

## 2. INFORMATION SUMMARY

**THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT US AND THE PUBLIC ISSUE. YOU SHOULD READ AND UNDERSTAND THIS SECTION TOGETHER WITH THE WHOLE PROSPECTUS BEFORE YOU DECIDE WHETHER TO INVEST IN US.**

### 2.1 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, it 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.

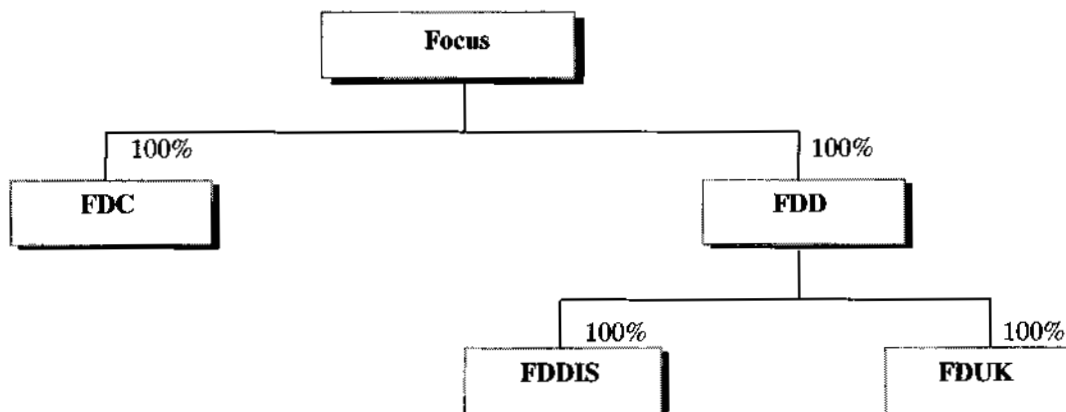
Our Company is principally an investment holding company while the principal activities of our subsidiaries are as follows:

<b>Subsidiaries</b>	<b>Principal activities</b>
FDC	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	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	Dormant. Its intended principal activities are promotion and recruitment of distributors of industrial control equipment
FDDIS	Trading, marketing and distribution of OEM industrial control equipment and related products

## 2. INFORMATION SUMMARY (Cont'd)

Further information on our subsidiaries is set out in Section 5.5 of this Prospectus.

Our Group structure is as follows:



### 2.2 SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

#### 2.2.1 Substantial shareholders

The direct and indirect interests of our substantial shareholders 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	Before Public Issue and Bonus Issue				After Public Issue and Bonus Issue			
			Direct		Indirect		Direct		Indirect	
			No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%
Kong Kwai Ching	Managing Director/Chief Technical Officer	Malaysian	24,537	93.3	-	-	49,234	65.1	-	-
Wong Mun Leong	Executive Director/Technical Director	Malaysian	1,315	5.0	-	-	2,768	3.7	-	-

Further information on our substantial shareholder is set out in Section 9.1 of this Prospectus.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.2.2 Promoters

The direct and indirect interests of our Promoters 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	Before Public Issue and Bonus Issue				After Public Issue and Bonus Issue			
			Direct		Indirect		Direct		Indirect	
			No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%
Kong Kwai Ching	Managing Director/Chief Technical Officer	Malaysian	24,537	93.3	-	-	49,234	65.1	-	-
Wong Mun Leong	Executive Director/Technical Director	Malaysian	1,315	5.0	-	-	2,768	3.7	-	-

Further information on our Promoters is set out in Section 9.1 of this Prospectus.

### 2.2.3 Directors

The direct and indirect interests of our Directors 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	Before Public Issue and Bonus Issue				After Public Issue and Bonus Issue			
			Direct		Indirect		Direct		Indirect	
			No. of shares ('000)	%	No. of shares ('000)	%	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	24,537	93.3	-	-	49,234	65.1	-	-
Wong Mun Leong	Executive Director/Technical Director	Malaysian	1,315	5.0	-	-	2,768	3.7	-	-
Dato' Hamzah Bin Mohd Salleh	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-
Khoo Chee Siang	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-

## 2. INFORMATION SUMMARY (Cont'd)

Further information on our Directors is set out in Section 9.2 of this Prospectus.

