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## 6. INDUSTRY OVERVIEW

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### 6.1 OVERVIEW OF THE GLOBAL MARKET

The global economy strengthened amidst high oil prices in the third quarter. Growth momentum was sustained in the USA and the PR China and supported by stronger recovery in the euro area and Japan.

The USA economy remained resilient despite the devastation caused by the hurricanes. Advanced estimate for third quarter showed the economy has expanded by 3.8%, supported mainly by consumer spending and government expenditure. Major indicators, however, showed mixed performance as some data such as jobless claims and unemployment rate were distorted by the hurricane effect. Meanwhile, the UK economy recorded a modest growth of 1.6% in third quarter despite a recovery in the manufacturing sector, due mainly to a decline in utilities output and a fall in oil and gas production. The euro area economy grew by a stronger-than-expected 1.5% in the third quarter, supported by an export-led expansion in Germany and consumer spending in France. In Japan, the economy grew by 1.7%, driven by sustained capital spending and private consumption.

Global crude oil prices recorded a new peak in the third quarter at USD70.85 per barrel on 30 August due mainly to the disruption of oil production and refining capacity in the US Gulf of Mexico by Hurricane Katrina. Oil prices have since declined to range between USD57 - USD60 per barrel in the first half of November. Mild weather in the Northern Hemisphere and recovering USA oil production have eased fears of a shortage in supply. Nevertheless, oil prices are expected to remain high supported by fundamental factors such as continued strong global demand, especially from the USA and PR China, and limited spare production and refining capacity.

The high oil prices had raised concern on rising inflationary pressures among some of the industrial countries. In the USA, the Federal Reserve continued to raise its policy rate by 25 basis points each during its August, September and November meetings to reach 4%. On the other hand, the Bank of England reduced interest rates by 25 basis points to 4.5% on 4 August following the concern of the softening economic growth.

In the Asian region, economic growth remained strong with expansion led by PR China and supported by improved performance in other regional countries. Growth was stronger in Hong Kong China, Singapore and Korea compared to the performance recorded in the second quarter. Exports continued to strengthen, supported by a pick-up in demand for electrical and electronics goods.

Meanwhile, inflation in the region is trending upwards due to higher oil prices and the complete/partial removal of fuel subsidies. Inflation surged to a seven-year high in Thailand following the abolition of a state subsidy for diesel prices in July. In Indonesia, inflation has reached double-digits following the recent hikes in fuel prices. To stem rising inflation, Korea, Thailand, the Philippines, India and Indonesia have raised interest rates, while Singapore has maintained its policy of a 'modest and gradual appreciation' of the Singapore dollar.

Going forward, despite the ongoing uncertainties such as high oil prices and potential outbreak of avian flu, the global economic expansion is expected to be sustained at a steady pace. The global economy has greater capacity to absorb the current high energy costs given the higher oil efficiency particularly in the developed countries, lower share of energy in expenditures, and continued income growth. Prospects are also reinforced by the recovery in the global electronic cycle.

*(Source: Bank Negara Malaysia Economic and Financial Developments in the Malaysia Economy in the Third Quarter of 2005)*

### 6.2 OVERVIEW OF THE MALAYSIAN ECONOMY

The Malaysian economy strengthened in the third quarter of 2005, expanding by 5.3%. Private sector activity continued to provide the main impetus to growth.

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**6. INDUSTRY OVERVIEW (Cont'd)**

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Domestic demand strengthened, expanding at an annual rate of 9.4%, due mainly to stronger private consumption and investment activities. Private consumption expenditure remained a significant source of growth, expanding by 10.4%. Stable labour market conditions, competitive credit environment and high commodity prices continued to support consumer spending. Major consumption indicators, particularly credit card spending and consumption credit extended, pointed to sustained consumer spending. The number of new passenger cars sold also remained high. Gross fixed capital formation strengthened to increase by 9.6%. Private sector investments remained strong due to capacity expansion, upgrading, as well as new investments in downstream activities across most sectors of the economy. Growth in private capital spending was evident in the strong growth in imports of capital goods and expansion of lending to the business sector. While Government consumption expenditure increased, Government development expenditure was lower and continued to be focused on the provision of essential services.

On the supply side, growth continued to be led by the services sector, which expanded by 7.3% during the quarter under review. The sector continued to benefit from strong consumer spending, including spending by tourists, as well as improved business activities. Value added in the manufacturing sector expanded by 3.4% in the third quarter of 2005. Output of the electronics and electrical products (E&E) industry picked up to 3.2% (2Q 2005: 0.9%), attributable mainly to the strong external demand for computers and computer-related items, as well as the improvement in the global demand for semiconductors. Among domestic-oriented industries, the transport equipment and food products sub-sectors recorded double-digit growth rates, in line with the strong private consumption spending. Meanwhile, industries related to construction continued to contract in tandem with the weak performance of the construction sector.

Prospects for the Malaysian economy in the remainder of the year remain favourable. The global economic expansion is expected to be sustained at a steady pace, despite the high oil prices. The growth momentum in the US has remained strong despite the effects of the hurricanes while the recovery in Japan is becoming more entrenched. Expansion in regional demand is expected to remain strong, supported by the continued improvement in the global electronics cycle and sustained strong growth in P.R. China. The favourable external environment is therefore expected to support the expansion in domestic demand.

Given these developments, the growth momentum in the Malaysian economy is expected to continue into the fourth quarter, supported by both strong external demand and sustained expansion in domestic demand, led by private sector activity. The electronics sector is expected to ride on the current recovery in the global semiconductor industry. Commodity prices are expected to continue to remain at high levels, which would have a positive impact on both exports and private consumption. Indicators also suggest sustained expansion in private investment activities. The latest DOSM leading index increased, indicating that the economy would continue to expand into the first quarter of 2006.

*(Source: Bank Negara Malaysia Economic and Financial Developments in the Malaysia Economy in the Third Quarter of 2005)*

**6.3 INDUSTRIES RELATING TO OUR GROUP**

Our Group is principally operating in manufacturing and automation related sectors for energy efficiency applications. However, the products manufactured and distributed by our Group are used in every conceivable process and discrete industries including automotive, building, chemical, electronic, food and beverage, machinery, metals and mining, oil and gas, pharmaceutical, plastic and rubber, power, printing, pulp and paper, and water and waste.

Due to the diverse industries that our Group is involved in, AC drives applications for energy efficiency systems must satisfy the diverse needs of its consumers who are predominantly in commercial or industrial sectors. Commercial applications include fans, pumps and HVAC. For industrial sectors, AC drives are used extensively in both discrete and process application.

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## 6. INDUSTRY OVERVIEW (*Cont'd*)

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Our Group has been actively involved in the industrial applications ranging from standalone drives to embedded drives of complex hierarchical control schemes. An example of a basic standalone application is an AC drive used for simple speed control of a pump. This application is mainly targeting at water, HVAC and building automation. In complex application, it may involve metal rolling control systems that constantly adjust the motor's speed and torque. These complex, coordinated drives applications normally require networked computer model setting, adjusted by feed forward and feedback information from active controllers in order to produce the highest quality products.

