

---

## 5. INFORMATION ON OUR GROUP

---

### 5.1 HISTORY AND BUSINESS

Our Company was incorporated in Malaysia on 14 June 2002 under the Act as a private limited company under the name of Focus Dynamics Technologies Sdn Bhd. Subsequently, on 13 August 2002, our Company was converted into a public limited company and assumed its present name. Our Company was incorporated as an investment holding company to facilitate the listing of our Group on the MESDAQ Market.

FDC was incorporated on 2 March 1999 under the Act. As at 30 June 1999, it was an 80%-owned subsidiary of FDPLC with the remaining 20% stake being held by Kong Kwai Ching who is the Managing Director of FDC. FDC was incorporated as the stepping-stone for FDPLC to penetrate the ASEAN markets. FDPLC was a public listed company on the London Stock Exchange.

FDPLC was an international engineering company specialising in industrial control products and systems, which invested substantially in R&D for the development of AC drives. FDPLC successfully developed and launched MX3, a series of FDPLC's range of high power AC drives in mid 1999. On 9 December 1999, FDPLC transferred its entire 80% equity interest in FDC to FDL. In conjunction thereto, FDPLC also divested and transferred all its drives businesses to FDL.

On 21 June 2001, prior to FDL's voluntary liquidation by creditors on 26 June 2001, FDL entered into a share sale agreement with Kong Kwai Ching whereby Kong Kwai Ching acquired FDL's 80% equity interest in FDC comprising 1,440,000 fully paid-up ordinary shares of RM1.00 each. On 28 June 2001, FDC made an offer to acquire the IPR to MX3, related documentation and MX3 component stock from the liquidators of FDL. The liquidators accepted FDC's offer on 2 July 2001. Subsequently, on 31 October 2002, the liquidators of FDL entered into a Deed of Assignment to assign and re-confirm the assignment to FDC of the IPR to the MX3 and trademark of "focus dynamics".

Upon completion of the above, we relocated the production and R&D facilities to Malaysia in support of the Malaysian Government's effort to make Malaysia the technology hub of this region. As a result, this has enabled our Group to capitalise on the fiscal and other incentives given to technology-based companies by the Malaysian Government and hence enjoy the relatively lower cost of production as compared to having the production facilities in UK.

Whilst FDC is the owner of the IPR to the MX3 series of high power AC drives, FDD is the production as well as R&D arm of our Group. Based on the knowledge of the Board, FDD is one of the companies in Malaysia, which has the capability and technology to produce AC drives up to a limit of 1 MW based on the SV PWM technology. In view of that, FDD has made an application to MIDA for Pioneer Status. Subsequently, FDD has obtained the Pioneer Status Certificate from MITI on 9 November 2002 for a five (5) year period from 1 February 2002 to 31 January 2007.

On 16 June 2004, FDD was awarded EN ISO 9001:2000 by TUV (Germany) for establishing and applying a quality system for "*Manufacture and Supply of AC Drives, DC Drives, Softstarters, Energy Savers and Motors*" which is valid until 7 June 2007.

On 3 November 2004, FDD has been awarded the "*Certificate of Compliance*" by SIRIM QAS International Sdn Bhd to use the "emc" mark on "*Adjustable Speed Electrical Power Drive Systems*" which is valid until 20 September 2006.

### 5.2 SHARE CAPITAL

Our authorised share capital as at 28 December 2005 is RM10,000,000 comprising 100,000,000 Focus Shares, of which 26,298,890 Focus Shares have been issued and fully paid-up.

## 5. INFORMATION ON OUR GROUP (Cont'd)

Details of the changes in our Company's issued and paid-up share capital since our Company's incorporation are set out below:

Date of allotment	No. of shares allotted	Par value RM	Consideration	Total RM
14.06.2002	2	1.00	Cash (Subscribers' shares)	2
01.08.2002	20	0.10	Share split (1 : 10)	2
23.06.2005	26,298,870	0.10	Shares issued pursuant to the Acquisition of FDC	2,629,889

Upon completion of the Public Issue and Bonus Issue, the enlarged issued and paid-up share capital of Focus shall be RM7,559,778 comprising 75,597,780 Focus Shares.

### 5.3 LISTING SCHEME

As an integral part of the listing of and quotation for our entire issued and paid-up share capital of our Company on the MESDAQ Market, our Company's Listing Scheme was approved by the relevant authorities:

- (i) SC on 28 March 2005, 15 July 2005, 27 September 2005, 4 October 2005 and 17 November 2005;
- (ii) FIC on 24 March 2003 and 26 April 2004; and
- (iii) MITI on 16 February 2004, 15 July 2005 and 29 August 2005.

#### 5.3.1 Acquisition of FDD Group

We undertook the acquisition of 500,000 ordinary shares of RM1.00 each comprising the entire equity interest in FDD from FDC, Kong Kwai Ching and Kok Yin Leong for a total cash consideration of RM652,885.

The purchase consideration was arrived at based on the audited NTA of FDD as at 31 July 2003 of RM652,885. The Acquisition of FDD Group was completed on 23 June 2005.

#### 5.3.2 Acquisition of FDC

Following the completion of the Acquisition of FDD Group, we undertook the acquisition of 1,800,000 ordinary shares of RM1.00 each comprising the entire equity interest in FDC from Kong Kwai Ching, Wong Mun Leong and Tan Poh Lee for a purchase consideration of RM2,629,887, which was satisfied by the issuance of 26,298,870 new Focus Shares at an issue price of approximately RM0.10 per share.

The purchase consideration for the Acquisition of FDC was arrived at based on the adjusted audited NTA of FDC as at 31 July 2003 which took into consideration the exceptional gain arising from the disposal of its entire 98% equity interest in FDD. The Acquisition of FDC was completed on 23 June 2005.

The new Focus Shares issued ranked *pari passu* in all respects with the then existing Focus Shares except that they were not entitled for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.3.3 Shares Transfer

Kong Kwai Ching transferred 446,875 Focus Shares representing approximately 1.2% of our enlarged issued and paid-up share capital held by him before the Bonus Issue to key management and selected employees for a cash consideration of RM1.00 by each employee. The Shares Transfer was completed on 28 December 2005. A summary of the key management and selected employees and the Focus Shares transferred to them are set out as below:

	Focus Shares held after the Shares Transfer	
	No. of shares	% of issued and paid-up share capital before the Bonus Issue
<b>Key management and selected employees</b>		
John Henry Edwards	271,800	0.72
Pun E-Men	40,100	0.11
Mok Kam Meng	40,100	0.11
Ong Eng Eng	62,475	0.17
Chandra Segaran A/L Ayadurai	10,800	0.03
Loke Siew Moi	10,800	0.03
T'ng Kar Hooi	10,800	0.03

### 5.3.4 Public Issue

In order to facilitate the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market, we will undertake a public issue of a total of 11,500,000 new Focus Shares representing 30.4% of our enlarged issued and paid-up share capital before Bonus Issue at an issue price of RM0.72 each and will be allocated to the parties in the following manner:

#### 5.3.4.1 Malaysian Public

2,000,000 Public Issue Shares representing approximately 5.3% of our enlarged issued and paid-up share capital before Bonus Issue will be made available for application by the Malaysian Public.

#### 5.3.4.2 Our eligible Directors and employees

1,000,000 Public Issue Shares representing approximately 2.6% of our enlarged issued and paid-up share capital before Bonus Issue will be reserved for our eligible Directors and employees.

#### 5.3.4.3 Placement

8,500,000 Public Issue Shares representing approximately 22.5% of our enlarged issued and paid-up share capital before Bonus Issue will be made available for application by investors to be identified by the Placement Agent.

The 11,500,000 new Focus Shares to be issued pursuant to the Public Issue will rank pari passu in all respects with the existing Focus Shares in issue except that they shall not be entitled for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

### 5.3.5 Bonus Issue

As part of the Listing and as an incentive to our shareholders subsequent to the Public Issue, we shall implement a bonus issue of 37,798,890 new Focus Shares to be issued to all shareholders prior to the Listing on the basis of one (1) new Focus Share for each existing Focus Share held after the Public

## 5. INFORMATION ON OUR GROUP (Cont'd)

Issue. The Bonus Issue will be completed prior to the Listing. The Bonus Issue will be capitalised from the share premium account arising from the Public Issue. Upon completion of the Bonus Issue, the issued and paid-up share capital of Focus will increase from RM3,779,889 comprising 37,798,890 Focus Shares to RM7,559,778 comprising 75,597,780 Focus Shares.

The new Focus Shares to be issued pursuant to the Bonus Issue will rank *pari passu* in all respects with the existing Focus Shares except that they shall not be entitled for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

### 5.3.6 Listing

Upon completion of the abovementioned restructuring scheme, we will seek the listing of and quotation for our entire enlarged issued and paid-up share capital of RM7,559,778 comprising 75,597,780 Focus Shares on the MESDAQ Market.

## 5.4 APPROVALS

Our Company's Listing Scheme was approved by the relevant authorities:

- (i) SC (including approvals under the Guidelines of the FIC on Acquisition, Merger and Take-Overs by Local and Foreign Interests) on 28 March 2005, 15 July 2005, 27 September 2005, 4 October 2005 and 17 November 2005;
- (ii) FIC (approvals granted prior to transfer of processing function to SC) on 24 March 2003 and 26 April 2004; and
- (iii) MITI on 16 February 2004, 15 July 2005 and 29 August 2005.

