

FOCUS DYNAMICS GROUP BERHAD (FORMERLY KNOWN AS FOCUS DYNAMICS TECHNOLOGIES BERHAD) (“FOCUS” OR THE “COMPANY”)

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

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

On 29 August 2016, Mercury Securities Sdn Bhd (“**Mercury Securities**”) had, on behalf of the board of directors of Focus (“**Board**”), announced that the Company had entered into a subscription and shareholders’ agreement (“**SSA**”) with Mr. Ong Kah Hoe (“**OKH**”), Ms. Ong Yew Ming (“**OYM**”) (collectively, the “**Business Partners**”) and Famous Ambience Sdn Bhd (“**Famous Ambience**”) whereby the Company has subscribed for 51,000 new ordinary shares of RM1.00 each in Famous Ambience (“**FASB Shares**”) (“**Subscription Shares**”) for a total cash consideration of RM51,000 (“**Subscription Consideration**”) (“**Subscription**”).

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 a mixed commercial development expected to feature retail / food & beverage (“**F&B**”) lots, event halls, restaurants, a karaoke centre and car parks (“**Project**”) on two (2) contiguous parcels of freehold land measuring approximately 169,504 square feet (“**sf**”) located in Kuala Lumpur between Jalan Tun Razak and the Royal Selangor Golf Club (“**RSGC**”) (“**Project Land**”) (“**Business Venture**”) and thereafter operate and manage the buildings developed and erected thereon.

Pursuant thereto, on behalf of the Board, Mercury Securities wishes to announce that the Company proposes to undertake the following:-

- (i) proposed diversification of the business of Focus and its subsidiaries (“**Focus Group**” or “**Group**”) into property investment and management (“**Proposed Diversification**”); and
- (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 entitled shareholders of Focus (“**Entitled Shareholders**”) on an entitlement date to be determined later (“**Entitlement Date**”) (“**Proposed Rights Issue with Warrants**”).

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2. DETAILS OF THE PROJECT

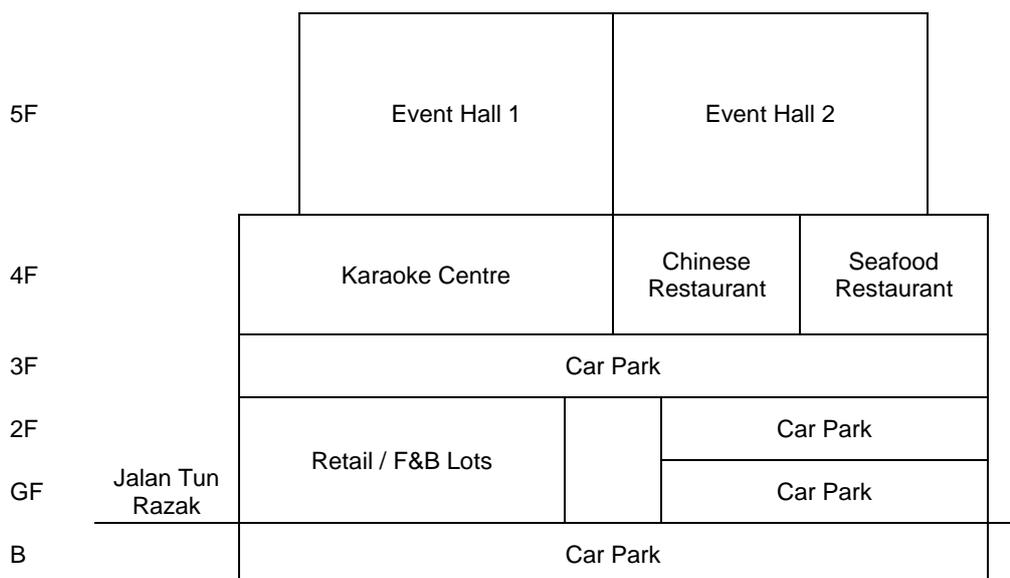
In 2014, the Group diversified into the F&B business in order to improve its earnings base and reduce its reliance on its then existing core businesses of engineering services for energy efficiency management (i.e. the engineering services segment) and manufacturing of variable speed drives and instruments 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.

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 announcement.

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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. 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*' chain of restaurants 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.