### 6.4 INDUSTRY GROWTH AND PROSPECTS

The prospect of manufacturing sector in Malaysia which our Group is principally involved in is optimistic. The manufacturing sector is targeted to grow at 8.3% during the Third Outline Perspective Plan period ranging from 2001 to 2010. The sector will move into a new phase of industrial development in line with the aim to develop a knowledge-based economy. Accordingly, industrial development will focus on efforts to consolidate and strengthen the resilience and competitiveness of the manufacturing sector as well as to promote new sources of growth. At the same time, the development of dynamic industrial clusters will be critical to contribute to the further growth of the sector. The Government will continuously fine-tune policies and programmes to maintain and enhance an environment that is conducive for investments and business operations. In this regard, efforts will continue to be undertaken to encourage strategic alliances in high value-added and high-technology industries. Programmes will also be implemented to enhance productivity and improve the competitiveness of industries.

*(Source: The Third Outline Perspective Plan 2000 – 2010)*

In line with the commitment to moderate the trend of increasing energy consumption, efforts were undertaken to encourage efficient utilisation of energy, particularly in the industrial and commercial sectors. Under the Malaysian Industrial Energy Efficiency Improvement Programme ("MIEEIP"), a total of 43 energy audits was conducted in eight manufacturing subsectors, namely, wood, pulp and paper, iron and steel, cement, rubber, glass, ceramics and food. The findings indicated potential energy savings of 5.6% in electricity and 26.7% in fuel with the implementation of EE measures by the audited companies. The energy audits also facilitated the establishment of an online Energy-use Benchmarking System at the National Productivity Corporation. The system enabled companies to effectively implement EE measures and improve their productivity.

In the commercial sector, efforts were focused to promote EE in buildings. A new Code of Practice in EE and renewable energy for Non-residential Buildings was formulated as part of the Malaysian Standard MS 1525:2001. The new office building of the Ministry of Energy, Communications and Multimedia in Putrajaya, was designed with energy saving features in the architecture as well as the mechanical and electrical systems to demonstrate the technical and economic feasibilities of the Code. The new office building was also targeted to achieve an annual energy consumption of 100KWh per square metre.

An energy audit programme was also launched to develop the energy service industry. Energy service companies were appointed to conduct energy audits involving twelve (12) government buildings to establish a benchmark database on energy consumption as well as EE measures for reference by architects and engineers in designing new and retrofitting buildings. These energy audits recorded a range of energy consumption from 77.9 to 246.8 KWh per square metre per year and indicated a potential energy savings of 20% to 30% annually with the implementation of recommended EE measures. In 2003, one of the audited government buildings was selected for implementation to demonstrate the practicality of the recommended measures.

The implementation of the EE initiatives increased the awareness of energy savings, particularly in the industrial sector. However, the implementation of the EE measures by industries was limited due to lack of financing and expertise. To encourage adoption of EE measures, the 2001 Budget provided

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## 6. INDUSTRY OVERVIEW *(Cont'd)*

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fiscal incentives, which were subsequently extended to December 2005. In addition, the 2003 Budget reduced the write-off period from three years to one year for the accelerated capital allowance on EE-related equipment.

During the remaining Plan period, efforts will be continued to promote productive energy utilisation through improvements in plant, equipment and processes as well as end-use. Under the MIEEIP, energy audits will be conducted to promote energy-use benchmarking, particularly among the small- and medium-scale enterprises. The coverage of the energy audits will be expanded to include the plastics, chemicals and textiles industries. To increase awareness and encourage the use of EE equipment, energy rating and labelling will be developed. In this regard, an EE testing facility will be established in Standards and Industrial Research Institute of Malaysia (SIRIM) Berhad. Recognising that funding is a constraint in the implementation of EE programmes, particularly in the industrial sector, a study will be undertaken to identify the modalities of finance.

*(Source: Mid-term review of the Eighth Malaysian Plan 2001-2005)*

### 6.5 INDUSTRY PLAYERS AND COMPETITION

Our Directors are of the view that there are no major competitors in the local energy efficiency industry. This is in view of the different market segment of which we are targeting. Presently, our target market is in the energy efficiency area within building and manufacturing sectors in which we could provide complete energy efficiency solutions but our competitors mainly target at individual product or solution only. Although the size of each project under this market segment may be relatively small, they normally come with repeated orders/jobs. Overall, there are not many local industrial players who have the technology know-how of the energy conservation sector.

Being a Malaysian-owned group of companies, we are also able to tap on the fiscal incentives and opportunities offered to local techno-enterprises by the Malaysian government. In addition, we will also be able to enjoy the benefits available to Malaysian companies. Amongst others, the Malaysian Treasury's directive in enforcing all government and government related projects to employ local manufactured products vis-a-vis its circular letter "SPP Bil 7 Tahun 2002" has definitely created the necessary competitive edge for our Group over our foreign counterparts.

### 6.6 RELEVANT LAWS AND REGULATION GOVERNING THE INDUSTRY

Our Directors are currently not aware of any specific law and regulation governing the VSD industry. However, our Group has received governmental support via the granting of Pioneer Status incentive for High Technology Industry under the Promotion of Investment Act, 1986 by virtue of VSD being identified as an emerging technology. We have benefited from our Pioneer Status as it enables our Group to enjoy five (5) years tax exemption.

The application for Pioneer Status is subject to conditions imposed under Environment Quality Regulations (Clean Air) 1978 that is administered and enforced by DOE. These include but are not limited to:

- (i) prohibiting from release of effluents;
- (ii) obtaining prior written consent for using any equipment involving the use of fire or flammables;
- (iii) informing DOE of any expansion and increase in the factory capacity or a change in the process of manufacturing.

## 7. FINANCIAL INFORMATION

### 7.1 HISTORICAL FINANCIAL INFORMATION

Our financial highlights for the five (5) financial years ended 31 July 2001 to 31 July 2005, presented for illustrative purpose only and have been prepared based on the assumption that our current structure had been in existence throughout the financial years under review:

	<-----Financial year ended 31 July----->				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 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	-	-	(11)	(33)	(76)
Interest expense <sup>1</sup>	(39)	(20)	(82)	(131)	(171)
Interest income	-	-	20	30	26
PBT	329	342	756	1,290	1,321
Taxation	(96)	(64)	(115)	(121)	(116)
PAT	233	278	641	1,169	1,205
Number of Focus Shares in issue <sup>2</sup>	26,299	26,299	26,299	26,299	26,299
Gross EPS (sen)	1.3	1.3	2.9	4.9	5.0
Net EPS (sen)	0.9	1.0	2.4	4.4	4.6

**Notes:**

1 Interest expense excludes bank charges.

2 Based on the number of Focus Shares issued after the Acquisitions.

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

## 7. FINANCIAL INFORMATION (Cont'd)

### 7.2 OVERVIEW OF THE REVENUE AND PBT

Our revenue increased by RM1.93 million or 69.38% to RM4.72 million for the financial year ended 31 July 2001 mainly due to increased revenue from overseas market namely Indonesia and Thailand and securing of new projects for energy efficiency system implementation. The increase in our PBT by RM0.24 million or more than 100% to RM0.33 million for the financial year ended 31 July 2001 was mainly attributable to the improvement in revenue and better cost control.

