KPMG

Focus Dynamics Technologies Berhad
Accountants' Report
for inclusion in the prospectus
3 January 2006

The Board of Directors
Focus Dynamics Technologies Berhad
12, 14 & 16 Jalan TPJ 10
Taman Perindustrian Jaya
47200 Petaling Jaya
Selangor Darul Ehsan

3 January 2006

Dear Sirs

Accountants' report

This report has been prepared by Messrs KPMG, the approved company auditor, for inclusion in the Prospectus of Focus Dynamics Technologies Berhad (hereinafter referred to as "Focus" or "the Company") to be dated 16 January 2006 in connection with the restructuring exercise of Focus as set out in Section 1.3 of this report, including the listing of and quotation for the entire issued and paid up share capital of Focus on the Malaysian Exchange of Securities Dealing and Automated Quotation Berhad ("MESDAQ") market of Bursa Malaysia Securities Berhad ("Bursa Securities"):

1. General information

1.2 Background

Focus was incorporated in Malaysia on 14 June 2002 as Focus Dynamics Technologies Sdn. Bhd. Under the Companies Act, 1965 as a private limited company. On 13 August 2002, Focus was converted into a public limited company and assumed its present name.

The principal activity of Focus is that of investment holding company.

1.2 Share capital

1.2.1 The issued and paid-up share capital of Focus as at the date of incorporation consists of subscribers' shares of RM2.00 comprising two (2) ordinary shares of RM1.00 each, while the authorised share capital as at the date of incorporation consist of 100,000 ordinary shares of RM1.00 each. On 1 August 2002, the authorised and issued and paid-up share capital of Focus was sub-divided into 1,000,000 and 20 ordinary shares of RM0.10 each respectively. On even date, Focus increased its authorised share capital by 99,000,000 to 100,000,000 ordinary shares of RM0.10 each.

1.2.2 Pursuant to the listing of and quotation for the entire paid-up share capital of Focus on the MESDAQ market as set out in Note 1.3 below, the issued and fully paid-up share capital of Focus would be increased to RM7,559,778 comprising 75,597,780 ordinary shares of RM0.10, of which RM1,150,000 will be from the issuance of 11,500,000 new ordinary shares of RM0.10 each from the Public Issue.

Details of the changes in the issued and paid-up share capital of Focus since the date of incorporation are as follows:

Date of allotment	**Number of ordinary shares**	**Par value**	**Purpose**	**Total issued and paid-up share capital**
		RM		**RM**
Upon incorporation	2	1.00	Subscribers' shares	2
1 August 2002	20	0.10	Shares split of RM1.00 each into shares of RM0.10 each	2
23 June 2005	26,298,870	0.10	Pursuant to the acquisition of FDC	2,629,889

1.3 Listing scheme

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of Focus on the MESDAQ market of Bursa Securities, Focus has undertaken the following restructuring exercise as approved by the Securities Commission ("SC"), Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") respectively. The restructuring and listing scheme involves the following:

1.3.1 Acquisition of Focus Dynamics Drives Sdn. Bhd. and its subsidiaries ("FDD Group") by Focus

Acquisition of the entire issued and paid-up share capital of FDD comprising 500,000 ordinary shares of RM1.00 each, for a total cash consideration of RM652,885.

The purchase consideration was determined based on the audited net tangible assets of FDD Group as at 31 July 2003 of RM652,885.

The acquisition of FDD Group was completed on 23 June 2005.

1.3.2 Acquisition of Focus Dynamics Centre Sdn. Bhd. ("FDC") by Focus

Acquisition of the entire issued and paid-up share capital of FDC comprising 1,800,000 ordinary share of RM1.00 each in FDC for a total purchase consideration of RM2,629,887, which was satisfied by the issuance of 26,298,870 new ordinary shares of Focus of RM0.10 each at an issue price of approximately RM0.10 per ordinary share.

The purchase consideration was determined based on the adjusted audited net tangible assets of FDC as at 31 July 2003 of RM2,629,887.

The acquisition of FDC was completed on 23 June 2005.

1.3.3 Shares transfer

On 28 November 2005, Kong Kwai Ching transferred 446,875 ordinary shares of RM0.10 each of Focus representing approximately 1.2% equity interest in Focus based on an enlarged issued and paid-up share capital (before bonus issue) held by him to key management and selected employees for cash consideration of RM1.00 paid by each employee.