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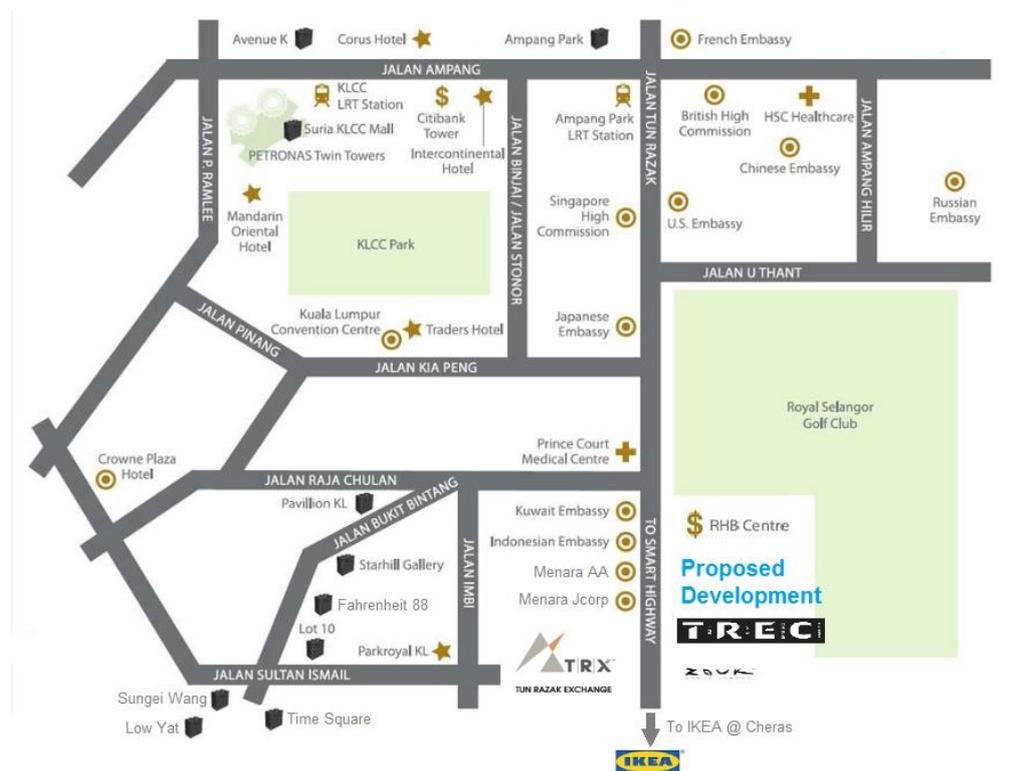
(v) **Car park**

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.

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 during the fourth (4th) quarter of 2016. The construction of the Project is expected to commence during the first (1st) quarter of 2017.

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Other information on the Project

Description	:	Mixed commercial development comprising a five (5)-storey building together with a basement level
Estimated lettable area (approximate)	:	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
Total estimated construction cost	:	Approximately RM60 million. Please refer to Section 6(i) of this announcement for details on the breakdown.
Sources of funds for construction	:	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 Sdn Bhd (“**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.

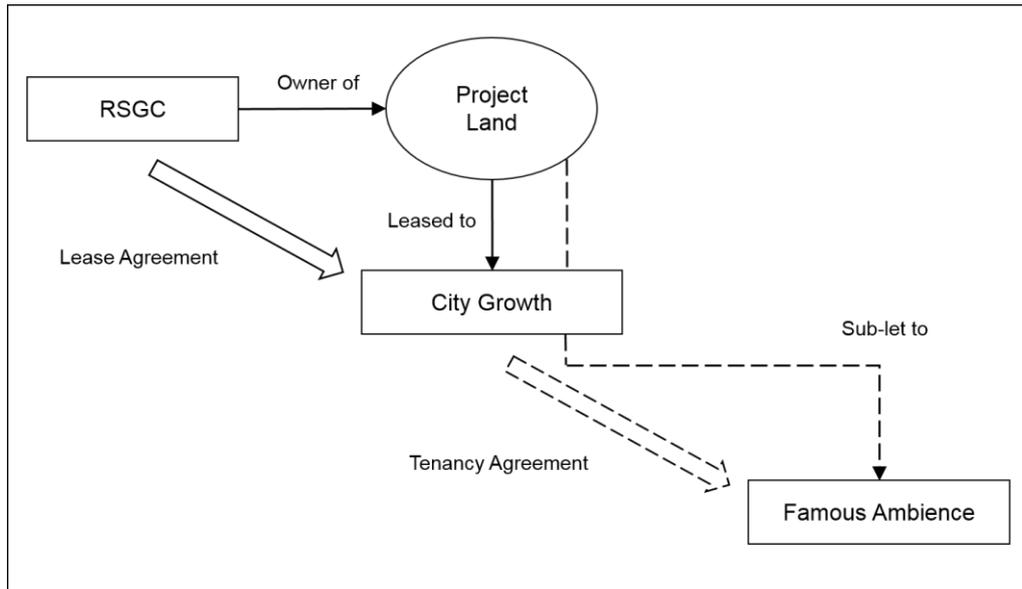
In turn, the Project Land is sub-let by City Growth to Famous Ambience for a term of three (3) years commencing from 1 February 2013, which shall be extended automatically and continuously⁽¹⁾ for an additional ten (10) terms of three (3) years each and a final term of one (1) year and four (4) months, expiring on 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.*

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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 an additional ten (10) terms of three (3) years each and a final term of one (1) year and four (4) months, expiring on 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	:	Vacant

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
<u>Business Partners</u>				
OKH	43,000	87.76	43,000	43.00
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.