For the financial year ended 31 July 2002, our revenue decreased by RM0.61 million or 12.8% to RM4.12 million mainly due to the following:

- (i) acquisition of 80% equity interest in FDC by Kong Kwai Ching and the subsequent transfer of drive business from UK to Malaysia; and
- (ii) stiff competition in pricing for motors as a result of the lifting of 30% import duties in November 2001. However, the Government subsequently reinstated the import duty to 15% in early March 2002, which cushioned the initial loss of sales of motors under the trading revenue.

Our PBT increased by RM0.01 million or 3.95% to RM0.34 million for the financial year ended 31 July 2002 mainly due to lower purchase price of raw materials, especially for MX3 drives.

For the year ended 31 July 2003, our Group's revenue increased by RM2.12 million or 51.49% to RM6.24 million mainly due to the successful tendering and completion of integration projects for energy efficiency systems. Our PBT increased by RM0.41 million or more than 100% to RM0.76 million for the financial year ended 31 July 2003 mainly due to better gross profit margins earned and cost containment measures undertaken.

For the financial year ended 31 July 2004, the revenue for our Group increased by RM0.71 million or 11.38% to RM6.95 million mainly attributed to the contribution of existing and new projects for energy efficiency system implementation. Our PBT increased by RM0.53 million or 70.63% to RM1.29 million for the financial year ended 31 July 2004 mainly attributed to better cost control measures taken and higher contribution of other income such as bad debts recovery, gain on disposal of motor vehicle and fixed deposit interest.

For the financial year ended 31 July 2005, the revenue of our Group increased by RM0.16 million or 2.35% to RM7.11 million mainly due to our strategic expansion plan. The increased in our PBT by RM1.32 million or 2.32% is in line with the increase in our revenue.

### 7.3 SEGMENTAL ANALYSIS

The segmental revenue by divisions is as follows:

	<-----Financial year ended 31 July----->				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Energy efficiency systems	778	901	2,353	3,253	5,350
Manufacturing	-	522	1,452	2,545	1,288
Trading	3,946	2,694	2,432	1,149	472
<b>Total</b>	<b>4,724</b>	<b>4,117</b>	<b>6,237</b>	<b>6,947</b>	<b>7,110</b>

## 7. FINANCIAL INFORMATION *(Cont'd)*

### 7.4 FACTORS AFFECTING FINANCIAL PERFORMANCE, POSITION AND OPERATIONS OF OUR GROUP

Save as disclosed in this Prospectus, our financial performance, position and operations are not materially affected by any of the following as at 28 December 2005:

- (i) known trends, demands, commitments, events or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on our financial performance, position and operations;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations;
- (iv) substantial increase in revenue; and
- (v) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance position.

### 7.5 WORKING CAPITAL, BORROWINGS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

#### 7.5.1 Working capital

Our Directors are of the opinion that after taking into account the banking facilities available and funds to be raised from the Public Issue, our Directors are of the opinion that our Group will have adequate working capital for a period of twelve (12) months from the date of issue of this Prospectus.

#### 7.5.2 Borrowings

As at 28 December 2005, our total bank borrowings amounted to approximately RM4,532,759, all of which are interest-bearing, as follows:

<b>Bank borrowings</b>	<b>Total RM'000</b>
Short term borrowings (payable in less than 12 months)	4,248
Long term borrowings (payable in more than 12 months)	285

There have been and will be no default on payments of either interest and/or principal sums in respect of any borrowings through out the past financial year ended 31 July 2005 and the subsequent financial period thereof, immediately preceding 28 December 2005.

#### 7.5.3 Capital commitments

As at 28 December 2005, our Group does not have any capital commitments.

#### 7.5.4 Contingent liabilities

To the best knowledge of our Directors, there are no contingent liabilities that upon materialisation would have a material impact on our profit or net assets.

## 7. FINANCIAL INFORMATION (Cont'd)

### 7.6 TRADE DEBTS

Based on our audited financial statements for the financial year ended 31 July 2005, our ageing analysis of the trade receivables is as follows:

	0 – 30 days RM'000	31 – 60 days RM'000	61 – 90 days RM'000	91 – 120 days RM'000	121 – 180 days RM'000	Over 180 days RM'000	Total RM'000
Trade receivables	3,236	693	554	72	50	249	4,854
Less: Allowance for doubtful debts	-	-	-	(29)	(19)	(133)	(181)
	<u>3,236</u>	<u>693</u>	<u>554</u>	<u>43</u>	<u>31</u>	<u>116</u>	<u>4,673</u>
%	69.2	14.8	11.9	0.9	0.7	2.5	100.0

Pursuant to condition imposed by SC's letter dated 28 March 2005, full provision should be made for trade receivables outstanding that have exceeded the normal credit period granted of ninety (90) days but less than one hundred and eighty (180) days, unless it can be justified that the outstanding amount can be collected. Based on our audited financial statements as at 31 July 2005, trade receivables outstanding between ninety (90) days and one hundred and eighty (180) days is RM122,605. Based on subsequent receipts and contra arrangements with our suppliers made between 1 August 2005 and 16 August 2005, we have collected RM74,199. The balance of RM48,406 is fully provided.

Based on the condition imposed by SC's letter dated 17 November 2005, our Group has to collect or make full provision for all trade receivables that have been outstanding for more than one hundred and eighty (180) days, save for trade receivables that are subject to formal monthly installment scheme. Based on our audited financial statements as at 31 July 2005, trade receivables outstanding for more than one hundred and eighty (180) days without any formal monthly installment scheme is RM248,195. Additional provision for trade receivables of RM133,028 has been made for the trade receivables for more than one hundred and eighty (180) days without any formal monthly installment scheme after accounting for the subsequent receipts and contra arrangements with our suppliers made between 1 August 2005 to 16 August 2005 of RM115,167.

For the financial year ended 31 July 2005, two (2) customers of FDC's, namely Changhuat Plastic Industries (Senai) Sdn Bhd and VS Industry Berhad have amount outstanding owing to FDC of more than one hundred and eighty (180) days. These customers had entered into energy management agreements with instalment payment for duration of twenty four (24) and eighteen (18) months, respectively.



## 7. FINANCIAL INFORMATION (Cont'd)

The details of the respective customers with formal monthly instalment payment scheme are as follows:

Customer	Project location	Date of agreement	Contract price (RM)	Monthly instalment payment (RM)	No. of instalments (month)	Instalment duration
Changhuat Plastic Industries (Senai) Sdn Bhd (169263-W)	Senai	25 August 2004	576,000 *	24,000 *	24	May 2005 to April 2007
Changhuat Plastic Industries (Senai) Sdn Bhd (169263-W)	Kulai	22 October 2004	216,000 *	9,000 *	24	May 2005 to April 2007
VS Industry Berhad (88160 P)	Senai	25 August 2004	1,148,118	60,000 #	18	March 2005 to August 2006

**Notes:**

*The contract price and instalment payments were varied vide letters dated 5 July 2005 between FDC and Changhuat Plastic Industries (Senai) Sdn Bhd for the abovementioned projects*

*First instalment paid was RM68,118 and the balance of RM1,080,000 is to be settled via eighteen (18) months instalments*

*Comprising of monthly instalment payments of more than one hundred and eighty (180) days*

As at 28 December 2005, the payment for the abovementioned formal monthly instalment payment scheme is up to date.