1.3.4 Public issue

In conjunction with the listing and quotation of the entire enlarged issued and paid up share capital of Focus on the MESDAQ market, Focus will undertake a public issue of 11,500,000 new ordinary shares of RM0.10 each at an issue price of RM0.72 sen each.

KPMG

Focus Dynamics Technologies Berhad
Accountants' Report
for inclusion in the prospectus
3 January 2006

1.3.5 Bonus issue to shareholders of Focus

Upon completion of the public issue, Focus will undertake a bonus issue of 37,798,890 new ordinary shares on the basis of one (1) new ordinary share of Focus for each existing Focus ordinary share held after the public issue.

The bonus issue will be capitalised from the share premium account arising from the public issue.

1.3.6 Listing

Listing and quotation of the entire issued and paid up share capital of Focus on the MESDAQ market of Bursa Securities.

1.3 Subsidiaries

As at the date of this report, the Focus Group comprises Focus and the following subsidiaries, all of which are incorporated in Malaysia as private limited companies under the Companies Act, 1965 except for FDUK which was incorporated in United Kingdom. The details of the subsidiaries are as follows:

		← Share Capital → At 31 July 2005			
Subsidiaries	**Date of incorporation**	**Authorised capital**	**Issued and paid-up**	**Effective equity interest %**	**Principal activities**
Focus Dynamics Centre Sdn. Bhd. ("FDC")	2 March 1999	RM5,000,000	RM1,800,000	100	Marketing, distribution and sale of industrial instruments for the control of industrial machines and processes, providing a range of support services covering project management services, maintenance support, engineering conceptualisation, system audit, energy saving services and other support services in relation to FDC's business and products.
Focus Dynamics Drives Sdn. Bhd. ("FDD")	3 August 2001	RM500,000	RM500,000	100	Manufacture, research and development of variable speed drives, and supply and trading of instruments for the control of industrial machines and processes.
Focus Dynamics Distribution Sdn. Bhd. ("FDDIS")	12 August 2002	RM100,000	RM2	100	Dormant. Intended principal activities are trading, marketing and distribution of original equipment manufacturer ("OEM") industrial control equipment and related products. FDDIS commenced operations in September 2005.

1.3 Subsidiaries (continued)

Subsidiaries	Date of incorporation	← Share Capital At 31 July 2005 Authorised capital	→ Issued and paid-up	Effective equity interest %	Principal activities
Focus Dynamics Industrial Systems Limited ("FDUK")	6 Sept 2001	£100	£1	100	Dormant. Intended principal activities are promotion and recruitment of distributors of industrial control equipment.

1.4 Financial statements and auditors

The financial year end of the Focus Group is 31 July.

The financial statements of all companies within the Focus Group were audited for the relevant financial periods/years under review except for FDUK where the United Kingdom Companies' Act 1985 provides an exemption from an audit being undertaken for companies with balance sheet assets total of not more than £1.4m (or equivalent to RM10m) and turnover of not more than £1m (RM7m). Hence, management accounts have been prepared for the financial period ended 31 July 2002 and, for the years ended 31 July 2003 onwards.

KPMG was the auditors of FDC for the financial years ended 31 July 2002 onwards. The financial statements of FDC for the financial years ended 31 July 2000 and 2001 were audited by another firm of accountants.

The financial statements of FDD for the financial period ended 31 July 2002 and for the year ended 31 July 2003 onwards were audited by KPMG. The first financial statements of Focus and FDDIS for the period ended 31 July 2003 and for the year ended 31 July 2004 onwards were audited by KPMG.

The auditors' reports, where relevant, within the Focus Group for all the relevant financial periods/years under review were not subject to any modification or qualification.

For the purpose of this report, we have translated the foreign currency amounts at rates on 31 July 2005 as follows:

1 USD: RM3.75
1 GBP: RM6.58
1 EURO: RM4.55

2. Dividends

No dividend was declared and paid by Focus and its subsidiaries in respect of the relevant financial periods/years under review, except for:

i) Payment of tax exempt dividend amounting RM1,020,408 by FDD to existing shareholders of FDD prior to acquisition of FDD by Focus in respect of the year ended 31 July 2005; and

ii) Payment of tax exempt dividend amounting RM1,000,000 by FDC to existing shareholders of FDC prior to acquisition of FDC by Focus in respect of the year ended 31 July 2005.