The conditions imposed by the relevant authorities and the status of compliance are as follows:

Authority	Details of conditions imposed	Status of compliance
SC letter dated 28.03.05	(i) Focus to disclose a detailed working capital allocation/utilisation of proceeds in the public offering prospectus (prospectus);	Complied. Disclosed in Section 3.7 of this Prospectus.
	(ii) With respect to trade receivables:	
	(a) Focus to disclose in the Prospectus the ageing analysis based on the Group's latest trade receivables including measures taken to recover long overdue balances and other credit control measures undertaken to mitigate the risk of bad debts;	Complied. Disclosed in Section 7.6 of this Prospectus.
	(b) full provision for trade receivables outstanding that have exceeded the normal credit period granted of 90 days but less than 180 days, unless it can be justified that the outstanding amount can be collected. The said justification must be disclosed in the Prospectus supported by an independent opinion from the reporting accountants; and	Complied. Disclosed in Section 7.6 of this Prospectus.

---

**5. INFORMATION ON OUR GROUP (Cont'd)**


---

<b>Authority</b>	<b>Details of conditions imposed</b>	<b>Status of compliance</b>
	(c) Focus Group to collect or make full provision for all trade receivables that have been outstanding for more than 180 days.	Please refer revised condition to imposed by SC vide its letter dated 17 November 2005.
(iii)	Focus to disclose in the Prospectus the reason for the Registrar of Trademarks, Malaysia's objection to its trademark application and the current status of the application, including the impact on the Focus Group in the event the application is rejected and the mitigating steps to be taken;	Complied. Disclosed in Section 4.6 of this Prospectus.
(iv)	Focus to enhance related party transaction ("RPT") disclosure in the Prospectus by including details on the nature of RPT entered, in terms of the total value and subject matter of the RPT for the relevant period;	Complied. Disclosed in Section 11.3 of this Prospectus.
(v)	The legal opinions obtained by Focus in relation to the Intellectual and IPR and risk associated with the acquisition of FDC from the previous holding company, by Macfarlanes and Thompson Associates Advocates & Solicitors, be disclosed in full in the Prospectus and updated if necessary;	Please refer to revised condition imposed by SC vide its letter dated 15 July 2005.
(vi)	Focus to disclose in the Prospectus how it would mitigate the effects of any challenge to its ownership of the MX3 IPR, particularly, the possible scenario where the Focus Group could be required to discontinue using the IPR in the event of a challenge;	Complied. Disclosed in Section 4.7 of this Prospectus.
(vii)	Focus to meet the 30% Bumiputera equity requirement, one (1) year after the Company has achieved a profit record required for listing to the Second Board of Bursa Securities or five (5) years after admission of the Company on the MESDAQ Market, whichever is the earlier, in which the shares to be allocated to Bumiputera investors be approved by MITI;	To be complied.
(viii)	Focus to submit a preliminary proposal to SC on how the Company intends to meet the Bumiputera equity condition, six (6) months before the expiry date for compliance;	To be complied.
(ix)	Hwang-DBS/Focus to inform SC upon completion of the proposed flotation scheme;	To be complied.
(x)	Hwang-DBS/Focus to disclose the status of utilisation of proceeds in its periodic and annual reports until the proceeds are fully utilised;	To be complied.
(xi)	Hwang-DBS/Focus to inform the SC on the appointment of Independent Directors and to provide confirmation that they qualify as Independent Directors as defined in the MMLR;	Complied. Letter of confirmation was submitted to the SC on 18 November 2005.

## 5. INFORMATION ON OUR GROUP (Cont'd)

Authority	Details of conditions imposed	Status of compliance
	(xii) Hwang-DBS/Focus to ensure that all provisions under MMLR are complied with;	To be complied.
	(xiii) Approvals to be obtained from other relevant authorities, if any.	Complied.
SC letter dated 15.07.05	(i) Hwang-DBS/Focus to fully comply with the earlier conditions as stipulated in the SC's letter dated 28 March 2005;	Noted.
	(ii) Inclusion of the proposed enhanced/additional disclosures in the public issue prospectus (prospectus) on the risk related to possible challenges to Focus's Intellectual and IPR ownership, including Focus's ability to develop alternative software and its policy of constantly reviewing the technology behind its products;	Complied. Disclosed in Section 4.7 of this Prospectus.
	(iii) Focus's Board of Directors to disclose, in the prospectus, its opinion on the validity of the FDC sale and IPR sale and assignment, that they have sought and received competent legal advice, and that they are satisfied with the legal advice received on the same;	Complied. Disclosed in Section 4.7 and Section 4.15 of this Prospectus.
	(iv) Disclosure in full of the legal opinion obtained from Thompson Associates Advocates & Solicitors, in the prospectus;	Complied. Disclosed in Section 16 of this Prospectus.
	(v) With respect to the private placement to investors to be identified, Hwang-DBS is to submit to the SC, prior to the listing and quotation of Focus's entire enlarged issued and paid-up share capital on the MESDAQ Market, the following: <ul style="list-style-type: none"> <li>(a) The name, NRIC number, occupation, number of shares placed and address of placees and/or of ultimate beneficial owners in the case of placees who are companies/corporations;</li> <li>(b) A declaration by the promoters of Focus that the placees are parties not related to the promoters; and</li> <li>(c) A declaration by the placement agent that the shares have been placed with parties not related to the promoters.</li> </ul>	To be complied.
SC letter dated 27.09.05	(i) No conditions imposed	Not applicable.
SC letter dated 04.10.05	(i) Hwang-DBS/Focus to fully comply with the earlier conditions as stipulated in the SC's letter dated 28 March 2005 and 15 July 2005; and	Noted.

## 5. INFORMATION ON OUR GROUP (Cont'd)

Authority	Details of conditions imposed	Status of compliance
	<p>(ii) With respect to the private placement to parties to be identified, Hwang-DBS is to submit to the SC, prior the listing and quotation of Focus's entire enlarged issued and paid-up share capital on the MESDAQ Market. The following additional information on places:</p> <p>(a) Ultimate beneficiaries for nominee companies (if any);</p> <p>(b) Passport/company registration number;</p> <p>(c) CDS account number;</p> <p>(d) Date of listing of the private placement shares;</p> <p>(e) Issue price of the placement shares; and</p> <p>(f) Name of the placement agent.</p>	To be complied.

SC letter dated 17.11.05	Focus Group to collect or make full provision for all trade receivables that have been outstanding for more than 180 days, save for trade receivables that are the subject of a formal monthly instalment payment scheme. Detail on the said monthly instalment scheme and the status of payments are to be disclosed in the prospectus.	Complied. Disclosed in Section 7.6 of this Prospectus.
--------------------------	--	--

The equity structure relating to Bumiputera, non-Bumiputera and foreign shareholding in Focus would change, arising from the implementation of the flotation scheme, as follows:

	Before proposals (%)	After proposals (%)
Bumiputera	-	-
Non-Bumiputera	100.00	99.30
Foreign	-	0.70
	<u>100.00</u>	<u>100.00</u>

FIC letter dated 24.03.03	<p>(i) Focus is required to increase the Bumiputera equity to thirty percent (30%) in five (5) years time after listing or within one (1) year upon Focus fulfilling the criteria for listing on the Second Board of Bursa Securities, whichever is the earlier.</p> <p>(ii) Hwang-DBS/Focus should inform the FIC upon completion of the proposed listing.</p>	To be complied.
FIC letter dated 26.04.04	(i) Focus is required to increase the Bumiputera equity to thirty percent (30%) in five (5) years time after listing or within one (1) year upon Focus fulfilling the criteria for listing on the Second Board of Bursa Securities, whichever is the earlier.	To be complied.

---

**5. INFORMATION ON OUR GROUP (Cont'd)**


---

<b>Authority</b>	<b>Details of conditions imposed</b>	<b>Status of compliance</b>
	(ii) Hwang-DBS/Focus should inform the FIC upon completion of the proposed listing.	To be complied.
MITI letter dated 16.02.04	(i) Focus is required to increase the Bumiputera equity to thirty percent (30%) in five (5) years time after listing or within one (1) year upon Focus fulfilling the criteria for listing on the Second Board of Bursa Securities, whichever is the earlier.	To be complied.
	(ii) Focus is required to obtain the approval of the SC for the listing scheme of Focus and to comply with the Guidelines on the Acquisition of Interest, Mergers and Take-overs.	Complied. We have obtained the approval of the SC on 28 March 2005, 15 July 2005, 27 September 2005, 4 October 2005 and 17 November 2005.
	(iii) Focus is required to obtain the approval of MESDAQ of the Bursa Securities.	Not applicable. SC has assumed the role of the approving authority for MESDAQ Market effective 1 January 2005.
	(iv) FDD is required to comply with the conditions in the approval of pioneer status with the following conditions:  (a) at least 1% of R&D expenses out of the total annual gross sales; and  (b) at least 7% of the total employees of FDD consist of graduates or diploma holders from Science and Technology or with five (5) years experience in the relevant industries.	Complied.
	(v) Focus is required to inform the MITI upon completion of the implementation of the listing of Focus.	To be complied.
MITI letter dated 15.07.05	(i) Focus is required to inform the MITI upon completion of the implementation of the listing of Focus.	To be complied.
MITI letter dated 29.08.05	No conditions imposed	Not applicable



## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.5 INFORMATION ON OUR SUBSIDIARIES

A summary of the details of our subsidiaries is as follows:

Name	Date & place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest held (%)	Principal activities
FDC	2 March 1999 /Malaysia	1,800,000	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
FDD	3 August 2001 /Malaysia	500,000	100	Manufacture, R&D of VSDs, and supply and trading of instruments for the control of industrial machines and processes
<i>Subsidiaries of FDD</i>				
FDUK	6 September 2001/United Kingdom	GBP1	100	Dormant. Its intended principal activities are promotion and recruitment of distributors of industrial control equipment
FDDIS	12 August 2002/ Malaysia	2	100	Trading, marketing and distribution of OEM industrial control equipment and related products

#### 5.5.1 FDC

##### 5.5.1.1 History and business

FDC was incorporated in Malaysia under the Act on 2 March 1999 as a private limited company. The incorporation of FDC was part of FDPLC's plan to penetrate the fast growing ASEAN market.