### 2.2.4 Key management and key technical personnel

The direct and indirect interests of the key management and key technical personnel 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	Before Public Issue and Bonus Issue				After Public Issue and Bonus Issue			
			Direct		Indirect		Direct		Indirect	
			No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%
Kong Kwai Ching	Managing Director/Chief Technical Officer	Malaysian	24,537	93.3	-	-	49,234	65.1	-	-
Wong Mun Leong	Executive Director/Technical Director	Malaysian	1,315	5.0	-	-	2,768	3.7	-	-
John Henry Edwards	Technical Director of FDD	British	272	1.0	-	-	704	0.9	-	-
Pun E-Men	Engineering Manager of FDD	Malaysian	40	0.1	-	-	218	0.3	-	-
Mok Kam Meng	Mechanical Engineer/International Sales Manager of FDD	Malaysian	40	0.1	-	-	218	0.3	-	-
Ong Eng Eng	Finance and Admin Manager of FDC	Malaysian	62	0.2	-	-	263	0.4	-	-

Further information on our key management and key technical personnel is set out in Section 9.4 of this Prospectus.

## 2.3 TECHNOLOGY, INTELLECTUAL PROPERTY AND TRADEMARK

The design and development of MX3 based on the SV PWM technology was undertaken by FDPLC in mid 1999. The IPR to MX3 was subsequently transferred to FDL in December 1999. On 28 June 2001, FDC made an offer to acquire the IPR to the MX3 (including the related documentation and MX3 component stocks) from liquidators of FDL. The liquidators accepted FDC's offer on 2 July 2001. Subsequently, the assignment to FDC of the IPR to the MX3 and the trademark of "focus dynamics" was assigned and re-confirmed by the liquidators of FDL via the execution of a Deed of Assignment dated 31 October 2002.

The results of SV PWM technology is smooth performance and extremely quiet motor operation. This unique application of the technology enables real-time waveform generation and allows the drives to

---

## 2. INFORMATION SUMMARY (Cont'd)

---

automatically compensate for DC voltage changes in spite of line voltage variations. SV PWM technology actually 'spreads out' sound energy over a wide range of frequencies, so that motor operation noise will be reduced and become less noticeable. Other advantages of the SV PWM technology is that it gives a good torque response, accurate speed control, high torque at low speed, low harmonic, quiet working environment and low cost structure. Apart from the SV PWM technology, the MX3 also incorporates IGBT technology. This technology will enhance the MX3's performance capabilities. IGBT is a voltage-controlled device that operates as a high voltage switch and is capable of fast switching without emitting large conduction losses.

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 letters dated 13 June 2003 and 14 March 2005 objected to the registration of the "focus dynamics" trademark despite FDC's appeal letter dated 9 September 2003. FDC has requested for a hearing with the ROT to support its application for registration of the "focus dynamics" trademark. As at 28 December 2005, the hearing date has yet to be fixed by the ROT.

Further information on the technology, intellectual property rights and trademarks is set out in Section 5.6.4 of this Prospectus.

### 2.4 RISK FACTORS

Before investing in Focus Shares, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations below. The following is only a summary of the risks and investment considerations and is not an exhaustive list of challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or Focus Shares. Factors that could cause or contribute to such differences include, but are not limited to the following, but include those discussed throughout this Prospectus.

Details of our risk factors is set out in Section 4 of this Prospectus:

- (i) Limited operating history;
- (ii) Competition;
- (iii) Reliance on outsourcing to OEM;
- (iv) Operating risk;
- (v) Product risks;
- (vi) Tradename/Trademark;
- (vii) Intellectual and industrial property rights;
- (viii) Technological advancement;
- (ix) Reliance on specific components;
- (x) Uncertainty of the five (5)-year business development plan;
- (xi) Dependence on key personnel;
- (xii) Industry risk;

## 2. INFORMATION SUMMARY (Cont'd)

- (xiii) Changes in general economic, political, legislative, business and credit conditions;
- (xiv) Foreign exchange risk;
- (xv) Risk associated with the acquisition of FDC from the previous holding company;
- (xvi) Ownership and control of our Company;
- (xvii) Arbitrary issue price, no prior market for Focus Shares and possible volatility of share price;
- (xviii) Disclosure regarding forward-looking statements;
- (xix) Insurance coverage on our Group's assets and disaster recovery; and
- (xx) Delay or failure in our listing.