3. Financial Performance

3.1 Focus Group - Proforma consolidated results

We set out below the summarised proforma consolidated results of the Focus Group for the past five (5) financial years ended 31 July 2001 to 31 July 2005 on the assumption that the acquisitions of the subsidiaries as detailed in Note1.3 by Focus Group had been in existence throughout the years under review. The proforma consolidated results, provided for illustrative purposes, are prepared based on the audited financial statements of Focus and its subsidiaries except for FDUK which is based on the management accounts. The following results are to be read in conjunction with the notes thereon:

	←----Year 31 July----→				
	2001	**2002**	**2003**	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	4,724	4,117	6,237	6,947	7,110
Profit before depreciation, amortisation, interest and taxation	472	477	963	1,513	1,682
Depreciation	(104)	(115)	(134)	(89)	(140)
Amortisation of development cost	-	-	(11)	(33)	(76)
Interest expense	(39)	(20)	(82)	(131)	(171)
Interest income	-	-	20	30	26
Profit before taxation	329	342	756	1,290	1,321
Taxation	(96)	(64)	(115)	(121)	(116)
Profit after taxation	233	278	641	1,169	1,205
Number of ordinary shares of RM0.10 each in issue at year end ('000)	26,299	26,299	26,299	26,299	26,299
Earnings per share (sen)					
- Gross	1.3	1.3	2.8	4.9	5.0
- Net	0.9	1.0	2.4	4.4	4.6

3.2 Notes to the proforma consolidated results

3.2.1 Basis of consolidation

The proforma consolidated results of the Focus Group are prepared for illustrative purposes only and are based on the audited financial statements of all companies within the Focus Group for the years under review except for FDUK which is based on the management accounts as the United Kingdom Companies Act, 1985 provides an exemption from an audit being undertaken on companies with balance sheet assets total of not more than £1.4 million and turnover of not more than £1.0 million. The results have been presented on the basis that the Focus Group had been in existence throughout the years under review.

3.2.2 Extraordinary items

There were no extraordinary or exceptional items for the financial years under review.

3.2.3 Earnings per share

The basic gross and net earnings per share are calculated based on the profit before and after taxation attributable to the shareholders of Focus respectively over the number of shares issued of ordinary shares of RM0.10 each. Focus has an issued and paid-up share capital of RM2,629,889 comprising 26,629,890 ordinary shares of RM0.10 each pursuant to the completion of acquisitions exercise under listing scheme as mentioned in Note 1.3.

KPMG

Focus Dynamics Technologies Berhad
Accountants' Report
for inclusion in the prospectus
3 January 2006

4. Summary of results

4.1 Focus

The financial information of Focus set out below is based on the audited financial statements of Focus.

	Date of incorporation to 31 July 2003 RM'000	←---------Year 31 July 2004 RM'000	-------------→ 2005 RM'000
Revenue	-	-	-
Loss before depreciation and taxation	(1)	(1)	(2)
Depreciation	-	-	-
Loss before taxation	(1)	(1)	(2)
Taxation	-	-	-
Loss after taxation	(1)	(1)	(2)
Number of ordinary shares of RM0.10 each in issue at period/year end ('000)	-*	-*	26,299
Weighted average number of ordinary shares of RM0.10 each in issue ('000)	-*	-*	2,738
Loss per share (sen)			
- Gross	(5,000)	(5,000)	(0.08)
- Net	(5,000)	(5,000)	(0.08)

* *The share capital represents 20 ordinary shares of RM0.10 each.*

Notes:

i) The basis gross and net earnings per share are calculated based on the loss before and after taxation respectively and on the weighted average number of ordinary shares of RM0.10 each in issue.

ii) There were no extraordinary or exceptional items for the financial period/years under review.

4.2 FDC

The financial information of FDC is based on the audited financial statements of FDC.