Kong Kwai Ching, the Managing Director of FDC then subscribed for 20% equity interest in FDC on 30 June 1999. He increased his stake in FDC to 100% pursuant to the acquisition of FDL's 80% equity interest in FDC comprising 1,440,000 fully paid-up ordinary shares of RM1.00 each (as discussed under Section 5.1 of this Prospectus). On 28 June 2001, FDC made an offer to acquire the IPR to MX3, related documentation and MX3 component stock from the liquidators of FDL, which was agreed upon on 2 July 2001. Subsequently, the assignment to FDC of the IPR to the MX3 and trademark of "focus dynamics" was assigned and re-confirmed by the liquidators via execution of a Deed of Assignment dated 31 October 2002.

Despite the Asian Financial Crisis in 1997 and 1998, FDC has managed to sustain and achieve a profit in year 2000 (i.e. in the second year of its operation). This achievement was made possible by the effective management under the leadership of Kong Kwai Ching whose role was to prepare and groom FDC to be a prominent energy efficiency solution provider in this region. Energy efficiency products improve the system efficiency and optimise operating conditions in order to reduce the energy consumption.

## 5. INFORMATION ON OUR GROUP (Cont'd)

FDC, a wholly-owned subsidiary of Focus, is principally involved in marketing, distribution and sale of industrial instruments for the control of industrial machines and processes in the Malaysian market. In addition, FDC also provides a range of support services, namely, project management services, maintenance support, engineering conceptualisation, system audit and energy saving services to its clients.

### 5.5.1.2 Share capital

The authorised and issued and paid-up share capital of FDC as at 28 December 2005 is as follows:

	RM
<b>Authorised share capital</b>	
5,000,000 ordinary shares of RM1.00 each	5,000,000
<b>Issued and fully paid-up share capital</b>	
1,800,000 ordinary shares of RM1.00 each	1,800,000

Details of the changes in the issued and paid-up share capital of FDC since its incorporation are set out below:

Date of allotment	No. of shares	Par value RM	Consideration	Total RM
02.03.1999	2	1.00	Cash (Subscribers' shares)	2
30.06.1999	999,998	1.00	Cash	1,000,000
25.03.2000	500,000	1.00	Cash	1,500,000
15.03.2001	300,000	1.00	Cash	1,800,000

### 5.5.1.3 Substantial shareholders

As at 28 December 2005, FDC is a wholly-owned subsidiary of Focus.

### 5.5.1.4 Subsidiary and associated companies

As at 28 December 2005, FDC has neither a subsidiary nor an associated company.

## 5.5.2 FDD

### 5.5.2.1 History and business

FDD was incorporated in Malaysia under the Act on 3 August 2001 as a private limited company. Its principal activities are to manufacture, research and development of VSD and supply of industrial instruments for the control of industrial machines and processes.

In conjunction with our Listing, we have acquired FDD from FDC. Currently, FDD is the only production and R&D arm of our Group. The commercial production of our Group's principal products, namely the MX3 series of AC drives by FDD commenced in November 2001 after the successful relocation of the production and R&D facilities to Malaysia from UK.

As at 28 December 2005, FDD is embarking on R&D activities to develop other lower power AC drives ranging from 0.37KW to 7.5KW (known as Alphadrives), in addition to developing MS

## 5. INFORMATION ON OUR GROUP (Cont'd)

Softstarters (with power rating of 22KW and 30KW) and improving the hardware and software of MX3.

In addition, FDD is also the Master Focuscentre for the Asian region which is responsible for regional sales and marketing, providing technical assistance and full application support to its distributors.

FDD has obtained the Pioneer Status Certificate from MITI on 9 November 2002 for a five (5) year period from 1 February 2002 to 31 January 2007.

On 16 June 2004, FDD was awarded EN ISO 9001:2000 by TUV (Germany) for establishing and applying a quality system for "Manufacture and Supply of AC Drives, DC Drives, Softstarters, Energy Savers and Motors" which is valid until 7 June 2007.

On 3 November 2004, FDD has been awarded the "Certificate of Compliance" by SIRIM QAS International Sdn Bhd to use the "emc" mark on "Adjustable Speed Electrical Power Drive Systems" which is valid until 20 September 2006.

### 5.5.2.2 Share capital

The authorised and issued and paid-up share capital of FDD as at 28 December 2005 is as follows:

	RM
<b>Authorised share capital</b>	
500,000 ordinary shares of RM1.00 each	500,000
<b>Issued and fully paid-up share capital</b>	
500,000 ordinary shares of RM1.00 each	500,000

Details of the changes in the issued and paid-up share capital of FDD since its incorporation are set out below:

Date of allotment	No. of shares	Par value RM	Consideration	Total RM
03.08.2001	2	1.00	Cash (Subscribers' shares)	2
15.03.2002	99,998	1.00	Cash	100,000
06 01.2004	400,000	1.00	Bonus issue (4.1)	500,000

### 5.5.2.3 Substantial shareholders

As at 28 December 2005, FDD is a wholly-owned subsidiary of Focus.

### 5.5.2.4 Subsidiary and associated companies

As at 28 December 2005, FDD has two (2) wholly-owned subsidiaries, namely FDUK and FDDIS.

## 5.5.3 FDUK

### 5.5.3.1 History and business

FDUK was incorporated in United Kingdom under the UK Companies Act, 1985 on 6 September 2001 as a limited company. The company is currently dormant. The intended principal activities are in promotion and recruitment of distributors of industrial control equipment.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.5.3.2 Share capital

The authorised and issued and paid-up share capital of FDUK as at 28 December 2005 is as follows:

	<b>GBP</b>
<b>Authorised share capital</b>	
100 ordinary shares of GBP1.00 each	100
<b>Issued and fully paid-up share capital</b>	
1 ordinary share of GBP1.00 each	1

There has been no movement in the issued and paid-up share capital since its incorporation on 6 September 2001.

### 5.5.3.3 Substantial shareholders

As at 28 December 2005, FDUK is a wholly-owned subsidiary of FDD, which in turn is a wholly-owned subsidiary of Focus.

### 5.5.3.4 Subsidiary and associated companies

As at 28 December 2005, FDUK does not have any subsidiary or associated company.

## 5.5.4 FDIS

### 5.5.4.1 History and business

FDIS was incorporated in Malaysia under the Act on 12 August 2002 as a private limited company. Its principal activities are trading, marketing and distribution of OEM industrial control equipment and related products.

FDIS was incorporated to handle the marketing and trading of ICE products for Malaysia markets, which are produced in-house by FDD and/or sourced from third party OEM and marketed under the "focus dynamics" trademark. It commenced operations in September 2005.

### 5.5.4.2 Share capital

The authorised and issued and paid-up share capital of FDIS as at 28 December 2005 is as follows:

	<b>RM</b>
<b>Authorised share capital</b>	
100,000 ordinary shares of RM1.00 each	100,000
<b>Issued and fully paid-up share capital</b>	
2 ordinary shares of RM1.00 each	2

There has been no movement in the issued and paid-up share capital since its incorporation on 12 August 2002.

### 5.5.4.3 Substantial shareholders

As at 28 December 2005, FDIS is a wholly-owned subsidiary of FDD, which in turn is a wholly-owned subsidiary of Focus.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.5.4.4 Subsidiary and associated companies