Although there is no assurance that we will be able to collect all trade debts due from our customers on time, we seek to limit this risk through close monitoring of the long outstanding debts and continue to ensure that instalment payments plans as agreed by the debtors are adhered to.

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## 8. SUMMARY OF THE FIVE (5)-YEAR BUSINESS DEVELOPMENT PLAN

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The following is a summary of our business development plan:

### 8.1 TECHNOLOGY ROAD MAP - DIRECTION OF OUR GROUP

Our Group's objective is to accomplish and to innovate the development of new energy efficiency products range in view of staying ahead in the industry. Our Group has adopted a few technology paths that we wish to channel our resources and focus on the following:

- (i) Development of Alphadrives with power rating ranging from 0.18KW to 7.5KW. This new range of VSD products will enable us to offer our clients with range of low power AC drives and to meet their diverse products needs and requirements. The product will be utilised for in-house energy efficiency system project and distribute via our Group's international channel of marketing.
- (ii) Development of MS Softstarters with power rating from 22KW to 30KW. This range of ICE product is gaining higher market demand as well as acceptance; and is envisaged to replace the conventional motor starters. With the development of this range of products in-house, our Group would reduce our dependency on OEM suppliers as this product range is currently outsourced. The targeted market would be fan and pump applications. R&D on these Softstarters have been completed and they are currently being tested.
- (iii) Further enhance the SV PWM software for MX3 by developing new features to reduce the energy consumption. The main feature of this new software is to reduce the current drawn on the system and thus optimise the energy consumption. This technology will further strengthen the energy efficiency system solution provided by our Group.
- (iv) Replacement of 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 based on improved version of new DSP and it can be used for the new development of Alphadrives (0.18KW to 7.5KW) since the new Alphadrives and MX3 will be sharing similar hardware platform in the future. The new hardware development will be completed by second half of 2006 and it would increase the competitiveness of the MX3 and new Alphadrives by having lower hardware cost and smaller sizes of Alphadrives.
- (v) Enhancement of our services arm by providing integrated energy saving solutions for customers and acting as a one-stop energy conservation solution provider centre.
- (vi) Commence R&D on lighting energy saver for three/single phase voltage applications mainly for street lighting and commercial buildings.

### 8.2 GLOBAL MARKETING

Banking on the established SV PWM as well as the "focus dynamics" trademark, our Group aims to penetrate the regional markets in addition to the ASEAN countries. In achieving this, our Group has established a Master Focuscentre in Kuala Lumpur, Malaysia (to take care of the Asian markets and to be referred as the Master Focuscentre-Asia). We intend to establish another two (2) Master Focuscentres respectively in UK and USA. The Master Focuscentre in UK is to penetrate and support the distributors in the European markets (to be referred as Master Focuscentre-UK) whilst the Master Focuscentre in USA is to penetrate and support the distributors in the USA markets (to be referred as Master Focuscentre-USA). The three (3) Master Focuscentres will be operating as regional representative offices cum warehouses for their respective markets and are part of our Group's aggressive marketing plan to penetrate the global markets.

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## **8. SUMMARY OF THE FIVE (5)-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)**

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### **8.3 R&D PLAN**

Our Group places a strong emphasis on R&D for technology and product innovation. Our Group's R&D efforts are focused on the further development of the SV PWM technology to expand the new proprietary product range and capabilities of our offerings. In the short to medium term, our Group aims to develop low power Alphadrive. Our Group is also exploring the possible avenue to reduce the cost of our present products and system. In addition, our Group also intends to develop more energy efficiency products for the global market.

### **8.4 GOVERNMENT INCENTIVES AND POLICIES**

FDD has obtained the Pioneer Status Certificate from MITI on 9 November 2002 for the development and production of computer control process equipment – energy saving frequency converter. Accordingly, FDD will enjoy a five (5)-year tax exemption arising the Pioneer Status incentives effective from 1 February 2002 to 31 January 2007.

Based on the directive "SPP Bil 7 Tahun 2002 dated 5 June 2002 issued by Department of Treasury, Malaysia, the Government has enforced all government agencies or government related projects to procure local content. This announcement has a significant impetus to the growth of our Group as we are well positioned to target the said government related projects.

### **8.5 COMPETITIVE EDGE**

Our Group is poised to take advantage of the expected expansion in the ICE/VSD industry in the Asian, European and American regions. With our core SV PWM technology, our Group will ensure that the right emphasis is being placed to create strategies that will highlight our differentiation and build a formidable barrier to entry for our competitors through:

- (i) Established SV PWM technology;
- (ii) Energy management know-how;
- (iii) Establishment of three (3) Master Focuscentres to recruit new distributors and to provide technical support to distributors in their respective regions; and
- (iv) Being one of the Malaysian-owned companies involved in the production of high power range of ICE/VSD products in South East Asia region, our Company is in the position to capitalise on any incentives offered by the Malaysian Government as well as other countries within ASEAN.

The above represents our Group's plan to achieve our ambition of being a significant player in the energy efficiency markets.

### **8.6 FUTURE PLANS**

Our Group's strategy for our products and services are based on the vision and expertise of our Directors and key personnel to groom our Group to become a major player of total energy conservation solution provider for the global ICE industry. The strategies to meet this objective are outlined below:

#### **8.6.1 Development of new markets and distribution network**

Our Group plans to penetrate the European and American markets by setting up two (2) Master Focuscentres respectively in UK and USA to spearhead our business by promoting energy efficiency product and recruiting distributors in those regions to promote our range of energy efficiency products.

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## **8. SUMMARY OF THE FIVE (5)-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)**

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In addition, these distribution networks will provide local technical support and after sales service for our products. In return, our Group would be able to achieve higher revenue for in-house manufactured energy efficiency products, enhancement of relationship with customers as well as prospecting potential customers for the new market.

### **8.6.2 Development of new businesses in synergistic areas**

Our Group is developing new businesses in retrofitting existing HVAC system that has strong growth potential, particularly utilise in-house manufactured energy efficiency products to retrofit the cooling and pumping system for hotel, factory, office building and waterworks. With the in-depth knowledge of energy efficiency technology for the HVAC industry, our Group intends to create a new business by providing complete retrofitting by providing customise consultation, site study, system design, arrangement of project financing, installation, testing and commissioning.

As one of the divisions in our Group, energy saving is the area with potential growth due to gradually increase awareness in the market. In various industries, the concept of energy saving was developed due to high current consumption of various equipment (such as compressor, cooling tower, mixer, fan, pump) in plant, which leads to high electricity expenses eventually.