	←Year 31 July				→
	2001	**2002**	**2003**	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	4,724	3,484	5,335	4,671	5,897
Profit before depreciation, interest and taxation	472	175	343	622	2,169
Depreciation	(104)	(112)	(110)	(89)	(98)
Interest expense	(39)	(20)	(54)	(73)	(89)
Interest income	-	-	17	21	11
Profit before taxation	329	43	196	481	1,993
Taxation	(96)	(42)	(88)	(121)	(112)
Profit after taxation	233	1	108	360	1,881
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,800	1,800	1,800	1,800	1,800
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	1,613	1,800	1,800	1,800	1,800
Earnings per share (sen)					
- Gross	20.3	2.4	10.9	26.7	110.7
- Net	14.4	0.1	6.0	20.0	104.5

Notes:

i) *The basis gross and net earnings per share are calculated based on the profit before and after taxation respectively and on the weighted average number of ordinary shares of RM1.00 each in issue.*

i) *There were no extraordinary or exceptional items for the financial years under review.*

4.3 FDD

The financial information of FDD is based on the audited financial statements of FDD.

	Date of incorporation to 31 July	←-----------Year 31 July-----------→		
	2002	**2003**	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	1,279	2,961	3,698	4,716
Profit before depreciation, interest and taxation	302	628	933	1,076
Depreciation	(3)	(24)	(36)	(42)
Amortisation of development costs	-	(11)	(33)	(76)
Interest expense	-	(28)	(58)	(82)
Interest income	-	3	9	16
Profit before taxation	299	568	815	892
Taxation	(22)	(27)	-	(3)
Profit after taxation	277	541	815	889
Number of ordinary shares of RM1.00 each in issue at period/year end ('000)	100	100	500	500
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	38	100	326	500
Earnings per share (sen)				
- Gross	787	568	250	178
- Net	729	541	250	178

Notes:

i) *The basis gross and net earnings per share are calculated based on the profit before and after taxation respectively and on the weighted average number of ordinary shares of RM1.00 each in issue.*

ii) *There were no extraordinary or exceptional items for the financial period/years under review.*

4.4 FDUK

The United Kingdom Companies' Act 1985 provides an exemption from an audit being undertaken for companies with balance sheet assets total of not more than £1.4m (or equivalent to RM10m) and turnover of not more than £1m (RM7m). Hence, the financial information of FDUK is based on management accounts prepared by the management and Directors of FDUK.

	Date of incorporation to 31 July	←----------- Year 31 July	-----------	→
	2002	2003	2004	2005
	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-
Loss before depreciation	-	(2)	(1)	(3)
Depreciation	-	-	-	-
Loss before taxation	-	(2)	(1)	(3)
Taxation	-	-	-	-
Loss after taxation	-	(2)	(1)	(3)
Number of ordinary shares of RM6.58 (£1.00) each in issue at period/year ended	1	1	1	1
Weighted average number of ordinary shares of RM6.58 (£1.00) each in issue	1	1	1	1
Loss per share (sen)				
- Gross	-	(200,000)	(100,000)	(300,000)
- Net	-	(200,000)	(100,000)	(300,000)
Exchange rate used in translation of income statement	6.00	6.00	6.90	6.58

Notes:

i) *The basis gross and net earnings per share are calculated based on the loss before and after taxation respectively and on the weighted average number of ordinary shares of RM6.58 each in issue.*

ii) *There were no extraordinary or exceptional items for the financial period/years under review.*

KPMG

Focus Dynamics Technologies Berhad
Accountants' Report
for inclusion in the prospectus
3 January 2006

4.5 FDDIS

The financial information of FDDIS is based on the audited financial statements of FDDIS.

	Date of incorporation to 31 July 2003 RM'000	←------Year 31 July------→ 2004 RM'000	2005 RM'000
Revenue	-	-	-
Loss before depreciation and taxation	(5)	(3)	(18)
Depreciation	-	-	-
Loss before taxation	(5)	(3)	(18)
Taxation	-	-	-
Loss after taxation	(5)	(3)	(18)
Number of ordinary shares of RM1.00 issue at period/year end	2	2	2
Weighted average number of ordinary shares of RM1.00 each in issue	2	2	2
Loss per share (sen)			
- Gross	(250,000)	(150,000)	(900,000)
- Net	(250,000)	(150,000)	(900,000)

Notes:

i) *The basis gross and net earnings per share are calculated based on the loss before and after taxation respectively and on the weighted average number of ordinary shares of RM1.00 each in issue.*

ii) *There were no extraordinary or exceptional items for the financial period/years under review.*

KPMG

Focus Dynamics Technologies Berhad
Accountants' Report
for inclusion in the prospectus
3 January 2006