## 2.5 FINANCIAL HIGHLIGHTS

The following table is extracted from the Accountants' Report set out in Section 13 of this Prospectus and should be read in conjunction with the notes thereon. The following is a summary of our proforma consolidated results for the five (5) financial years ended 31 July 2005 and is provided for illustrative purposes based on the audited financial statements, prepared on the assumption that the current structure of our Group 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

## 2. INFORMATION SUMMARY (Cont'd)

### Notes:

- 1 Interest expense excludes bank charges.
- 2 Based on the number of Focus Shares in issue after Acquisitions.
- 3 There were no exceptional and extraordinary items during the financial years under review.

Further information on financial highlights is set out in Section 7.1 of this Prospectus.

## 2.6 PROFORMA CONSOLIDATED BALANCE SHEET

### 2.6.1 Proforma consolidated balance sheet

We have presented our Proforma Consolidated Balance Sheet below for illustration purposes only, based on our audited balance sheet as at 31 July 2005 assuming the Public Issue and Bonus Issue have been completed as at that date the Proforma Consolidated Balance Sheet together with the detailed assumptions underlying the preparation are set out in Section 14 of this Prospectus.

	Audited as at 31.07.05 RM'000	Proforma I Public issue and utilisation of proceeds RM'000	Proforma II After Proforma I and bonus issue RM'000
Plant and equipments	455	1,755	1,755
Development cost	701	2,201	2,201
<b>Current assets</b>			
- inventories	3,235	3,235	3,235
- trade and other receivables	5,613	4,774	4,774
- cash and cash equivalents	1,203	5,722	5,722
	10,051	13,731	13,731
<b>Current liabilities</b>			
- trade and other payables	2,821	2,821	2,821
- borrowings	3,806	3,806	3,806
- taxation	60	60	60
	6,687	6,687	6,687
Net current assets	3,364	7,044	7,044
	4,520	11,000	11,000
<b>Financed by:</b>			
Share capital	2,630	3,780	7,560
Share premium	-	5,330	1,550
Retained profit	820	820	820
Shareholders' fund	3,450	9,930	9,930
<b>Negative goodwill</b>	789	789	789
<b>Long term and deferred liabilities</b>			
- borrowings	258	258	258
- deferred tax liabilities	23	23	23
	4,520	11,000	11,000
Number of shares in issue ('000)	26,299	37,799	75,598
Net Tangible Assets per ordinary share (RM) <sup>@</sup>	0.13	0.23	0.11

## 2. INFORMATION SUMMARY (Cont'd)

### Notes:

- \* RM2.00
- \*\* Our issued and paid up share capital consists of RM2.00 comprising twenty (20) Focus Shares
- @ Negative goodwill has been included in the calculation of (Net liabilities)/NTA per ordinary share

Further information on the Proforma Consolidated Balance Sheet as at 31 July 2005 are set out in Section 14 of this Prospectus.

### 2.6.2 Audit qualification

Our respective auditors have reported on our financial statements without any qualification for the financial years under review.

## 2.7 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

### 2.7.1 Share capital

	RM
<b>Authorised</b>	
100,000,000 ordinary shares of RM0.10 each	<u>10,000,000</u>
<b>Issued and fully paid-up share capital as at 28 December 2005</b>	
26,298,890 ordinary shares of RM0.10 each	2,629,889
<b>To be issued pursuant to the Public Issue</b>	
11,500,000 new ordinary shares of RM0.10 each	1,150,000
<b>To be issued pursuant to the Bonus Issue</b>	
37,798,890 new ordinary shares of RM0.10 each	3,779,889
<b>Enlarged issued and paid-up share capital</b>	
75,597,780 ordinary shares of RM0.10 each	<u>7,559,778</u>

### 2.7.2 Issue price per share RM0.72

Theoretical ex-bonus price RM0.36

### 2.7.3 Proforma consolidated NTA

Proforma consolidated NTA as at 31 July 2005 (RM'000) (after Public Issue, Bonus Issue and deducting estimated listing expenses of RM1,800,000)	8,518
Proforma consolidated NTA per share (RM) (based on the enlarged issued and paid-up share capital of 75,597,780 Focus Shares)	0.11

### 2.7.4 Classes of shares and ranking

We have only one (1) class of shares in our Company, namely ordinary shares of RM0.10 each. The Public Issue Shares shall rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of our Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of the allotment thereof.

