Meeting as *my/our third proxy to vote for *me/us on my/our behalf at the EGM to be held at Level 4, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 25 October 2016 at 10.30 a.m. or at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

First Proxy "A"	%
Second Proxy "B"	%
Third Proxy "C"	%
	<u>100%</u>

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	Resolution	First Proxy "A"		Second Proxy "B"		Third Proxy "C"	
			For	Against	For	Against	For	Against
1	Proposed Diversification	1						
2	Proposed Rights Issue with Warrants	2						

* Strike out whichever not applicable



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

Signature of Member/Common Seal

Notes:-

1. A member of the Company who is entitled to attend, speak and vote at this EGM 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 and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
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 which 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 EGM or at any adjournment thereof, 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 18 October 2016 ("**General Meeting Record of Depositors**") shall be eligible to attend, speak and vote at this EGM.
8. Any alteration in the form of proxy must be initialed.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
FOCUS DYNAMICS GROUP BERHAD
(formerly known as Focus Dynamics Technologies Berhad)
(Company No. 582924-P)
No. 2-1
Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan
Malaysia

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