5. Summarised balance sheets

The following financial information of Focus and its subsidiaries is based on the respective companies audited financial statements, where relevant save for FDUK (Note 5.4) which is presented based on management accounts (See Note 4.4)

5.1 Focus

	←------As at 31 July------→		
	2003	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**
Investments in subsidiaries	-	-	3,283
Current assets	446	555	839
Less: Current liabilities	(447)	(557)	(1,496)
Net current liabilities	(1)	(2)	(657)
	(1)	(2)	2,626
(Represented)/ Financed by:			
Share capital	-*	-*	2,630
Accumulated losses	(1)	(2)	(4)
(Deficit)/Surplus in shareholders' funds	(1)	(2)	2,626
Number of ordinary shares of RM0.10 each in issue at period/year end ('000)	-*	-*	26,299
Net (liabilities)/tangible assets (RM'000)	(1)	(2)	2,626
Net (liabilities)/tangible assets per ordinary share (RM)	(50)	(100)	0.1

* *The share capital represents 20 ordinary shares of RM0.10 each.*

5.2 FDC

	←As at 31 July				→
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Plant and equipment	254	355	444	198	379
Investments in subsidiaries	-	98	98	98	-
Current assets	3,447	3,151	4,573	6,119	9,296
Less: Current liabilities	(1,648)	(1,469)	(2,777)	(3,865)	(6,079)
Net current assets	1,799	1,682	1,796	2,254	3,217
	2,053	2,135	2,338	2,550	3,596
Financed by:					
Share capital	1,800	1,800	1,800	1,800	1,800
Retained profits	179	180	288	648	1,529
Shareholders' funds	1,979	1,980	2,088	2,448	3,329
Hire purchase liabilities	74	155	241	93	258
Deferred taxation	-	-	9	9	9
	2,053	2,135	2,338	2,550	3,596
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,800	1,800	1,800	1,800	1,800
Net tangible assets ("NTA") (RM'000)	1,979	1,980	2,088	2,448	3,329
NTA per ordinary share (RM)	1.10	1.10	1.16	1.36	1.85

5.3 FDD

	←As at 31 July→			
	2002 RM'000	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Plant and equipment	74	56	78	75
Investment in subsidiaries	-*	-**	-**	-**
Development costs	41	257	558	701
Current assets	751	2,352	3,349	5,541
Less: Current liabilities	(489)	(1,734)	(2,238)	(4,702)
Net current assets	262	618	1,111	839
	377	931	1,747	1,615
Financed by :				
Share capital	100	100	500#	500
Retained profits	277	817	1,233	1,101
Shareholders' funds	377	917	1,733	1,601
Deferred taxation	-	14	14	14
	377	931	1,747	1,615
Number of ordinary shares of RM1.00 each in issue at year end ('000)	100	100	500	500
Net tangible assets ("NTA") (RM'000)	336	660	1,175	900
NTA per ordinary share (RM)	3.36	6.60	2.35	1.80

* *On 6 September 2001, the Company subscribed for one (1) ordinary share of RM6.58 (£1.00) representing 100% equity interest of FDUK.*

** *On 27 August 2002, the Company subscribed for two (2) ordinary share of RM2.00 representing 100% equity interest of FDDIS. The investment amount at 31 July 2003 to 2005 is RM8.*

\# *On 6 January 2004, FDD had increased its paid-up share capital to RM500,000 through bonus issue. The bonus shares were capitalised from retained profits.*

5.4 FDUK

	←As at 31 July→			
	2002	**2003**	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	- *	- *	- *	- *
Current liabilities	-	(2)	(4)	(7)
	-	(2)	(4)	(7)
Represented by:				
Share capital	- *	- *	- *	- *
Accumulated loss	-	(2)	(4)	(7)
Deficit in shareholder's funds	- **	(2)	(4)	(7)
Number of ordinary share of RM6.58 (£1.00) each in issue at year end	1	1	1	1
Net liabilities (RM)	(7)	(2,000)	(4,000)	(7,000)
Net liabilities per ordinary share (RM)	(7)	(2,000)	(4,000)	(7,000)

* *The current assets consist of amount due from holding company of RM6.58 (£1.00) and the share capital represents paid-up capital of RM6.58 (£1.00) comprising 1 ordinary share of RM6.58 (£1.00) each.*