Subject to any special rights attaching to any shares which may be issued by our Company in the future, the holders of the shares in our Company shall, in proportion to the amount paid-up in the ordinary shares held by them, be entitled to share the whole of the profits paid out by our Company as



## 2. INFORMATION SUMMARY (Cont'd)

dividends and other distributions and the whole of any surplus in the event of liquidation of our Company, such surplus shall be distributed among the members in proportion to the share capital issued and paid-up at the commencement of the liquidation in accordance with our Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of our Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of our Company.

### 2.8 UTILISATION OF PROCEEDS

We expect to raise approximately RM8.28 million from the Public Issue. The proceeds raised will be utilised as follows:

Details of utilisation	Amount RM'000	To be utilised by financial year ending 31 July
Part finance acquisition of corporate office cum factory building	1,300	2007
Research and development	1,500	2007
Marketing expenditure	650	2007
Set-up costs for overseas sales and marketing office	550	2006
Working capital	2,480	2006
Estimated listing expenses *	1,800	2006
<b>TOTAL</b>	<b>8,280</b>	

Note:

\* The proceeds to be utilised for working capital will be adjusted accordingly in the event of any variation in the actual listing expenses from their estimated amount.

Further information on utilisation of proceeds is set out in Section 3.7 of this Prospectus.

### 2.9 WORKING CAPITAL, MATERIAL LITIGATION, CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND BORROWINGS

#### 2.9.1 Working capital

Our Directors are of the opinion that, after taking into account our cash flow position including the funds to be generated from our existing operations, the banking facilities available and the amount to be raised from the Public Issue, our Group will have adequate working capital for a period of twelve (12) months from the date of issuance if this prospectus.

## 2. INFORMATION SUMMARY *(Cont'd)*

### 2.9.2 Material litigation

Save as disclosed below, as at 28 December 2005, we are not engaged in any litigation, claims or arbitrations, either as plaintiff or defendant which has a material effect on the financial position of our Company or our subsidiaries. Our Directors have no knowledge of any proceedings pending or threatened against us which might materially and adversely affect our financial position and business. Our Directors are also not aware of any facts likely to give rise to any proceedings.

On 27 September 2005, FDD ("Defendant") was served with a Writ of Summons dated 12 September 2005 together with a Statement of Claims dated 9 September 2005 by Bridex Singapore Pte Ltd ("Bridex") ("Plaintiff"). Messrs Saw & Co, the solicitors of FDD have filed a Statement of Defence dated 18 October 2005 with the High Court of Malaysia in Kuala Lumpur, refuting the claims made by the Plaintiff. Further details of the legal suit are set out in Section 15.6 of this Prospectus.

### 2.9.3 Capital commitments

As at 28 December 2005, our Directors are not aware of any capital commitment contracted or known to be contracted which, upon becoming enforceable, may have a material impact on our financial position.

### 2.9.4 Contingent liabilities

As at 28 December 2005, our Directors are not aware of any contingent liabilities, which, upon becoming enforceable, may have a material impact on our profit or net assets value.

### 2.9.5 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

Save as disclosed above, we do not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings on that date.

We have not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the financial year ended 31 July 2005 and the subsequent financial period thereof immediately preceding 28 December 2005.

Further information on borrowings is set out in Section 7.5 of this Prospectus.

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

### 3. PARTICULARS OF THE PUBLIC ISSUE

#### 3.1 INTRODUCTION

This Prospectus is dated 16 January 2006.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the application forms, with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for the contents of this Prospectus.

**Pursuant to Section 14(1) of the Securities Industry (Central Depository) Act, 1991, Bursa Securities has prescribed Focus Shares as a prescribed security. Therefore, we will deposit the Public Issue Shares directly with the Bursa Depository. Any dealings in Focus Shares will be carried out in accordance with the aforesaid Acts and the Rules of Bursa Depository. We will not issue shares certificates to successful applicants.**

We have obtained approval from the SC for the listing of our Company on the MESDAQ Market on 28 March 2005, 15 July 2005, 27 September 2005, 4 October 2005 and 17 November 2005. We have also obtained approval-in-principle from Bursa Securities on 13 December 2005 for our admission to the official list of MESDAQ Market and for the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of Focus including the Public Issue Shares which are the subject of this Prospectus, on the MESDAQ Market.