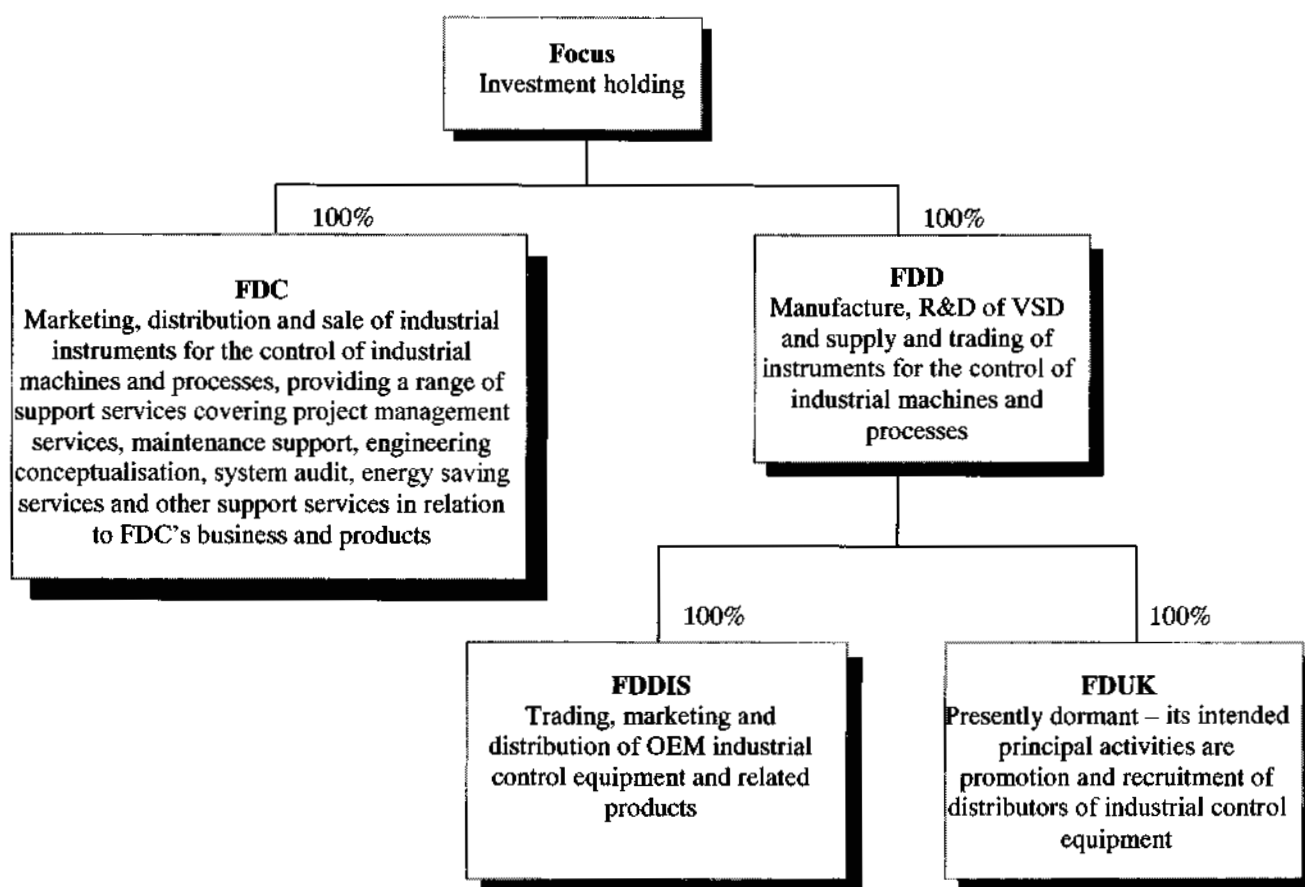
As at 28 December 2005, FDDIS does not have any subsidiary or associated company.

## 5.6 BUSINESS OVERVIEW

### 5.6.1 Group structure and principal activities

Our Group consists of Focus as the holding company and two (2) wholly-owned subsidiaries, namely, FDC and FDD. FDD, in turn, has two (2) wholly-owned subsidiaries, namely FDUK and FDDIS.

Our Group structure is depicted below:



Our Group is an integrated energy efficiency system solution provider offering a wide range of energy efficiency solutions, industrial control systems and equipment, manufacturing of household energy saver, VSDs and Softstarters for the control of industrial machines and processes, as well as consultation services and testing and commissioning of energy efficiency system for buildings and factories. Our Group's strength lies in the analysis of a customer's energy saving requirements and the application of our company's energy efficiency technologies, in-house manufactured products, systems and equipment to provide cost effective energy efficiency solutions, essentially we are a one stop centre for total energy saving and industrial control applications.

Industries at present, whether in Malaysia or overseas, are encouraged to adhere to green policies, particularly on measures to reduce its usage of electricity and thus the emission of greenhouse gases created when electricity is generated.

---

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

---

Most multi-purpose machines used in industries adopting adjustable speed control in order to achieve optimum operating condition. While mechanical and hydraulic drives are still being used on a limited basis, the overwhelming choice for industrial applications today, is the adjustable electrical speed drives or VSD. For example, fan and pump designers often combine fan and pump with a transmission pulley to cover a wide speed range and the delivery will require the torque at a slower speed. However, changing the speed of the motor by using VSD instead of a pulley could provide savings of up to 90% of energy by running at 50% of the normal speed.

In acknowledging the need for energy efficiency instruments/equipment for the control of industrial machines and processes, our Group's business concept has been strategised to be a total integrated energy efficiency system provider based on our energy efficiency technology. Through our subsidiary companies, we are involved in the R&D, designing, manufacturing, consultation, testing and commissioning as well as provision of after sales maintenance support on our VSDs and other ICE products.

MX3 VSDs, MS Softstarters and household energy saver are produced in-house based on our own R&D while our other energy efficiency ICE products, namely, the Alphadrives (0.18KW to 7.5KW), Deltadrives, QFE series Softstarters and motors are outsourced to third party OEM for manufacturing under the "focus dynamics" trademark.

### 5.6.2 Product and services

Our Group's principal activities are mainly divided into three (3) divisions namely:

- (i) Energy efficiency system
- (ii) Manufacturing
- (iii) Trading

Our Group is a total energy efficiency system solution provider and our main focus is providing energy efficient system and services to conserve energy for the user. We have a manufacturing unit to produce MX3, Softstarters and house energy saver based on in-house R&D. We also have an OEM arrangement with overseas vendors to supply products that are not manufactured by us. Currently, our Group manufactures high power rating AC drives. It is essential to have a full range of energy efficiency products under the focus dynamics trademark since a customer would not accept different brands. Our Group would buy from OEM and distribute through FDDIS for local market and FDD for international market.

#### (i) *Energy efficiency system division*

Our Group provides consultation, engineering study, engineering design, installation, testing and commissioning of energy efficiency system. These includes conducting energy audits, conducting feasibility studies, implementation of energy saving measures, estimating energy savings, managing the energy performance, and the applications of our energy efficiency technology, in-house manufactured products, systems and equipment to provide a cost effective energy saving solution and act as a one stop centre for total energy saving and industrial control applications. The energy efficiency technology would reduce the maximum demands and energy consumption of the AC motor driven equipment by adjusting the speed of the motor.

In order to remain competitive and ahead of competitors, we must be able to provide complete integrated energy saving solution for customers and act as a one-stop energy conservation solution provider centre. In addition, our Group continues to develop our own energy efficiency products and system and keep abreast with the development of energy efficiency technology and integrate the proven technology into our Group's existing system and design.

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

The energy efficiency project is secured through customer enquiry and direct marketing. In the initial stage of the project, our engineer will conduct a complete engineering study at the customer site on the existing electrical system and power consumption. The conceptual design will be based on the initial study and a proposal will be provided which consist of the method and amount of energy saving, financing options and estimated cost for the project.

After receiving a purchase order, our technical personnel would perform a complete engineering design in order to provide optimum energy saving as well as trouble-free solutions. Subsequently, our technical personnel will fabricate and assemble the in-house manufactured energy efficiency products according to our quality control policy.

Our technical personnel will install the system followed by testing and commissioning works. After the commissioning works, our technical personnel will then provide training on the operation and configuration of the system to the customer and the customer would sign off the final acceptance of the project. Subsequently, we would receive payment from the finance company if the customer opts for finance company's leasing arrangement or directly from the customer.

Our technical personnel would make regular visit every three (3) months to the site to review the amount of the energy saving and fine tune the system, inspect the equipment and provide a report to the customer. In addition, we will conduct quarterly meeting with customer to review the monthly electricity bills and maintain a record of the complete energy saving programme. The quarterly meeting will be conducted until the end of the warranty period.

### (ii) *Manufacturing division*

Our Group manufactured some of the energy efficiency products, which we have developed through our own R&D products and are marketed and distributed under the 'focus dynamics' trademark. The products are MX3 (11KW-1MW), MS series Softstarters (7.5KW-15KW) and household energy saver with in-house developed technology through our own R&D. All these activities are conducted by FDD which has been awarded Pioneer Status by MITI for the development and production of computer process control equipment-energy saving frequency converter. FDD is currently enjoying a five (5)-year tax exemption arising from the Pioneer Status incentives effective from 1 February 2002 to 31 January 2007. The principle of energy saving frequency converter is to vary the speed of the AC motor to achieve optimum operating condition and improve the system efficiency in order to reduce the energy consumption.

#### (a) **MX3**

The MX3 series is a fully featured, open-loop drive based on SV PWM technology and is particularly suitable for energy saving applications. It is available for power rating ranging from 11KW to 1MW.

The MX3 series operates silently, is reliable and has a wide range of precise variable speed control. The MX3 series provides plant and machine operators the perfect solution for maximising motor energy efficiency. It is also well protected against input/output connection violations, power supply and motor connection disturbances.

Amongst others, the MX3 series can apply in:

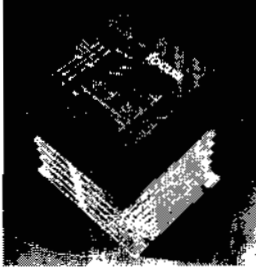
- Water treatment plants;
- Conveyors;
- Blowers, pumps, ventilation systems;
- Materials handling and storage equipment;
- Manufacturing process control equipment; and
- Cable and wire drawing machines.



MX3 series

**5. INFORMATION ON OUR GROUP (Cont'd)**

The MX3 series can also be used in the manufacturing process sectors, such as in the paper, textile, plastics, rubber, chemical, food and beverage industries.