** *The shareholder's funds amount to RM6.58.*

5.5 FDDIS

	←As at 31 July→		
	2003	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**
Current assets	- *	1	- *
Current liabilities	(5)	(9)	(27)
	(5)	(8)	(27)
Represented by:			
Share capital	- *	- *	- *
Accumulated loss	(5)	(8)	(27)
Deficit in shareholder's funds	(5)	(8)	(27)
Number of ordinary shares of RM1.00 each in issue at year end	2	2	2
Net liabilities (RM)	(5,000)	(8,000)	(27,000)
Net liabilities per ordinary share (RM)	(2,500)	(4,000)	(13,500)

* *The current assets represent cash in hand of RM2.00 and the share capital represents paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.*

KPMG

Focus Dynamics Technologies Berhad
Accountants' Report
for inclusion in the prospectus
3 January 2006

6. Statement of assets and liabilities

The following statement of assets and liabilities of Focus Group are prepared based on the audited financial statements of Focus and its subsidiaries as at 31 July 2005 except for FDUK which is based on the management accounts. The statement of assets and liabilities of Focus Group have been prepared using accouting policies and bases consistent with those normally adopted in the preparation of the audited financial statements. The statement of assets and liabilities should be read in conjunction with the notes thereon:

	Note	Company	Group
		RM'000	RM'000
Plant and equipment	6.2	-	455
Investment in subsidiaries	6.3	3,283	-
Development Costs	6.4	-	701
Current assets			
Inventories	6.5	-	3,235
Trade and other receivables	6.6	839	5,613
Cash and cash equivalents	6.7	-*	1,203
		839	10,051
Current liabilities			
Trade and other payables	6.8	1,496	2,821
Borrowings	6.9	-	3,806
Taxation		-	60
		1,496	6,687
Net current (liabilities)/ assets		(657)	3,364
		2,626	4,520
FINANCED BY:			
Share capital	6.10	2,630	2,630
(Accumulated losses)/Retained profits		(4)	820
Surplus in shareholders' funds		2,626	3,450
Negative goodwill	6.11	-	789
Long term and deferred liabilities			
Borrowings	6.9	-	258
Deferred taxation		-	23
		2,626	4,520
Net tangible assets per share (RM) @		0.10	0.13

@ *Negative goodwill has been included in the calculation of Net Tangible Assets per ordinary share.*

* Cash and bank balances comprise cash in hand of RM2.

6.1 Significant accounting policies

The following accounting policies are adopted by the Focus Group and are consistent with those accounting policies adopted in previous years with the exception for 6.1.4.

6.1.1 Basis of accounting

The statement of asset and liabilities of the Focus Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

6.1.2 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or on negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

6.1.3 Investments

Investment in subsidiaries is stated at cost in the Company, less impairment loss where applicable.

6.1.4 Goodwill or Negative Goodwill

Goodwill or negative goodwill represents the excess or deficit of the cost of acquisition over the fair values of the net identifiable assets acquired.

Goodwill or negative goodwill is amortised over the next three (3) years upon completion of acquisition.

6.1.5 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation.

Depreciation

The straight-line method is used to write off the cost of the following assets over the term of their estimated useful lives at the following principal annual rates:

Plant and machinery	25%
Furniture and fittings	25%
Office equipment	25%
Motor vehicles	20%
Computers	33%

6.1.6 Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, where research findings are applied to a plan or design for the production of new or substantially improved products or processes is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over a period not exceeding 10 years.

6.1.7 Inventories

Inventories comprise raw materials, work-in-progress, finished goods and trading inventories and are stated at the lower of cost and net realisable value with first-in, first-out being the main basis for cost.

For work-in-progress, cost comprises raw materials, sub-contractor fees plus incidentals in bringing these inventories to their present location and condition. Cost of trading inventories comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition. Cost of finished goods comprises of raw materials and an appropriate proportion of fixed overheads.

6.1.8 Trade and other receivables

Trade and other receivables are stated at cost less allowances for doubtful debts.

6.1.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of pledged deposits and bank overdrafts.

6.1.10 Liabilities

Borrowings, trade and other payables are stated at cost.

6.1.11 Hire purchase

Plant and equipment acquired under hire purchase agreements are capitalised at their purchase cost and depreciated on the same basis as owned assets. The total amounts payable under hire purchase agreements are included as hire purchase liabilities.