Pursuant to MMLR, at least 25% but not more than 49% of our total issued and paid-up share capital must be held by a minimum number of 200 public shareholders holding not less than 100 shares each upon completion of the Public Issue and at the point of listing. Upon completion of the Public Issue and at the point of listing, our Company is expected to have the necessary number of shareholders for our Company to be listed on the MESDAQ Market. In the event that the above requirement is not met pursuant to the Public Issue, our Company may not be allowed to proceed with our listing on the MESDAQ Market. In the event thereof, monies paid in respect of all applications will be returned in full without interest within fourteen (14) days if the said permission for the listing and quotation is not granted.

Focus Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Admission to the MESDAQ Market is not an indication of the merit of our Company or that the SC recommends the Public Issue.

You must have a CDS Account when applying for the Public Issue Shares. In the case of an application by way of Application Form, you should state your CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application or Internet Share Application, only you who is an individual and has a CDS account can make an Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application or Internet Share Application.

We or Hwang-DBS are not authorised to give you any information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, represent or imply that there has been no change in our affairs since 28 December 2005.

The distribution of this Prospectus and the sale of the Public Issue Shares are subject to Malaysian law and we or Hwang-DBS takes no responsibility for the distribution of this Prospectus and/or sale of the Public Issue Shares outside Malaysia. If you are in possession of this Prospectus, you are required to inform yourself of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of invitation of an offer to buy any Public Issue Shares in any jurisdiction in which such issue is not authorised or lawful or to any person to whom it is unlawful to make such offer.

### 3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

**You should rely on your own evaluation to assess the merits and risks of the Public Issue. In considering the investment, if you are in doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser.**

#### 3.2 INDICATIVE TIMETABLE

Applications will be accepted from 10.00 a.m. on 16 January 2006 and will close at 5.00 p.m. on 25 January 2006 or such later date or dates as our Directors and Managing Underwriter may in their discretion mutually decide to extend the closing date of the application. Late applications will not be accepted. We will announce any extension on the closing date of the application in a widely circulated English and Bahasa Malaysia daily newspaper within Malaysia. If the closing date of the application is extended, the dates for the balloting and allotment of the Public Issue Shares and our Listing will be extended accordingly.

The following events are intended to take place on the following tentative dates:

<b>Event</b>	<b>Tentative Date</b>
Opening date of Application	16 January 2006
Closing date of Application	25 January 2006
Balloting of Application	27 January 2006
Allotment of shares	9 February 2006
Listing of our Company's entire enlarged issued and paid-up share capital on the MESDAQ Market	10 February 2006

#### 3.3 PURPOSE OF THE PUBLIC ISSUE

The purpose of the Public Issue is to:

- (i) raise funds for our Group's continued expansion, R&D and global marketing activities, details of which are elaborated in Section 3.5 of this Prospectus;
- (ii) provide us access to the Malaysian capital market to raise funds for future expansion and continued growth of our Group;
- (iii) provide an opportunity for our eligible Directors and employees and the Malaysian Public to participate in the equity and growth of our Group;
- (iv) obtain the listing of and quotation for the Focus Shares on the MESDAQ Market and to comply with the MMLR with regards to the minimum shareholdings spread; and
- (v) enhance our Group's public image and corporate profile.

#### 3.4 CLASSES OF SHARES AND RANKING

We have only one (1) class of shares in our Company, namely ordinary shares of RM0.10 each. The Public Issue Shares shall rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of our Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of the allotment thereof.

### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Subject to any special rights attaching to any shares which may be issued by our Company in the future, the holders of the shares in our Company shall, in proportion to the amount paid-up in the ordinary shares held by them, be entitled to share the whole of the profits paid out by our Company as dividends and other distributions and the whole of any surplus in the event of liquidation of our Company, such surplus shall be distributed among the members in proportion to the share capital issued and paid-up at the commencement of the liquidation in accordance with our Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of our Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of our Company.

#### 3.5 DETAILS OF THE PUBLIC ISSUE

The Public Issue of 11,500,000 Focus Shares at an issue price of RM0.72 per share shall be subject to the terms and conditions of this Prospectus and upon acceptance will be allocated in the following manner:

##### 3.5.1 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 for the Malaysian Public.

##### 3.5.2 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 made available for application by our eligible Directors and employees.

The criteria for the allocation of the Focus Shares to our eligible Directors and employees are as follows:

- (i) Length of service; and
- (ii) Position in our Group.

Details of the entitlement of our eligible Directors are as follows:

Name of Directors	No. of new Focus Shares entitled to subscribe
Kong Kwai Ching	80,000
Wong Mun Leong	69,000

As at 28 December 2005, a total of nineteen (19) employees and two (2) Directors are eligible for the allocation of 1,000,000 Focus Shares.