In most cases, the major contribution of current consumption is from motors. Motors operating at full speed consumed more current than low speed applications. Practically, these motors may not need to operate at full speed all the time. The motor should be operated according to the process demand by using variable such as pressure, temperature, or water level as control parameter. VSD will receive control parameter feedback in analogue signal format, and deliver the required frequency to the motor. With lower frequency, motor operates at lower resolution per minute and consume less energy.

### **8.6.3 New business**

In line with our vision to be a total integrated energy efficiency solution provider, we plan to venture into lighting energy saver for three/single phase voltage applications mainly for street lighting and commercial buildings. Our Group plans to distribute it through the existing local/international distributors, electrical appliances retailers and installers. With the knowledge of energy efficiency technology, our Group will continue to utilise our resources to explore this new business and increase our market share in the energy conservation sector.

### **8.6.4 Image and brand enhancement**

An important element of our business strategy is to develop and enhance the “focus dynamics” brand name locally and internationally. We would emphasise on extensive marketing and promotion to penetrate target markets and to create the market awareness of our energy efficiency products and services. We would participate in international exhibition shows and advertise in the reputable magazines in order to enhance our image as a reputable manufacturer and supplier of energy efficiency products and energy conservation services provider.

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## 9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDER, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

### 9.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDER

#### 9.1.1 Promoters

Our promoters and their shareholdings after the Public Issue and Bonus Issue illustrated below are based on the assumption that the Public Issue Shares allocated to our eligible Directors and employees are fully taken up by the respective parties.

Name	Designation	Nationality	Direct		Indirect	
			No. of shares ('000)	%	No. of shares ('000)	%
Kong Kwai Ching	Managing Director/Chief Technical Officer	Malaysian	49,234	65.1	-	-
Wong Mun Leong	Executive Director/Technical Director	Malaysian	2,768	3.7	-	-

#### 9.1.2 Substantial shareholder

Our substantial shareholder (holding 5% or more in our share capital) and his shareholding after the Public Issue and Bonus Issue illustrated below are based on the assumption that the Public Issue Shares allocated to our eligible Directors and employees are fully taken up by the respective parties.

Name	Designation	Nationality	Direct		Indirect	
			No. of shares ('000)	%	No. of shares ('000)	%
Kong Kwai Ching	Managing Director/Chief Technical Officer	Malaysian	49,234	65.1	-	-

#### 9.1.3 Profile of our promoters and substantial shareholder

Kong Kwai Ching is our promoter, substantial shareholder and also director. Wong Mun Leong is our promoter and director. Their profiles are set out in Section 9.2.2 of this Prospectus.

#### 9.1.4 Promoters' and/or substantial shareholder's directorship and substantial shareholding in other public corporations

None of our promoters or substantial shareholder has any directorship and/or substantial shareholdings in other public corporations for the past two (2) years preceeding 28 December 2005.

## 9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 9.1.5 Changes in the shareholdings of our promoters and substantial shareholder

Save as disclosed below, there has been no change in our promoters' and substantial shareholder's shareholdings for the past three (3) years:

Shareholders	Date	No. of shares acquired/(disposed)	Balance
Kong Kwai Ching	23.06.2005	24,983,910	24,983,910
	28.11.2005	(446,875)	24,537,035
Wong Mun Leong	23.06.2005	1,314,940	1,314,940

## 9.2 DIRECTORS

### 9.2.1 Board of Directors

Our Directors and their shareholdings after the Public Issue and Bonus Issue illustrated below are based on the assumption that the Public Issue Shares allocated to our eligible Directors and employees are fully taken up by the respective parties.

Name	Designation	Nationality	Direct		Indirect	
			No. of shares ('000)	%	No. of shares ('000)	%
Dato' Abdul Azim Bin Mohd Zabidi	Non-Executive Chairman	Malaysian	-	-	-	-
Kong Kwai Ching	Managing Director/Chief Technical Officer	Malaysian	49,234	65.1	-	-
Wong Mun Leong	Executive Director/Technical Director	Malaysian	2,768	3.7	-	-
Dato' Hamzah Bin Mohd Salleh	Independent Non-Executive Director	Malaysian	-	-	-	-
Khoo Chee Siang	Independent Non-Executive Director	Malaysian	-	-	-	-

### 9.2.2 Profiles

**Dato' Abdul Azim Bin Mohd Zabidi (Non-Executive Chairman)**, aged 47, was appointed to our Board on 7 September 2005. He holds a Masters of Arts in Business Law from London Guildhall University, UK, and is a fellow of the Institute Of Chartered Secretaries And Administrators. He has over 21 years of valuable experience in the banking and financial industry especially in the areas of corporate banking, unit trust management and property fund management. He worked for Bumiputra-Commerce Bank Bhd from 1984 to 1990, and gained experience through his various capacities in its divisions and branches.

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**9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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Presently, Dato' Abdul Azim Bin Mohd Zabidi is the Chairman of Bank Simpanan Nasional Berhad and Permodalan BSN Berhad. He is a member of the Capital Market Advisory Council of the Securities Commission. Dato' Abdul Azim has served as a member of the National Economic Consultative Council II, Index Sub-Committee of Bursa Securities and was President of the Federation of Malaysian Unit Trust Managers from 1998 to 2003. He also sits on the board of World Savings Bank's Institute.

Dato' Abdul Azim Bin Mohd Zabidi also serves on the board of Axis REIT Managers Berhad, OSK Ventures International Berhad, Kumpulan Europlus Berhad, Pica (M) Corporation Berhad, M3nergy Berhad, Wijaya Baru Global Berhad, Kolej Aman Bhd and several other private limited companies.

**Kong Kwai Ching (Managing Director/Chief Technical Officer)**, aged 41, was appointed to our Board on 24 June 2005 and is responsible for the overall management and financial matters of the Focus Group. He graduated from Universiti Teknologi Malaysia with Bachelor of Mechanical Engineering Degree in 1990. He started his career with ABB Industrial and Building Systems Sdn Bhd ("ABB"), a Swiss-based company in electro-mechanical field as a Sales Engineer and was later promoted to the position of Departmental Manager in 1993. In 1995, he left ABB and joined Control Techniques Drives (M) Sdn Bhd, as the Managing Director and was responsible for the operations in Malaysia and Philippines. Subsequently, in 1999, he joined FDPLC, where he was appointed as the Managing Director of FDC and responsible for the development of the Malaysian and Thailand markets. In June 2001, prior to the voluntary liquidation by creditors of FDL, Kong Kwai Ching initiated a Buy-Out (Details refer to Section 5.1 of this Prospectus) for the 80% equity stake in FDC from FDL. The Buy-Out was completed on 19 October 2001. On 20 June 2004, Kong Kwai Ching was awarded the 3rd Asia Pacific/Malaysia e-Entrepreneur Excellence Award 2004.