6.1.12 Impairment

The carrying amount of assets, other than inventories, deferred tax assets and financial assets(other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

6.1.13 Taxation

Tax on the profit for the year comprises income and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

6.1.14 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

1USD	RM3.80
1EURO	RM4.55
1GBP	RM6.58

6.2 Plant and equipment

Group	**Cost RM'000**	**Accumulated depreciation RM'000**	**Net book value RM'000**
Plant and machinery	73	(2)	71
Furniture and fittings	8	(1)	7
Office equipment	20	(2)	18
Motor vehicles	350	(7)	343
Computers	19	(3)	16
	470	(15)	455

Included in plant and equipment are motor vehicles acquired under hire purchase arrangements with net book value of RM339,000.

6.3 Investment in subsidaries

	Company RM'000
At cost:	
Unquoted shares	3,283

6.4 Development costs

	Group RM'000
Cost	709
Accumulated amortisation	(8)
Net book value	701

6.5 Inventories

	Group RM'000
At cost:	
Raw materials	534
Work-in-progress	1,911
Finished goods	128
Trading inventories	662
	3,235

6.6 Trade and other receivables

	Company RM'000	Group RM'000
Trade receivables	-	4,854
Less: Allowance for doubtful debts	-	(181)
	-	4,673
Other receivables, deposits and prepayments	839	923
Tax recoverable	-	17
	839	5,613

6.7 Cash and cash equivalents

	Company RM'000	Group RM'000
Cash and bank balances	-*	15
Deposits with licensed banks	-	1,188
	-*	1,203

* *Cash and bank balances comprise cash in hand of RM2.*

All fixed deposits of the Group are pledged to licensed banks as security for credit facilities granted to the companies in the Group.

6.8 Trade and other payables

	Company RM'000	Group RM'000
Trade payables	-	1,145
Other payables and accrued expenses	63	1,610
Amount due to subsidiaries	1,433	-
Amount due to director	-	66
	1,496	2,821

Included in the Group's other payables and accrued expenses is dividend payable of RM1,020, 408 due to former shareholders of the subsidiaries.

The amount due to subsidiaries is non-trade in nature, interest free, unsecured with no fixed term of repayment.

The amount due to director is non-trade in nature, interest free, unsecured with no fixed term of repayment.

6.9 Borrowings

		Group RM'000
Current:		
Bank overdrafts	- secured	192
Bankers acceptance	- secured	2,094
Hire purchase liabilities	- unsecured	45
Bills payable	- secured	526
ECR financing facility	- secured	949
		3,806
Non-current:		
Hire purchase liabilities	- unsecured	258
		4,064

6.9.1 Terms and debt repayment schedule

The secured bank overdraft is subject to interest at 7.75%. Bills payable is subject to interest rates varying between 5.0% and 7.75%. The ECR financing facility is subject to interest at 3.5%. The bankers' acceptance is subject to interest rates varying between 3.9% and 5.0%.

The bankers' acceptances, bills payable, bank overdrafts and ECR financing facility of the Group are secured by the following:

i) first debenture on the Group's fixed and floating assets;

ii) personal guarantee by a Director; and

iii) "On-Lien" fixed deposit of the Group (Note 6.7)

	Group			
		Under 1	1-2	2-5
	Total	year	years	years
	RM'000	RM'000	RM'000	RM'000
Bank overdrafts	192	192	-	-
Bankers acceptances	2,094	2,094	-	-
Hire purchase liabilities	303	45	90	168
Bills payable	526	526	-	-
ECR financing facility	949	949	-	-
	4,064	3,806	90	168

6.9.2 Hire purchase liabilities

Hire purchase liabilities are subject to interest at 2.75% per annum.