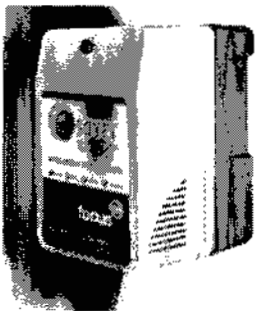


MS Softstarters series

**(b) MS series (Digital platform)**

This range of Softstarters was designed and developed in-house and envisaged to replace the conventional motor starters. It is produced by FDD and was designed to provide soft start and soft stop for the standard AC induction motor. It reduces the mechanical wear and tear and thus enhances the life span of the mechanical coupling devices.

Currently, our Group manufactures MS series Softstarters rated at 7.5KW and 15KW. Our Group has completed R&D on our own higher power rated Softstarters of 22KW to 30KW and these Softstarters are now undergoing testing.



Energy Saver

**(c) Energy saver (Household)**

The energy saver was developed to reduce the electrical losses and will improve the power factor of the inductive load and reduce the current consumption of the equipment. The energy saver is catered for single phase electrical system and is highly suitable for home and small office. It is a user friendly product since it can be installed at any three (3) pins power socket available at home or office and energy saving can be obtained immediately when the product is switched on. The household energy saver was commercialised and launched in December 2003.

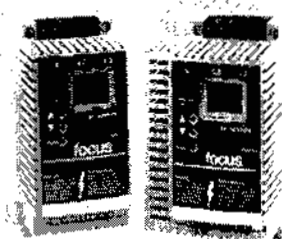
**(iii) Trading division**

This division principally market all the OEM products under “focus dynamics” brand. The OEM products are sourced to compliment the energy efficiency system division, which is crucial to fill up the gap of products that are not manufactured by the manufacturing division in order to meet customer’s requirement for a complete range of energy efficiency system products. Alphadrives (0.18KW to 7.5KW), Deltadrives, AC/DC Motors and Softstarters are presently being manufactured under third party OEM arrangement and our Group has the right to distribute the OEM products under focus dynamics brands worldwide without restrictions from these OEM manufacturers.

We do not manufacture all the energy efficiency products due to significant capital investments in plant and equipment. These are OEM manufactures products that would compliment and complete the range not produced by us under the “focus dynamics” trademark. It would allow our Group to concentrate on the development of AC drives and speed up the market penetration without high capital commitment.

**(a) Alphadrives**

The “focus dynamics” Alphadrives are low power AC drives marketed and distributed by our Group. It has variable speed control application that is similar to those of the MX3 series but different in terms of power rating, software and functionality with MX3. Our Group intends to develop our own Alphadrives (0.18KW to 7.5KW).



Alphadrives



5. INFORMATION ON OUR GROUP (Cont'd)



Deltadrives series

(b) **Deltadrives**

The “focus dynamics” Deltadrives is a series of DC drives that are marketed and distributed by our Group. It has variable speed control functions for machines/equipment that uses direct current in high torque application.

Deltadrives are available for power rating ranging from 5KW to 450KW. It can be easily programmed to fit customers’ requirements for exact compatibility and effective performance. It is also designed and built to withstand the most demanding operating conditions. DC drives can be used in virtually every manufacturing sector from steel and other metal industries, wire and cable, paper, plastics, rubber and stone industries, in mining and marine applications and in most places for lifts and hoist operations.



IEC motor series

(c) **Motors**

Our Group carries three (3) series of energy efficiency AC motors, namely IEC Low voltage series up to 315KW (European Standard), NEMA low voltage series up to 400KW (USA Standard) and NEMA high voltage series up to 1MW (USA Standard).

The ability of an AC Motor to convert electrical energy into mechanical energy is based on electromagnetic induction principle. Our motors are catered for most industries by having a series of motors with power rating ranging from 0.18KW to 1MW, based on either European or USA standards.



QFE Softstarters series

(d) **QFE series Softstarters**

This digital Softstarters is designed to provide soft start to standard 3 phase electric asynchronous electric motor and it removes high current peaks which are associated with traditional methods of starting, such as, direct-on-line or star-delta which can be detrimental to the motor windings and its associated switchgears and cables. As a result, Softstarters enhances the life of the motor, power transmission and machines driven by motors.

5.6.3 **Core technology**

The “focus dynamics” AC drives control technique uses parameters generated externally from the motor as controlling variables, namely voltage (V) and frequency (F). Both variable references are fed into a modulator, which simulates an AC sinusoidal wave and feeds this to the motor’s stator windings. This technique is called PWM. The AC drives control the motor in the form of a PWM pulse train dictating both the voltage and frequency.

Our Group’s MX3 series has incorporated the advanced SV PWM technology and it provides better performance and quieter motor operation. The unique application of this technology is that it enables real-time waveform generation and allows the MX3 to automatically compensate for DC bus voltage changes in spite of line voltage variations. SV PWM actually ‘spreads out’ sound energy over a wide range of frequencies, so that the motor’s operation noise is less noticeable. Other advantages of the SV PWM, is that it gives a good torque response, accurate speed control, high torque at low speed, low harmonic and low cost structure.

---

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

---

Apart from the SV PWM technology, the MX3 series of VSD also utilises the IGBT technology. This technology enables the MX3 to enhance its performance capabilities and to act as a high voltage switch as well as to have the capability of fast switching without emitting large conduction losses.

### 5.6.4 IPR

FDC, our wholly-owned subsidiary is the owner to the IPR to the MX3 (i.e. Maxidrive), including the design, manufacturing, distribution rights and the use of the name as well as all related documentation pertaining to the MX3. In addition, FDC also purchased the rights to the “focus dynamics” trademark from FDL.

FDC made an offer to acquire the IPR to the MX3 and manufacturing rights from FDL on 28 June 2001. Subsequently, on 2 July 2001, the liquidators of FDL had accepted the offer from FDC to acquire the IPR to MX3, related documentation and MX3 component stock. The assignment to FDC of the IPR to the MX3 as well as the trademark “focus dynamics” was assigned and re-confirmed by the liquidators of FDL via a Deed of Assignment on 31 October 2002.

There was no registration made by FDL then and by our Group now to protect the IPR to MX3. This is because we are of the view that such registration is not necessary since copyrights and patent registration provide limited protection. Any changes/modifications to the design of the model will render the copyrights/patents not enforceable. However, we have taken steps to protect our MX3 source code by amongst others, limiting its access to Kong Kwai Ching, John Edwards and Pun E-Men. The access to the source code is also password protected.

FDC has applied for the registration of its “focus dynamics” trademark on the European Union and Malaysia. The “focus dynamics” trademark has been successfully registered as a Community Trademark in FDC’s name that covers the European Union countries. In Malaysia, the ROT has in its letter dated 13 June 2003 found that the application has not met the requirements of Section 19(1) of the Trade Marks Act 1976. Section 19(1) of the Trade Marks Act 1976 provides that no trademark shall be registered in respect of any goods or description of goods that is identical with a trademark belonging to a different proprietor and entered in the register of trademarks in respect of the same goods or description of goods or in respect of services that are closely related to those goods or that so nearly resembles such a trademark as is likely to deceive or cause confusion. We submitted an appeal letter dated 9 September 2003 explaining that our “focus dynamics” trademark is not identical or even nearly resembling any of the cited marks identified by the ROT in its letter dated 13 June 2003 but the ROT had in its letter dated 14 March 2005 maintained its objection to the registration of the “focus dynamics” trademark. We have requested for a hearing with the ROT to support our application for registration of the “focus dynamics” trademark and as at 28 December 2005 we are still waiting for a hearing date to be fixed by the ROT.

Our Group is actively involved in R&D to develop new and improve our existing in-house energy efficiency products. The revenues generated from our Group’s in-house developed energy efficiency products such as MX3 and Softstarters have grown tremendously since then.

### 5.6.5 Evolution of customers’ demand for AC Drives

#### 5.6.5.1 *Product acceptance - AC drives*

Over the past decades, the reputation of AC drives as a reliable and cost effective method of variable speed control was poor. The AC drives technology then consists mainly of analogue controls and Silicon Controlled Rectifier power devices. The AC drives made available on the market then were physically large, expensive and unreliable. However, in recent years, with the sophisticated digital microprocessor control technology along with high switching frequency incorporating IGBT power devices, the features of AC drives have improved immensely. This has led to significantly advanced drives capabilities, ease of programmability and expanded diagnostics feature.

---

## 5. INFORMATION ON OUR GROUP (Cont'd)

---

### 5.6.5.2 Market demand

Broadly, the VSDs market can be categorised into two major market segments; with the electrical AC/DC drives taking the lead, followed by the mechanical and hydraulic drives segments.

The increased interests in AC drives over the past recent years, was due predominantly to the new and improved designs, reliability and competitive pricing of the AC drives as well as a concerted aim of the players in raising customer awareness on energy management/energy saving concept. Consequently, this has resulted in an accelerated decline in both the electrical DC and mechanical and hydraulic drives sectors.

The AC drives are predicted to take-over from DC drives as AC technology improves. Today, most DC drives applications can be replaced by AC drives. As prices of AC drives fall further, this trend will accelerate. The anticipated decline in electrical DC drives is the result of limited innovation as well as the concerted switch to alternative technologies. The market is likely to become increasingly specialised, with suppliers requiring considerable application expertise to gain and maintain orders. Nonetheless, DC drives will still be in demand for the high power requirement mainly due to the price factor as AC drive for the high power sector remains relatively expensive compared to DC drives.

As time progress, AC drives technology is expected to become the dominant choice in the industry. Demand for modular and more standardised AC drives is also expected to increase over the course of the forecasted period of our Group.