**Wong Mun Leong (Executive Director/Technical Director)**, aged 46, was appointed to our Board on 24 June 2005. He started his career with Southern Bank Berhad, Seremban as a Bank Teller in 1982 and was later promoted to the position of Computer Programmer. In 1985, he graduated with a Diploma in Electronics Engineering from the French-Singapore Institute, Singapore under the Study Bursary of Economic Development Board ("EDB") of Singapore. Upon graduation in 1985, he was assigned by EDB to serve a 3-year bond with ASEA Singapore Pte Ltd as a Control Engineer in the Automation Division. Upon completion of the 3-year bond in 1988, he left and joined ABB Process Automation Pte Ltd, Singapore as the Regional Sales Engineer, responsible for the sales and marketing of automation systems and products in South East Asian countries. In 1996, he was appointed as the Executive Director of Khidmat Kualiti M&E Sdn Bhd, a company principally involved in the electro-mechanical engineering. In 2001, he was appointed to the board of directors of Mindo Palm Industrial Products Sdn Bhd, a company involved in construction. He is presently a director and substantial shareholder of DPC Industrial Systems Sdn Bhd, a private company principally involved in trading and engineering services.

**Dato' Hamzah Bin Mohd Salleh (Independent Non-Executive Director)**, aged 58, was appointed to our Board on 7 September 2005. He graduated with a Diploma in Management from the Malaysian Institute of Management in 1980 and obtained a Masters Degree in Business Administration from the University of Bath, UK in 1989. He was an Audit Assistant with PricewaterhouseCoopers from 1969 to 1975 and worked for five (5) years as Finance and Administration Manager in Pillar Naco Malaysia Sdn Bhd, which deals with architectural metal fabrication. From 1980 to 1993, he held various senior management positions in Pernas Sime Darby Group and the Sime Darby Group of companies. Presently, he is the Chief Executive Officer of Spanco Sdn Bhd, a fleet management specialist. He has been the Director of PDZ Holdings Berhad since 1996 and Furniweb Industrial Products Berhad since 2003 and BSL Corporation Berhad since 2005. In addition, he is a director of various other private companies.

## 9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

**Khoo Chee Siang (Independent Non-Executive Director)**, aged 30, was appointed to our Board on 7 September 2005. He was admitted as member of Association of Chartered Certified Accountants in 2003. He is a Chartered Accountant and member of the Malaysian Institute of Accountants since 2003. He started his professional career in audit in 2000 with Anuarul Azizan Chew & Co., a chartered accountants firm in Malaysia. In 2003, he was assigned to Anuarul Azizan Chew Consulting Sdn Bhd and was subsequently promoted to Senior Consultant. He left in 2004 to set up his own consultancy firm, KCS House of Consultancy.

### 9.2.3 Directors' directorships and/or substantial shareholding in other public corporations

Save as disclosed below, none of our Directors has any directorships and/or substantial shareholdings in other public corporations for the past two (2) years preceeding 28 December 2005.

Name	Company	Date of appointment/ (resignation)	No. of shares held as at 28 December 2005			
			Direct	%	Indirect	%
Dato' Abdul Azim Bin Mohd Zabidi	Bank Simpanan Nasional Berhad	01.07.1999	-	-	-	-
	Permodalan BSN Berhad	26.08.1999	-	-	-	-
	Kumpulan Europlus Berhad	01.07.2003	-	-	-	-
	Kolej Aman Bhd	27.11.1998	-	-	-	-
	Multi Vest Resources Berhad	13.03.2000/ (27.05.2005)	-	-	-	-
	Pica (M) Corporation Berhad	08.05.2000	-	-	-	-
	Wijaya Baru Global Berhad	16.08.2000	-	-	-	-
	M3nergy Berhad	12.12.2002	-	-	-	-
	Wang-Zheng Berhad	27.07.2004/ (30.06.2005)	2,500,000	2.08	-	-
	OSK Ventures International Berhad	05.12.2003	-	-	-	-
Axis REIT Managers Berhad	15.03.2005	-	-	-	-	
Dato' Hamzah Bin Mohd Salleh	BSL Corporation Berhad	28.04.2005	16,667,237	17.01	-	-
	Furniweb Industrial Products Berhad	21.07.2003	150,000	^	-	-
	PDZ Holdings Berhad	09.04.1996	-	-	-	-
	Malaysia Steel Works (KL) Bhd	-	-	-	-	-

Notes:

^ less than 0.01%

\* he was previously a substantial shareholder, but his shareholdings has since been disposed.



## 9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 9.2.4 Remuneration and benefits of Directors

For the financial year ended 31 July 2005, the total remuneration and benefits paid to our Directors of our Group for services rendered in all capacities to our Group was approximately RM120,000. For the financial year ending 31 July 2006, the amount of remuneration and benefits proposed to be paid to the Directors of our Group for services rendered in all capacities to our Group is estimated to be approximately RM460,000.

The details of the aggregate remuneration are as follows:

Range	Financial year ended/ending 31 July	
	2005	2006
Below RM50,000	1	2
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	2
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	1

### 9.3 AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

Name	Designation	Directorship
Khoo Chee Siang	Chairman	Independent Non-Executive Director
Dato' Hamzah Bin Mohd Salleh	Member	Independent Non-Executive Director
Kong Kwai Ching	Member	Managing Director/Chief Technical Officer

The Audit Committee is responsible for recommendations to our Directors regarding the selection of the external auditors, reviewing the results and scope of the audit and other services provided by our Group's external auditors and reviews and evaluates our Group's internal audit and control functions. The Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

### 9.4 KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

Our management is led by our Managing Director/Chief Technical Officer, Kong Kwai Ching and assisted by a team of experienced managerial personnel.

#### 9.4.1 Profiles

**John Henry Edwards**, aged 64, was appointed as the Technical Director of FDD since July 2002. He obtained his technical education in Electrical Engineering from Shrewsbury Technical College, UK in 1964. He has approximately 33 years of working experience in electrical and electronics fields, with specific domain expertise in radio transmission, analytical instrumentation and variable speed motor

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**9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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drive systems. He started his career as a Field Service Engineer in 1969 with Perkin Elmer Ltd, UK, a company specialising in the business of power generator. In 1979, he joined Control Techniques Drives Ltd in UK, a company specialising in industrial control equipment and is a subsidiary of Emerson Electric Co, USA as the R&D Engineer, where he was involved in the manufacturing and distribution of AC drives. In 1992, he was promoted to the position of Group Value Engineering Manager and responsible for the manufacturing of VSDs. In 1998, he joined FDPLC as the Drives Development Manager where he was entrusted the responsibility for the total management of the Group's R&D activities. He was directly involved in the development of MX3 range of AC drives. As a Technical Director of FDD, he has assisted Kong Kwai Ching in the relocation of SV PWM technology (that is the platform on which the MX3 was developed) and the R&D facilities from UK to Malaysia. He was also responsible for the setting-up of the production facility for MX3 range of AC drives in our present plant in Malaysia. His responsibilities include managing our Group's R&D department in the design and development of new ICE/VSD products as well as R&D projects being undertaken by our Group.

**Pun E-Men**, aged 26, is the Engineering Manager of FDD. He graduated from The University Of Sheffield, UK in 2003 with a Master Of Engineering degree majoring in Electronic Engineering (Computing). He specializes in the fields of VHDL, VLSI, Advanced Computer Architecture, Computer Communication, High Speed Circuit Design and Microprocessor. He joined FDD on September 2003 as Technical Engineer and was promoted to the present position on July 2004. His current responsibilities include project/system design, technical support for sales and marketing team, ensure compliance of company Quality Management System.