##### 3.5.3 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 identified investors are placed/to be placed by the Placement Agent. Irrevocable undertaking has been obtained for the subscription of 6,850,000 Public Issue Shares and the remaining 1,650,000 Public Issue Shares are underwritten by Underwriters ("Underwritten Placement Shares").

---

### 3. PARTICULARS OF THE PUBLIC ISSUE (*Cont'd*)

---

Public Issue Shares which have been reserved for our eligible Directors and employees described in Section 3.5.2 of this Prospectus and not subscribed for by them ("Unsubscribed Shares") will be made available to other eligible employees. In the event that the Unsubscribed Shares are not fully taken up under the subsequent offer, the Unsubscribed Shares will be made available for application by the Malaysian Public described in Section 3.5.1 of this Prospectus.

The Public Issue Shares under Section 3.5.1 and the unsubscribed portion of the Public Issue Shares under Section 3.5.2 of this Prospectus and the Underwritten Placement Shares have been fully underwritten by the Underwriters. In the event of an overall under-subscription of Public Issue Shares reserved for Malaysian Public in Section 3.5.1 of this Prospectus or our eligible Directors and employees in Section 3.5.2 of this Prospectus or the Underwritten Placement Shares, such Public Issue Shares not applied for will be made available for subscription by the Underwriters under the Underwriting Agreement dated 17 November 2005. Details on the brokerage, placement and underwriting expenses relating to the Public Issue are set forth in Section 3.8 of this Prospectus.

#### *Clawback and Reallocation*

The allocation of Public Issue Shares under Section 3.5.1 of this Prospectus ("Public Ballot Portion") or Section 3.5.2 of this Prospectus and the Underwritten Placement Shares ("Underwritten Placement Portion") is subject to adjustment. In the event of over-application in the Public Ballot Portion and a corresponding under-application in the Underwritten Placement Portion and/or unsubscribed portion under Section 3.5.2 of this Prospectus, the Public Issue Shares may be clawed back from the Underwritten Placement Portion and/or unsubscribed portion under Section 3.5.2 of this Prospectus to the Public Ballot Portion. If there is an under-application in the Public Ballot Portion and a corresponding over-application in the Underwritten Placement Portion, the Public Issue Shares may be clawed back from the Public Ballot Portion to the Underwritten Placement Portion. The clawback and reallocation set out in this paragraph will not apply in the event of over-application in the Public Ballot Portion and Underwritten Placement Portion and a full subscription under Section 3.5.2 of this Prospectus.

### 3.6 PRICING OF THE PUBLIC ISSUE SHARES

The issue price of RM0.72 per share was determined and agreed after taking into account the following factors:

- (i) Our Group's operating and financial history and conditions as described in Section 5 and Section 7 of this Prospectus;
- (ii) The future plans and prospects of our Group as outlined in Section 5.7 of this Prospectus; and
- (iii) The proforma consolidated NTA per share of our Group based on our enlarged share capital as at 31 July 2005 of RM0.11 had the Listing Scheme been effected as of that date and the proceeds arising from the Public Issue being utilised in the manner as set out in Section 3.7 of this Prospectus.

**Investors should also be aware that the Bonus Issue will be implemented prior to the quotation of the entire issued and paid-up share capital of Focus on the MESDAQ Market. Based on the issue price of RM0.72 per share, the theoretical ex-bonus price is RM0.36 per share.**

However, you should also note that the market prices of the Focus Shares upon listing on the MESDAQ Market are subject to the vagaries of the market forces and other uncertainties that may affect the price of Focus Shares.

### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

#### 3.7 UTILISATION OF PROCEEDS

We expect to raise approximately RM8.28 million from the Public Issue. The proceeds raised will be utilised as follows:

Details of utilisation	Note	Amount RM'000	To be utilised by financial year ending 31 July
Part finance acquisition of corporate office cum factory building	(i)	1,300	2007
Research and development	(ii)	1,500	2007
Marketing expenditure	(iii)	650	2007
Set-up costs for overseas sales and marketing office	(iv)	550	2006
Working capital	(v)	2,480	2006
Estimated listing expenses *	(vi)	1,800	2006
<b>TOTAL</b>		<b>8,280</b>	

**Notes:**

\* The proceeds to be utilised for working capital will be adjusted accordingly in the event of any variation in the actual listing expenses from their estimated amount.