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 Companies Act, 1965 (“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 where car park charges or rental 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 announcement.

3.3.2 Share capital

The authorised, issued and paid-up share capital of Famous Ambience as at 30 August 2016, being the latest practicable date prior to the date of this announcement (“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	Direct		Indirect	
	No. of FASB Shares	%	No. of FASB Shares	%
OKH	43,000	43.00	-	-
Leung Kok Keong ⁽¹⁾	-	-	-	-
Chieng Siong Kuong ⁽²⁾	-	-	-	-

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	-	-

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3.4 Financial information on Famous Ambience

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

	Audited			
	Financial period ended ("FPE") 11 January 2013 to 31 October 2013 ⁽¹⁾ (RM)	Financial year ended ("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.

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 and currently holds a management role at OCR Land Holdings Sdn Bhd ("**OCR Land**").

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 developed and completed developments 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 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.

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.

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, 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 the approval from shareholders of the Company ("**Shareholders**") for the Proposed Diversification.

Pursuant to Rule 10.13(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**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 net assets ("**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 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 governing the Warrants D ("**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 and to such other persons as the Board shall determine. It is the intention of the Board 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 : Approval will be sought from Bursa Securities for the admission of the Warrants D to the official list of the ACE Market of Bursa Securities ("**Official List**") and the listing and quotation of the Warrants D and 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 ("**SICDA**") and the Rules of Bursa Malaysia Depository Sdn Bhd issued pursuant to the SICDA.
- 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 announcement.

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 ("**Minimum Subscription Level**").

The Company has procured an undertaking from Datuk Manan Bin Haji Md. Said ("**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 such that the aggregate subscription of Rights Shares received by the Company amounts to not less than RM10 million ("**Undertaking**").

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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. The sufficiency of financial resources of Datuk Manan for the purpose of subscribing the Rights Shares pursuant to the Undertaking will be verified by Mercury Securities in due course.

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Datuk Manan has confirmed that the Undertaking will not give rise to any mandatory take-over offer obligation under the Malaysian Code on Take-Overs and Mergers, 2010 (“**Code**”) and the Rules on Take-Overs, Mergers and Compulsory Acquisition issued by the Securities Commission Malaysia (“**SC**”) pursuant to Section 377 of the Capital Markets and Services Act, 2007 (“**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 announcement;
- (b) the par value of Focus Shares of RM0.05 each;
- (c) the theoretical ex-rights price (“**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 6.02% to the TERP of RM0.0532, calculated based on the five (5)-day VWAP of Focus Shares up to and including the LPD of RM0.0579.

(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.

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 6.02% to the TERP of RM0.0532, calculated based on the five (5)-day VWAP of Focus Shares up to and including the LPD of RM0.0579. 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.

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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 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 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

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- Minimum Scenario** - Assuming that none of the outstanding Focus warrants 2014 / 2019 (“**Warrants C**”) and options granted under the existing employees’ share option scheme of the Company (“**ESOS**”) pursuant to the by-laws governing the ESOS (“**ESOS Options**”) (collectively, 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 (as defined in Section 5.3 of this announcement).
- Base Case Scenario** - Assuming that none of 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.
- Maximum Scenario** - Assuming that 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.

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 38 months and 40 months from the LPD for the Warrants C (expiring on 6 November 2019) and ESOS Options (expiring on 12 January 2020) respectively.*
- (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.*

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.

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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>	Amount RM'000
<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
Total estimated construction cost	<u>60,000</u>

(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	<u>18,000</u>

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.*

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(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:-

	Amount RM'000
<u>Working capital</u>	
<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.

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 38 months and 40 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.

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7. RATIONALE FOR THE PROPOSALS

7.1 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, amongst others, the following:-

- (i) strategic location of the Project; and
- (ii) potential profits to be derived from the Project which shall translate into future earnings contribution to the Group.

7.2 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 announcement.

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.