### 5.6.6 Market positioning/targets

One of our Group's competitive edge is our ownership of the IPR to MX3, which includes the technology for the development of the high power Maxidrives as well as the "focus dynamics" trademark. Presently, our target market is in the energy conservation area within the building and manufacturing sectors. Overall, there are not many local industrial players who have the technology know-how of the energy conservation sector.

Going forward, we are positioning ourselves to tap on the small to medium range AC drives market segment (that is with power rating ranging from 0.18KW to 185KW). In tapping this fast growing but competitive market, our Group's strategy is to market through local and overseas agents to compete in the low power, high volume VSD local and global market. Further, our Company's web-site [www.focusdynamics.net](http://www.focusdynamics.net), will enable our Group to provide useful information on our products to serve various customer needs including literature, brochures, products information, and technical manuals. In addition, our technical staffs are able to respond to customers' queries via our Company's web-site within a timely basis in order to provide faster solution response to customers.

In addition, our Group also plans to penetrate regional market by setting up regional offices at key regions where presence of our Group is necessary to be a "niche" global player. This is made possible through the establishment of Master Focuscentres at three (3) main locations namely Master Focuscentre-Asia (established in Kuala Lumpur and to cater for the Asian market), Master Focuscentre-UK (to be established in UK to cater for the European market) and Master Focuscentre-USA (to be established in USA to cater for the USA market). These Master Focuscentres will supply the products that carry "focus dynamics" trademark as well as to provide the necessary technical support and the distribution of logistical matters to its local/overseas customers.

In addition, our Group also intends to set up for overseas and marketing office in Asia region to capture the energy efficiency sector in the Asian region.

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

### 5.6.7 R&D capabilities

#### 5.6.7.1 Focus of R&D

The on-going R&D projects that are carried out by our Group as at 28 December 2005 is as set out below:

#### R&D projects

- (i) R&D of Alphadrives (0.18KW to 7.5KW), new power and control circuit board and enhancement of SV PWM software for MX3 which would allow our Group to reduce cost and expand our range of energy efficiency products and equipment and hence, be less reliant on OEM.
- (ii) Develop simplified software for Alphadrives (0.18KW to 7.5KW) based on existing in-house developed space vector technology in order to suit the new VSD hardware design.
- (iii) Replace imported components by designing new hardware and software in order to reduce the overall product cost and size of the circuit board. New power board and control board for MX3 will be redesigned and it can be used for the new development of Alphadrives (0.18KW to 7.5KW) since the new Alphadrives (0.18KW to 7.5KW) and MX3 will be sharing similar hardware platform in the future.
- (iv) Enhance and improve our SV PWM software for MX3 by developing new features to reduce the energy consumption. New improved software will have built in auto tuning features for current calibration and torque improvement. The main feature of this new software is to reduce the current drawn from the system and thus optimise the energy consumption.
- (v) Study advanced energy efficiency technology available in developed countries and adapting it to suit our Group's engineered energy efficiency products and systems.
- (vi) Commence R&D on lighting energy saver for three/single phase voltage applications mainly for street lighting and commercial buildings.

The R&D efforts of our Group have resulted in several achievements as highlighted in the table below:

Year	R&D projects completed
2001	<ul style="list-style-type: none"> <li>• Emphasised on R&amp;D since we have taken over the IPR to MX3, related documentation and MX3 component stock from the liquidators of FDL.</li> </ul>
2003	<ul style="list-style-type: none"> <li>• The R&amp;D team has spent approximately ten (10) months since April 2002 in designing the new power circuit board and panel for MX3 (11KW to 30KW) in order to reduce cost and reduce the size of the product. The product was successfully commercialised in January 2003.</li> <li>• Developed a complete new range of MS Softstarters (7.5KW and 15KW) concurrently with the MX3 (11KW to 30KW) project to broaden the energy efficiency range of products that was launched in April 2003.</li> <li>• Designed the new power circuit board and panel for MX3 (11KW to 30KW). MX3 (11KW to 30KW) was successfully commercialised in April 2003.</li> <li>• Developed a complete new range of MS Softstarters (7.5KW and 15KW). MS Softstarter was launched in April 2003.</li> <li>• Developed the household energy saver in view of anticipated demands of energy saving equipment for household and office. Household energy saver was launched in December 2003.</li> </ul>

## 5. INFORMATION ON OUR GROUP (Cont'd)

### Year R&D projects completed

- 2005 • Extended the range of MS Softstarters for 22KW to 30KW by developing new hardware and new aesthetic outlook design for the Softstarters. These Softstarters are currently undergoing testing.

Our Group's estimated investment in R&D activities during the three (3) financial years ended 31 July 2005 are as follows:

Financial year ended 31 July	R&D expenses RM'000	% of revenue
2005	219	3.0
2004	334	4.8
2003	228	3.6

### 5.6.7.2 R&D team

Our Group's R&D team consists of individuals who are experienced in integrated energy efficiency and saving systems, power electronic, industrial automation and control. In the earlier years, this team has been designing the new power circuit board and panel for MX3 (11KW to 30KW) in order to reduce cost and size of the product. The MX3 (11KW to 30KW) was successfully commercialised in January 2003.

Our Group's R&D activities are currently led by FDD's Technical Director, John Henry Edwards. John Henry Edwards was involved in the development of MX3 range of high power AC drives (i.e. Maxidrive) while he was the Drives Development Manager of FDPLC. Currently, John Henry Edwards and local engineers are involved in the new hardware and software improvement for the whole range of MX3, design and development of Alphadrives (0.18KW to 7.5KW) and lighting energy saver for three/single phase voltage applications mainly for street lighting and commercial buildings.

Besides the development of new products for our Group, John Henry Edwards was also responsible for cost reduction of all manufactured products including design reviews, changes, component selection and product rationalisation. John Henry Edwards was instrumental in assisting the transfer of the technology of MX3 to Malaysia from UK.

### 5.6.8 Marketing strategy

Our Group's marketing objective is to bring to the market optimum energy efficiency solutions and products to meet the customer's requirement for lower energy consumption. In order to meet our objective, our Group has adopted the following marketing strategies to establish market share and compete with competitors.

#### 5.6.8.1 Direct marketing

Our Group currently uses direct marketing to penetrate the market locally. Our Group makes direct marketing calls to potential clients, presentations and product demonstrations to highlight the capabilities of our Group's energy efficiency technology, products and services. During the presentation and demonstration, our Group informs the customer of the quantum of energy saving and capital allowance benefits given by the government. We would also receive referrals from our existing clients.

## **5. INFORMATION ON OUR GROUP (Cont'd)**

---

### **5.6.8.2 Trade shows, advertisement and internet marketing**

To build our Group's profile and brand awareness, our Group will participate at international tradeshows to promote the whole range of our products. In addition, our Group has advertised in reputable magazines and will continue to do so from time to time. We have placed greater emphasis on internet marketing and constantly monitor, maintain and improve the position of company through our website [www.focusdynamics.net](http://www.focusdynamics.net) in order to allow potential customers to locate us and generate potential business opportunities.

### **5.6.8.3 After sales service**

We provide up to three (3) years warranty for all our energy efficiency system and products to our client. We believe that by providing our client with good after sales service we would encourage our clients to purchase additional system from our Group and recommend our Group's products to other potential clients. Fast response and technical support in order to ensure the running of systems at optimum conditions would enhance the confidence level and trust on the capability of our Group.

### **5.6.9 Types, sources and availability of raw material/input**

Our Group's main input of raw materials consists of PCB, metalclad, busbar, capacitors, filters, DSP, power devices and heatsinks.

These materials can be sourced from local manufacturers as well as from overseas suppliers, depending on the quality, quantity and availability of the materials. Our Group provides the design to OEM suppliers to fabricate according to our requirement since it is not economical for our Group to produce these components in-house.

For the financial year ended 31 July 2005, approximately 51% of raw materials are sourced locally and the remaining raw materials are obtained from countries such as Germany, UK, PR China, Singapore and Taiwan. This is mainly due to the quality and availability of certain components, which are not supplied by the local manufacturers.