**Mok Kam Meng**, aged 28, is the International Sales Manager and Mechanical Engineer of FDD. He graduated from University Technology of Malaysia in 2001 with an honours degree in Mechanical Engineering. He started his career in 2001, with Mecomb Engineering Sdn Bhd, a company owned by Sime Darby Group principally involved in the pumps and waterworks business as a Sales and Project Engineer. In December 2003, he left Mecomb Engineering Sdn Bhd to join FDD. He is responsible for the development of the overseas distribution network for our Group and provides technical support to design team on mechanical design.

**Ong Eng Eng**, aged 49, is the Finance and Administration Manager of our Group. She graduated from Loughborough University of Technology, U.K. in 1983 with the Bachelor of Science (Honours) in Accounting and Financial Management. She is a licenced company secretary and a member of The Institute of Approved Company Secretaries. She started her career with Nasir Yeo Group of Companies, involved in timber extraction, property development and plantation in 1983 as an Assistant Accountant. She assisted in overseeing the Finance and Administration Departments in the day-to-day operations, preparation of cash flow, budget, forecast, liaising with auditors, bankers and tax agents. In 1989 she was appointed as Assistant Accountant with Crop Protection (M) Sdn Bhd, a company principally involved in manufacturing of agricultural chemical. She was responsible for the preparation of financial accounts, assisting in the preparation of budget, forecast, daily cash flow management and liaising with auditors, bankers and tax agents.

In 1990, she left Crop Protection (M) Sdn Bhd and joined Modern Handling Equipment Sdn Bhd a Singaporean-based company involved in manufacturing of Material Handling Equipment as an Assistant Accountant and was promoted to Finance Manager in 1991. She was responsible for overseeing the entire operations of the Malaysian group of companies, all aspects of company financial and administrative works, establish sound accounting policy and procedure for the group, prepare annual budget, forecast and daily cash flow management for the group of companies, review and implement internal control, company secretarial works. She left Modern Handling Equipment in 2001.

Subsequently in 2003, she joined FDC as the Finance and Administration Manager and is responsible for overseeing the Finance & Administration Department. Her responsibilities are administration, financial and accounting matters of our Group.

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**9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**9.4.2 Our key management and key technical personnel's shareholding**

Save as disclosed in Section 2.2.4 of this Prospectus, none of our key management and key technical personnel has any shareholdings in Focus after the Public Issue and Bonus Issue.

**9.4.3 Our key management and key technical personnel's directorships and/or substantial shareholding in other public corporations**

None of our key management and key technical personnel has any directorship and/or substantial shareholdings, whether directly or indirectly, in other public corporations for the two (2) years preceeding 28 December 2005.

**9.5 DECLARATIONS FROM OUR DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL**

None of our Directors, key management and key technical personnel is or was involved in the following events (whether inside or outside Malaysia):

- (i) A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; and
- (iii) The subject of any order, judgement or ruling of any court of competent jurisdiction, temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

**9.6 FAMILY RELATIONSHIPS**

There are no family relationships amongst our substantial shareholder, promoters, Directors, key management and key technical personnel.

**9.7 SERVICE AGREEMENTS**

Save as disclosed, there are no existing and intended service agreements between our Company (or any other companies in our Group) with our Directors, key management and key personnel:

- (i) FDC has entered into a service agreement dated 26 August 2002 with Kong Kwai Ching for the employment of Kong Kwai Ching as a managing director of FDC commencing from 3 March 1999. The service agreement shall continue to be in force unless earlier terminated in accordance with the terms of the service agreement or automatically upon Kong Kwai Ching reaching the age of 65 years. In the event of termination of the service agreement by FDC, Kong Kwai Ching shall be paid an ex-gratia payment of RM500,000. FDC shall pay to Kong Kwai Ching a basic salary of RM210,000 per annum and entitled to an annual salary increment of not less than the annual inflation rate. Kong Kwai Ching is also entitled to receive a one month annual bonus upon completion of 12 months of continued service from the commencement date. Other benefits include a company car and insurance benefits.

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**9. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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- (ii) FDD has entered into a service agreement dated 1 July 2002 with John Henry Edwards for the employment of John Henry Edwards as a technical director of FDD commencing from 1 July 2002. The service agreement shall continue to be in force unless earlier terminated in accordance with the terms of the service agreement or automatically upon John Henry Edwards reaching the age of 70 years. FDD shall pay to John Henry Edwards a monthly salary in GBP which shall be subject to 3 monthly review and is negotiable. FDD shall reimburse John Henry Edwards for all reasonable out of pocket expenses necessary to carry out his duties subject to proof of such expenses and all reasonable costs relating to maintaining an office facility in UK (including accommodation, heat, light, telephone, fax, email, insurance and local taxes). John Henry Edwards is also entitled to receive employee share options where available.

**9.8 INVOLVEMENT OF OUR EXECUTIVE DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL IN THE OPERATIONS OF OTHER BUSINESSES / CORPORATIONS**

None of our executive Directors, key management and key technical personnel is involved in the operations of other businesses or corporations.

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**10. MORATORIUM ON SALE OF SHARES**

Pursuant to the MMLR, Focus Shares held by the Promoters amounting to 45% of the nominal issued and paid-up capital of our Company as at the date of admission of our Company to the Official List of the MESDAQ Market be placed under moratorium.

The Promoters whose Focus Shares are subject to moratorium are as follow:

Promoters	After the Public Issue and Bonus Issue ^		Under moratorium	
	No. of shares held	% of enlarged share capital	No. of shares held	% of enlarged share capital
Kong Kwai Ching	49,234,070	65.1	32,288,652	42.7
Wong Mun Leong	2,767,880	3.7	1,730,349	2.3
	<b>52,001,950</b>	<b>68.8</b>	<b>34,019,001</b>	<b>45.0</b>

**Note:**

*based on the assumption that the Public Issue Shares allocated to our eligible Directors and employees are fully taken up by the respective parties*

Our Promoters have fully accepted the moratorium as set out above. Therefore, our Promoters will not be allowed to sell, transfer or assign any part of their interest in the shares held by them in our Company as tabulated above within one (1) year from the date of admission of our Company to the Official List of the MESDAQ Market and thereafter, they are permitted to sell, transfer or assign up to a maximum of one-third of their respective shareholdings under moratorium per annum on a straight-line basis.

The restriction is specifically endorsed on the notices of allotment representing the respective shareholdings of our Promoters which are under moratorium to ensure that the trading of these shares are not allowed in compliance with the restriction imposed by Bursa Securities. The restriction is fully accepted by our Promoters and the public is deemed to have notice of this restriction.

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## 11. OTHER INFORMATION CONCERNING OUR GROUP

### 11.1 APPROVALS, LICENCES AND PERMITS

Our Group is currently operating under the following approvals, licences and permits.