8. EFFECTS OF THE PROPOSALS

8.1 Share capital

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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8.2 NA and gearing

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

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 event ⁽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	70,550	38,854	48,854	53,854
Reserves ⁽¹⁾	(31,573)	3,901	2,901	2,901
Shareholders' equity / NA	38,977	42,755	51,755	56,755
No. of Focus Shares in issue ('000)	705,503	777,090	977,090	1,077,090
NA per Focus Share (RM)	0.06	0.06	0.05	0.05
Total borrowings (RM'000)	1,476	1,476	1,476	1,476
Gearing (times)	0.04	0.03	0.03	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 outstanding Focus warrants 2011 / 2016 ("**Warrants 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 event ⁽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	70,550	38,854	62,269	124,538	155,673
Reserves ⁽¹⁾	(31,573)	3,901	3,901	2,901	2,901
Shareholders' equity / NA	38,977	42,755	66,170	127,439	158,574
No. of Focus Shares in issue ('000)	705,503	777,090	1,245,384	2,490,768	3,113,461
NA per Focus Share (RM)	0.06	0.06	0.05	0.05	0.05
Total borrowings (RM'000)	1,476	1,476	1,476	1,476	1,476
Gearing (times)	0.04	0.03	0.02	0.01	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 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) Based on an illustrative exercise price of RM0.05 per ESOS Option as well as the existing exercise price of RM0.05 for each 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.

8.3 Substantial shareholders' shareholdings

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

Substantial shareholders	As at the LPD				(I) After the Proposed Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Focus Shares	% ⁽¹⁾	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	15.91	-	-	⁽⁴⁾ 123,600,000	12.65
Datuk Manan	2,000	⁽⁵⁾ -	-	-	200,002,000	20.47	-	-

Substantial shareholders	(II) After (I) and assuming full exercise of the Warrants D			
	Direct		Indirect	
	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

	As at the LPD				(I) Assuming full granting and/or exercise of the Convertible Securities			
	Direct		Indirect		Direct		Indirect	
	No. of Focus Shares	% ⁽¹⁾	No. of Focus Shares	% ⁽¹⁾	No. of Focus Shares	% ⁽³⁾	No. of Focus Shares	% ⁽³⁾
Substantial shareholders								
Asiabio Capital Sdn Bhd	123,600,000	15.91	-	-	123,600,000	9.92	-	-
Asia Bioenergy Technologies Berhad	-	-	⁽²⁾ 123,600,000	15.91	-	-	⁽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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8.4 Earnings and earnings per share (“EPS”)

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 Proposed Diversification and the Proposed Rights Issue with Warrants to contribute positively to the future earnings of the Group via the utilisation of proceeds as set out in Section 6 of this announcement.

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 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.

8.5 Convertible securities

The Proposed Diversification will not give rise to any adjustment to the exercise price and number of ESOS Options under the provisions of the by-laws governing the ESOS Options and the exercise price and number of Warrants C in accordance with the provisions of the deed poll dated 30 September 2014 governing the Warrants C (“**Deed Poll C**”).

The implementation of the Proposed Rights Issue with Warrants will give rise to adjustments to the exercise price and number of ESOS Options under the provisions of the by-laws governing the ESOS Options and the exercise price and number of Warrants C, in accordance with the provisions of the Deed Poll C.

Such necessary adjustments will only be finalised on the Entitlement Date and will be effective on the next market day after the Entitlement Date.

The rights and obligations of the holders of the ESOS Options and Warrants C will remain unchanged, save for the aforesaid adjustments. The holders of the ESOS Options and Warrants C will be officially notified in due course on the effective adjustments arising from the Proposed Rights Issue with Warrants.

As at the LPD, save for the existing ESOS Options and Warrants C, the Company does not have any other outstanding convertible securities in issue.

9. APPROVALS REQUIRED AND CONDITIONALITY

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 and Warrants D on the ACE Market of Bursa Securities;
 - (c) listing and quotation of additional Warrants C to be issued arising from the adjustment pursuant to the Proposed Rights Issue with Warrants (“**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;
- (ii) Shareholders at the forthcoming extraordinary general meeting of the Company 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.

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

None of the directors of the Company, major Shareholders and/or persons connected to them have any interest, whether direct or indirect, in 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.

11. DIRECTORS' STATEMENT

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.

12. APPLICATION TO THE AUTHORITIES

Application(s) to the relevant authorities in relation to the Proposals are expected to be submitted within one (1) month from the date of this announcement.

13. ESTIMATED TIME FRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposals are expected to be completed by the fourth quarter of 2016.

14. ADVISER

Mercury Securities has been appointed by the Company to act as the Principal Adviser in relation to the Proposals.

This announcement is dated 2 September 2016.