### **5.6.10 Quality control**

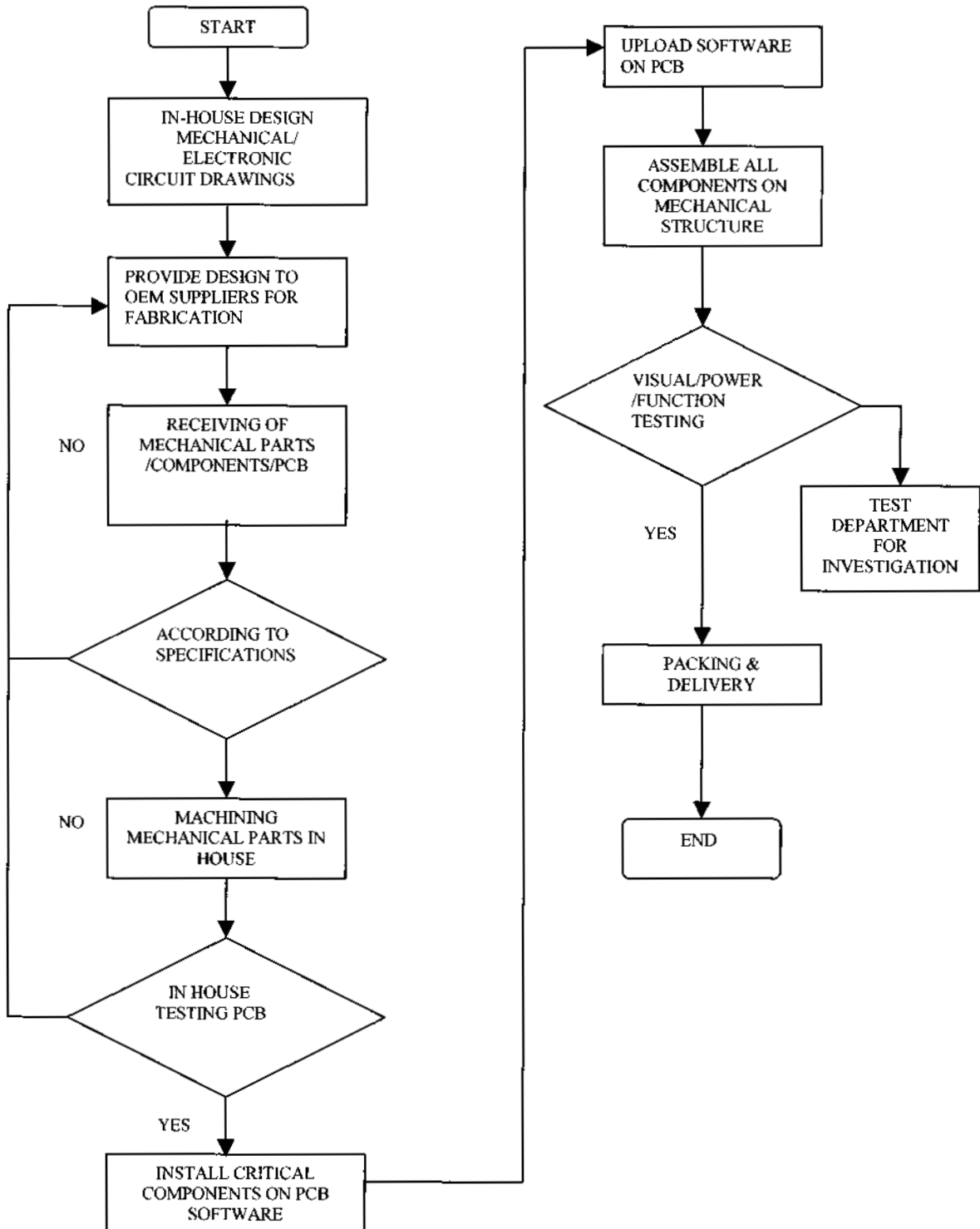
#### **5.6.10.1 Manufacturing division**

Quality control will be imposed on all inputs of raw materials/components in its MX3/Softstarter/household energy saver products. Our Group applies quality control procedures by checking the components upon receipt and any faulty materials are returned for exchange or refund from the suppliers. Periodic assessments of suppliers are made in respect of the quality of the raw materials supplied and the timeliness of the delivery of components.

For the production process, a checklist for in-progress checking is always attached to each production. The checking methods include sighting and checking electronic meters. All finished goods are electronically and electrically tested to meet required specifications before delivery.

5. INFORMATION ON OUR GROUP (Cont'd)

A manufacturing process flow chart is shown as follows:



---

## 5. INFORMATION ON OUR GROUP (Cont'd)

---

*Notes:*

1. *The mechanical/electrical/electronic are in-house design and outsourcing components/parts from OEM suppliers based on Focus's requirements since it is more cost effective due to economies of scale*
2. *In view of security measures taken to avoid infringement, our Group performs in-house machining of mechanical parts, install critical components and upload of IPR software on the PCB.*
3. *Power/electrical/functionality testing has been performed by qualified in-house engineers to maintain the quality and reliability of the products.*

### **5.6.10.2 Energy efficient system division**

In order to ensure optimum energy conservation results, our technical engineers would conduct a site survey after receiving the customer's enquiry. Based on the engineering data, we will produce a proposal to the client based on the conceptual design. Upon receiving the confirmed order from the client, our technical team will perform detailed engineering design and meet with the client's project team to review the project implementation plan and schedule in order to avoid unnecessary problems. Our Group's quality control procedures include:

- (i) Specification study;
- (ii) Details engineering design; and
- (iii) Fabrication and assembly works.

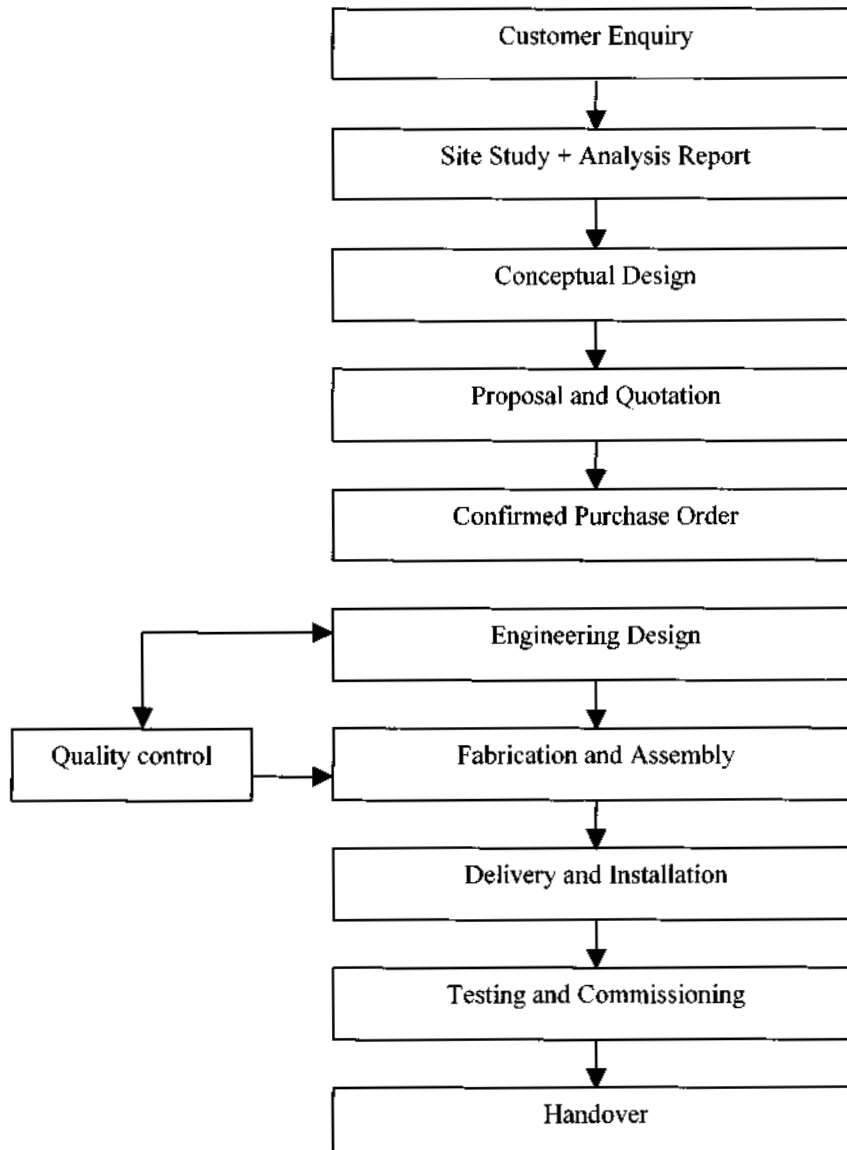
Our technical engineers will test the system upon completion of assembly works in order to ensure that the system performs according to the design specifications. After the internal testing, the system will be installed at the client's premise. After testing is completed, commissioning will be performed to ensure defects free operation. After the site acceptance, our engineer will conduct a review with the client every quarterly to determine the quantum of savings based on the monthly electricity bill as well as fine tune the system in order to ensure optimum operation. We will maintain a record of the complete energy saving programme.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**



## 5. INFORMATION ON OUR GROUP (Cont'd)

The following illustrates our process flow of energy efficiency system and services:



### 5.6.10.3 Key achievements/Awards

FDD has obtained the Pioneer Status Certificate from MITI on 9 November 2002 for a five (5) year period from 1 February 2002 to 31 January 2007.

On 16 June 2004, FDD was awarded EN ISO 9001:2000 by TUV (Germany) for establishing and applying a quality system for "Manufacture and Supply of AC Drives, DC Drives, Softstarters, Energy Savers and Motors" which is valid until 7 June 2007.

On 3 November 2004, FDD has been awarded the "Certificate of Compliance" by SIRIM QAS International Sdn Bhd to use the "emc" mark on "Adjustable Speed Electrical Power Drive Systems" which is valid until 20 September 2006.

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

### 5.6.11 Location of operations

We operate from rented premises comprising of three (3) units of 1½-storey terrace factory located at Nos. 12, 14 and 16 Jalan TPJ 10, Taman Perindustrian Jaya, Petaling Jaya, Selangor Darul Ehsan, Malaysia. The premises which our Group operates from, which is on a two (2)-year tenancy from 1 July 2002 to 30 June 2004 for Lot No. 12 and 14 which has been renewed for another two (2)-years, expiring on 30 June 2006, and for Lot No. 16 is on a two (2)-year tenancy from 1 February 2002 to 31 January 2004 which has been renewed for another two (2) years, expiring on 31 January 2006, which has been subsequently renewed for another one (1) year from 1 February 2006 to 31 January 2007.

Our Group's operations of management, manufacturing, assembling, R&D, training and storage are housed under the above said premises.