Licensor/authority	Date of issue/expiry	Nature of approval, licence and permit	Status of compliance
Majlis Perbandaran Petaling Jaya	28.12.2005/ 31.12.2006	Business/signboard licence for FDC	-
Majlis Perbandaran Petaling Jaya	28.12.2005/ 31.12.2006	Business licence for FDD	-
MITI	30.07.2002	ASEAN Common Effective Preferential Tariff. The scheme was approved for the MX3 range sold by FDD imposed on importing countries of Brunei, Indonesia, Philippines, Singapore, Thailand, Vietnam and Myanmar	-
Royal Customs and Excise Malaysia	13.12.2001	Manufacturer's licence under the Sales Tax Act 1972	-
	# 11.04.2005/ 10.04.2006 * 02.09.2005/ 18.08.2006 @ 28.11.2005/ 28.11.2006 02.12.2005/ 01.12.2006	Exemption of sales tax for importation of materials or components, for use in the manufacture of goods, under the Sales Tax Act 1972, for FDD	-
MITI	09.11.2002/ 20.09.2007	Pioneer Status for High Technology Industry under Promotion of Investment Act, 1986. The conditions of the Pioneer Status are:  (i) The R&D expenditure must be at least 1% of the gross total sales each year;  (ii) The percentage of staff qualified in the field of Science and Technology whether with a degree or diploma and having at least five (5) years' experience must form at least 7% of the total workforce	-

**Notes:**

- \* two (2) licenses obtained  
 \* two (2) licenses obtained  
 @ two (2) licenses obtained

FDC had also made applications to MIDA in November 2004 for tax incentive under the Promotion of Investments Act 1986 for energy conservation and energy efficiency services in respect of several of its projects. FDC has received a letter from MIDA dated 9 December 2005 granting tax exemption of 70% of the statutory business income for a period of five (5) years on those projects applied for. At present, the pioneer status certificate has yet to be issued by MITI.

**11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)****11.2 LANDED PROPERTY**

Our Group does not own any landed property as at 28 December 2005.

**11.3 RELATED PARTY TRANSACTIONS AND/OR CONFLICT OF INTERESTS**

Save for the transactions pursuant to the Listing Scheme and as disclosed below, there are no on-going or potential related party transactions and/or conflict of interests between our Group and our shareholders and/or Directors and/or persons connected with our substantial shareholder or Directors defined under Section 122A of the Companies Act, 1965 and our key management and/or key technical personnel:

	<b>Name of related party</b>	<b>Party with whom the transaction is carried out</b>	<b>Value of transaction for the financial year ended 31 July 2005 RM'000</b>	<b>Nature of transaction</b>	<b>Nature of relationship</b>
(i)	Wong Mun Leong	DPC Industrial Systems Sdn Bhd *	192	(i) Sale of Softstarters, VSD and motors from FDC	Wong Mun Leong, a director, holds 80% equity interest in DPC Industrial Systems Sdn Bhd. He is also our promoter and director and he holds 3.7% # equity interest in Focus.
			229	(ii) Purchase of material and sub-contracting works	
(ii)	Wong Mun Leong	Best Power Control Sdn Bhd	2	(i) Equipment sales	Wong Mun Leong holds 40% equity interest in Best Power Control Sdn Bhd. He is also our promoter and director and he holds 3.7% # equity interest in Focus.
			539	(ii) Purchase of material and sub-contracting works	

**Notes:**

\* DPC Industrial Systems Sdn Bhd is FDC's agent

# based on the enlarged issued and paid-up share capital of Focus

The above transactions were carried out in the ordinary course of business of our Group and were conducted on normal commercial terms which are no more favourable to the related parties than to those extended to the general public and not to the detriment of our Group.

As at 28 December 2005, there are no outstanding loans (including guarantees) of any kind given by our Group to or for the benefit of related parties.

The nature and terms of future transactions will be reviewed by the audit committee to ensure compliance and our Board will continue this review procedure for future transactions, if any.

**11.4 INTEREST IN SIMILAR BUSINESS**

Save as disclosed in Section 11.3 of this Prospectus, none of our Directors or substantial shareholder has any interest, direct or indirect, in any business carrying on a similar trade as our Group.

**11. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)**

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**11.5 UNUSUAL TRANSACTIONS IN THEIR NATURE OR CONDITIONS**

There are no transactions that are unusual in their nature or conditions, involving goods, and services, tangible or intangible assets, to which our Group was a party in respect of the financial year ended 31 July 2005 and the subsequent period immediately preceding 28 December 2005.

**11.6 PROMOTION OF ANY MATERIAL ASSETS**

Save as disclosed in Section 5.3 of this Prospectus, none of our Directors or our substantial shareholder had or has any interest, direct or indirect, in the promotion of any assets acquired or proposed to be acquired or disposed of or proposed to be disposed of or leased to or proposed to be leased to our Company or our subsidiaries within two (2) years immediately preceding 28 December 2005.

**11.7 DECLARATION BY THE ADVISERS**

Hwang-DBS hereby confirms that there is no conflict of interest in its capacity as the Adviser, Managing Underwriter, Underwriter, Sponsor and Placement Agent for our Public Issue on the MESDAQ Market.

Messrs Wong, Beh & Toh has given its confirmation that there is no conflict of interest in its capacity as a legal due diligence adviser for the Public Issue.

Messrs KPMG has given its confirmation that there is no conflict of interest in its capacity as our Auditors and Reporting Accountants for the Public Issue.

Messrs Thompson Associates has given its confirmation that there is no conflict of interest in its capacity as provider of the opinion dated 25 May 2005.

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## 12. DIRECTORS' REPORT



**Registered Office:**

30-3, Jalan 11/116B  
Kuchai Entrepreneurs Park  
Off Jalan Kuchai Lama  
58200 Kuala Lumpur

6 JAN 2006

**The Shareholders of Focus Dynamics Technologies Berhad**

Dear Sir / Madam,

On behalf of the Board of Directors of Focus Dynamics Technologies Berhad ("Focus"), I wish to report after due inquiry that during the period from 31 July 2005 (being the date to which the last audited financial statements of Focus and its subsidiaries have been made up) to the date hereof, being the date not earlier than fourteen (14) days before the issue of this Prospectus, that:

- (i) the business of Focus and its subsidiaries has, in the opinion of the Directors, been satisfactory maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen, since the last audited financial statements of Focus and its subsidiaries, which have adversely affected the trading or the value of the assets within the Group;
- (iii) the current assets of Focus and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in Section 7.5.4 of this Prospectus, there are no contingent liabilities that have arisen by reason of any guarantees or indemnities given by Focus and its subsidiaries;
- (v) as far as the Directors are aware, there have not been, since the last audited financial statements of the company and its subsidiaries, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and
- (vi) save as disclosed in this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profits of Focus and its subsidiaries since the last audited financial statements of the company and its subsidiaries.

Yours faithfully

For and on behalf of the Board of Directors

**FOCUS DYNAMICS TECHNOLOGIES BERHAD**



**KONG KWAI CHING**

Managing Director/Chief Technical Officer

*Focus Dynamics Technologies Berhad*  
(company no. 582924-P)  
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Energy Management Control Solutions