Hire purchase liabilities are payable as follows:

	Group		
	Payments	Interest	Principal
	RM'000	RM'000	RM'000
Less than one year	53	8	45
Between one and five years	308	50	258
	361	58	303

6.10 Share capital

	Group and Company RM'000
Ordinary shares of RM0.10 each:	
Authorised	
At 31 July 2005	10,000
Issued and fully paid:	
As at 31 July 2004	-*
Issued during the year pursuant to:-	
i) acquisition of a subsidiary	2,630
	2,630

* *The issued and paid-up share capital of Focus consists of subscribers' shares of RM2.00 comprising twenty (20) ordinary shares of RM0.10 each.*

6.11 Negative goodwill

	Group RM'000
Acquisition of subsidiaries during the year	817
Amortisation for the year	(28)
	789

6.12 Lease commitments

	Group RM'000
Less than one year	48
Between one and five years	27
	75

6.13 Financial instruments

Financial risk management objectives and policies

Exposure to credit, currency and interest rate risk arises in the normal course of the business of the Group and Company. The Directors review and agree on the policies for managing each of these risks and they are summarised below:

Credit risk

Management has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. In the event the customer defaults in installment payments, the management reserves the right to repossess the goods.

At balance sheet date, the Group has significant exposure to three (3) customers, which represent 46% of the total trade receivables.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to these risks are primarily US Dollars, British Pound and Euro.

The Group monitors the exposures on a regular basis to ensure no significant adverse impact.

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to interest income from fixed deposits and finance costs on borrowings. The Group manages the interest rate risk exposures using a mix of fixed and variable rate borrowings.

The Group places funds at various banks to earn interest income at different maturity dates and interest rates to mitigate fluctuation in interest rates.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	< ------------31.7.2005-------------- > Effective interest rate per annum %	Total RM'000	Within 1 year RM'000
Financial assets			
Fixed deposits	3.49	1,188	1,188
Financial liabilities			
Bank overdrafts	7.75	192	192
Bankers acceptances	4.29	2,094	2,094
Bills payable	6.05	526	526
ECR financing facility	3.50	949	949

Fair values

As at balance sheet date, the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings approximate fair values due to the relatively short term nature of these instruments.

7. Consolidated cash flow statement

The consolidated cash flow of the Focus Group is based on the audited financial statements of Focus and its subsidiaries for the year ended 31 July 2005. The consolidated cashflow is to be read in conjunction with the notes below:-

	Year ended 31 July 2005 RM'000
Cash flows from operating activities	
Cash receipts from customers	68
Cash payments to suppliers and employees	(178)
Cash used in operations	(110)
Income tax paid	(3)
Interest paid	(18)
Interest received	4
Net cash used in operating activities	(127)
Cash flows from investing activities	
Purchase of plant and equipment	(2)
Placements of fixed deposits pledged	(4)
Acquisition of subsidiaries	(53)
Net cash used in investing activities	(59)
Cash flows from financing activities	
Proceeds from bankers acceptances	266
Repayment of hire purchase liabilities	(4)
Repayment of bills payable	(253)
Net cash generated from financing activities	9
Net decrease in cash and cash equivalents	(177)
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	(177)

(i) Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts.

	Group RM'000
Cash and bank balance	15
Bank overdrafts	(192)
	(177)

8. Proforma net tangible assets cover

Based on the statement of assets and liabilities of the Focus Group as at 31 July 2005, and after adjusting for the public issue, bonus issue and estimated share issue expenses, the net tangible assets ("NTA") cover per ordinary share, is as follows:

	Proforma Focus Group RM'000
Net tangible assets	
NTA of Focus Group as at 31 July 2005	3,538
Add: Proceeds from public issue	8,280
	11,818
Less: Utilisation on research and development	(1,500)
Adjusted NTA of Focus Group after public issue	10,318
Less: Estimated share issue expenses	(1,800)
Adjusted NTA as at 31 July 2005	8,518
Issued and paid-up share capital	
Number of ordinary shares of RM0.10 each:	**'000**
As at 31 July 2005	26,299
Public issue	11,500
Bonus issue	37,799
	75,598
Proforma NTA per ordinary share of RM0.10 each (RM)	0.11

Negative goodwill has been included in the calculation of Net Tangible Assets.

KPMG

9. Events subsequent to balance sheet as at 31 July 2005

There were no events that have arisen subsequent to the balance sheet date which would require any amounts stated to be adjusted or any further disclosure to be made in this report.

10. Audited financial statements

No audited financial statements of Focus and its subsidiaries have been prepared in respect of any period subsequent to 31 July 2005.

Yours faithfully

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Chan Kam Chiew
Partner
Approval Number: 2055/6/06 (J)

Signed copies of this document have been prepared in English and Bahasa Malaysia versions. In the event of any inconsistency between these, the English version shall prevail.