### 5.6.12 Interruption to operations

Our Group has not experienced any interruptions in our businesses, which have had a significant effect on our operations during the past twelve (12) months preceding 28 December 2005.

### 5.6.13 Employees

#### 5.6.13.1 Workforce

As at 28 December 2005, our Group has a total workforce of nineteen (19) employees. None of the employees belong to any labour union. Our management has a harmonious relationship with our employees. There has not been any labour or industrial disputes between the employees and the management that could have a material adverse financial impact on our Group.

The breakdown of the total number of employees and their average length of service in our Group as at 28 December 2005 are as follows:

Category of employees	Number of employees	Average length of service years
Managerial and professional staff (including executive Directors)	6	2.2
Technical and supervisory	8	1.0
Clerical and related occupations	5	0.8
Total	<b>19</b>	

#### 5.6.13.2 Staff training

Our company continuously trains and develops our staff by sending our key staff to attend energy efficiency related technical seminars organised by Pusat Tenaga Malaysia Air Conditioning & Refrigeration Association and trade related seminars organised by Matrade and Federation of Malaysian Manufacturers.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.6.14 Completed projects

The significant projects completed as at 28 December 2005 for the energy efficiency system are as follow:

Client	Project	Location	Completion date
Fastcoll Corporation Sdn Bhd	Malaysia Institute Of Nuclear Technology – Air conditioning energy efficiency system	Bangi	February 2000
Calibre M&E Sdn Bhd	Felda Multi Purpose Complex – Air conditioning energy efficiency system	Kuala Lumpur	January 2001
M-Kap Engineering Sdn Bhd	Pantai Hospital – Air conditioning energy efficiency system	Johor Bahru	February 2001
City Mayor Hotel Sdn Bhd	City Mayor Hotel – Air conditioning energy efficiency system	Kuala Lumpur	November 2002
Sunline M & E Services Sdn Bhd	3G2 Auditorium Perbadanan Putrajaya Complex – Air conditioning energy efficiency system	Putrajaya	April 2003
United Straits M & E Sdn Bhd	3G1 - Prime Minister Department – Air conditioning energy efficiency system	Putrajaya	May 2003
Pathfinder M & E Sdn Bhd	4G1 & 4G2 Kementerian Pertanian – Air conditioning energy efficiency system	Putrajaya	July 2003
GAE Technical Services Sdn Bhd	Parcel E1 - Kementerian Kesihatan – Air conditioning energy efficiency system Parcel E4 & 5 Kementerian Sumber dan Tenaga – Air conditioning energy efficiency system	Putrajaya	July 2003
HPC Engineering (M) Sdn Bhd	2G3 - Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna – Air conditioning energy efficiency system 2G4 - Jabatan Immigration Malaysia – Air conditioning energy efficiency system	Putrajaya	July 2003
Dutch Lady Milk Industries (M) Bhd	Scanima Machine-variable speed energy efficiency system	Selangor Darul Ehsan	November 2003
Calibre M&E Sdn Bhd	Putrajaya Parcel 2M10 & 2M11 Air conditioning energy efficiency system	Putrajaya	June 2004
GBC Construction Sdn Bhd	Sungei Buloh Hospital Air conditioning energy efficiency system	Selangor Darul Ehsan	June 2004

## 5. INFORMATION ON OUR GROUP (Cont'd)

Client	Project	Location	Completion date
VS Industry Berhad	Air-conditioning and Utilities Energy Efficiency System and Injection Moulding Machinery Energy Efficiency System	Johor Darul Takzim	November 2004
Changhuat Plastic Industries (Senai) Sdn Bhd	Air-conditioning and Utilities Energy Efficiency System and Injection Moulding Machinery Energy Efficiency System	Johor Darul Takzim	October 2004
Mirror Plastic Sdn Bhd	Air-conditioning and Utilities Energy Efficiency System and Injection Moulding Machinery Energy Efficiency System	Johor Darul Takzim	January 2005
Changhuat Precision Plastic Sdn Bhd	Air-conditioning and Utilities Energy Efficiency System and Injection Moulding Machinery Energy Efficiency System	Johor Darul Takzim	January 2005
PT Heng Huat Plastic Industries Indonesia	Air-conditioning and Utilities Energy Efficiency System and Injection Moulding Machinery Energy Efficiency System	Indonesia	January 2005
Delloyd Industries (M) Sdn Bhd	Injection Moulding Machinery Energy Efficiency System	Selangor Darul Ehsan	April 2005
Flextronics Plastic (M) Sdn Bhd	Injection Moulding Machinery Energy Efficiency System	Johor Darul Takzim	July 2005

### 5.7 FUTURE STRATEGIES AND PROSPECTS

Despite the risks associated with our Group as outlined in Section 4 of this Prospectus, the prospects and business of our Group are encouraging in view of various factors. Our Group has shown good potential in our product innovations and execution of customer contracts.

The trademark of "focus dynamics" is established in UK and in other European countries since 1997, earlier by FDPLC then later by FDL. With the intention to set up FDUK as a Master Focuscentre for the European region, FDUK would act as our Group's regional representative office for supplying the products that carry "focus dynamics" trademark as well as providing the necessary technical support and the distribution of logistical matters to its customers around Europe. Our Group's energy efficiency products have complied with emc requirement that allowed our Group's products to carry CE mark and there is no trade barrier and restriction to enter the European market with the present approval obtained by our Group. However, in order to penetrate the USA market, our Group needs to test all our range of products to conform to NEMA and United Laboratory requirements. Our Group intends to apply to conform to these requirements and planned to start the USA operation. Also, we intend to set up the sales and marketing office in the Asian region.

In future, our Group will be focusing on our marketing efforts in global markets. Our Group will also emphasise on the need for energy saving both in the local and overseas market as a means by product

## 5. INFORMATION ON OUR GROUP (Cont'd)

differentiation by offering value-added integration of energy efficiency products combined with quality customer services and support.

The Malaysian Government has been promoting the procurement of local contents by all Government agencies in their projects. Therefore, our Group will benefit from such directive in view of the large infrastructure projects being promoted by the Government.

In addition to the above, the 2003 Budget has also announced, apart from the present incentives available for companies that encourage energy conservation, that incurred capital expenditure for conserving their energy consumption, companies are able to claim 100% of the expenditure incurred in the year of purchase from year of assessment 2003 onwards. However, in the Budget 2006, companies incurring capital expenditure for conserving energy for own consumption are allowed, investment tax allowance of sixty percent (60%) on the qualifying capital expenditure incurred within a period of five (5) years with the allowance to be set-off against seventy percent (70%) of statutory income for each year of assessment.

Currently, approximately 93% of our Group's revenue is attributable mainly from our energy efficiency system and manufacturing activities for the financial year ended 31 July 2005. Our Group anticipates contribution from energy efficiency system and manufacturing activities to contribute substantially in the coming years.

The development of MS Softstarters is a result of product innovation undertaken by our Group and it is envisaged to replace the conventional motor starter. With the growing awareness on energy management/energy saving concept and continual efforts of looking for higher productivity and efficiency through automation, our Group's range of products should be a popular choice for energy conservation.

With our experience, track record and technological know-how, our Group should be able to enhance our position and capitalise on growth opportunities in the energy efficiency sector.

### 5.8 MAJOR CUSTOMERS

The top ten (10) customers for our Group for the financial year ended 31 July 2005 are as follows:

	<b>Top 10 customers</b>	<b>% over total revenue</b>	<b>Length of relationship (Years)</b>
1	V.S. Industry Berhad	16.7	1
2	PT Fokus Teknindo Indonesia	14.0	4
3	Flextronics Plastics (M) Sdn Bhd	9.4	1
4	Changhuat Plastic Industries (Senai) Sdn Bhd	11.0	1
5	Changhuat Precision Plastic Sdn Bhd	7.9	1
6	Dorsett Regency Hotel Sdn Bhd	6.2	1
7	Delloyd Industries (M) Sdn Bhd	6.1	1
8	Felda Prodata Systems Sdn Bhd	4.9	1
9	Mirror Plastic Sdn Bhd	3.9	1
10	PT Heng Huat Plastic Industries Indonesia	3.4	1

## 5. INFORMATION ON OUR GROUP (Cont'd)

Our business is on project basis and it varies from time to time. Thus, we may have certain projects that may contribute significantly to our revenue and profit at certain times or periods. Hence, we do not rely on any group of customers.

### 5.9 MAJOR SUPPLIERS

The top ten (10) suppliers for our Group for the financial year ended 31 July 2005 are as follows:

	Name of suppliers	Type of project/products	% to total purchases	Length of relationship (Years)
1	Mintronic Sdn Bhd	Sub-contracting	17.5	3.1
2	Semikron Ltd	Power electronics components	9.9	3.5
3	Sprint Electric Ltd	Power electronics components	9.6	5.0
4	Best Power Control Sdn Bhd	Sub-contracting	8.4	1.0
5	FWT Technology Sdn Bhd	Power electronics components	6.8	1.0
6	Link Pac Corporation	Printed circuits board	5.1	2.0
7	AC Technology Corporation	AC Drives	5.0	3.5
8	DPC Industrial Systems Sdn Bhd	Sub-contracting	3.6	5.0
9	Imaxtech Electronics Sdn Bhd	Power electronics components	3.5	2.0
10	AMC Electrical Sdn Bhd	Switch board	3.3	2.0

There are many other suppliers and agents in Malaysia as well as overseas suppliers that supply the main raw material to us. Therefore, we are not dependent on any group of suppliers for the supply of the main raw material.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**