**(i) Part finance acquisition of corporate office cum factory building**

Currently, we operate from rented premises comprising three (3) units of one and a half (1½) storey terrace factory located at Taman Perindustrian Jaya, Petaling Jaya, Selangor Darul Ehsan, with a built-up area of approximately 6,000 square feet.

Due to the increased production capacity, we require more space to accommodate the increased production capacity within our manufacturing division. In line with the expansion plan, we plan to purchase a corporate office cum factory building within Klang Valley. We are looking for a total built-up area of more than 10,000 square feet for our planned corporate office cum factory building to accommodate our management, R&D and manufacturing division.

**(ii) Research and development**

A total of RM1,500,000 has been earmarked for R&D activities. We expect to employ electronic and software engineers on contractual basis for the development of a range of Alphadrives with power rating ranging from 0.18KW to 7.5KW.

Currently, the aforesaid range of products is being outsourced to OEM. The core technology of Alphadrive is based on the simplified SV PWM technology platform, which is derived from the SV PWM technology that is used to develop the MX3 series of high power AC drives.

**(iii) Marketing expenditure**

We will allocate RM650,000 for marketing activities. The marketing expenditure comprises of international exhibition, advertisement in overseas magazines, market research and launching/promotion of new products.

Marketing expenditure pertaining to international exhibition will entail, amongst others, transportation, accommodation, travelling and rental of space for participation in Hanover Fair, Germany and HVAC Asia Fair. We will also be able to keep abreast with the latest updates and development of the energy efficiency products and technologies.

### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(iv) **Set-up costs for overseas sales and marketing office**

We will allocate RM550,000 as the set-up costs for overseas sales and marketing office in the Asian region. The proceeds allocated for operational costs for overseas sales and marketing office in the Asian region will be utilised for office / warehouse renovation and purchase of fixed assets and office equipment.

(v) **Working capital**

The working capital of RM2,480,000 from the total gross proceeds raised will be allocated and utilised to fund the liquidity and administrative requirements of the Focus Group. The proceeds allocated for the working capital are as follow:

<i>Details</i>	<i>RM'000</i>
<i>Retirement of short term borrowings *</i>	<i>1,100</i>
<i>Financing inventory</i>	<i>570</i>
<i>Liquidity requirement</i>	<i>810</i>
	<u><u><i>2,480</i></u></u>

**Note:**

\* As at 28 December 2005, the total short term borrowings outstanding for Focus is RM4,247,474.

(vi) **Estimated listing expenses**

The estimated listing expenses incidental to the listing of and quotation for our entire enlarged issued and paid-up share capital on Bursa Securities to be borne by us are as follows:

	<i>RM'000</i>
<i>Professional fees</i>	<i>680</i>
<i>Fees to authorities</i>	<i>41</i>
<i>Underwriting commission, brokerage fees and placement fees</i>	<i>240</i>
<i>Advertising and printing</i>	<i>450</i>
<i>Miscellaneous</i>	<i>389</i>
	<u><u><i>1,800</i></u></u>

### 3.8 UNDERWRITING COMMISSION AND BROKERAGE

#### 3.8.1 Underwriting commission

We have entered into an underwriting agreement with the Underwriters as mentioned in the Corporate Directory on 17 November 2005 for the underwriting of 2,000,000 Public Issue Shares to be made available to the Malaysian Public, 1,650,000 Public Issue Shares of the 8,500,000 Public Issue Shares made available for application by investors to be identified by the Placement Agent and up to 1,000,000 unsubscribed Public Issue Shares made available to our eligible Directors and employees on the terms set out in the Underwriting Agreement referred to Section 3.9 of this Prospectus. Underwriting commission is payable by our Company in respect of the Public Issue Shares at the rate of 2% of the Issue Price of RM0.72 per share.

#### 3.8.2 Brokerage

We will pay a brokerage rate of 1.0% of the Issue Price of RM0.72 per share in respect of successful applications bearing the stamp of either Hwang-DBS, a participating organisation of Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or the Issuing House.



---

### **3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

---

#### **3.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT**

The salient terms of the underwriting agreement dated 17 November 2005, are summarised as follows:

3.9.1 The obligations of the Underwriters to underwrite 2,000,000 Public Issue Shares to be made available to the Malaysian public, 1,650,000 Public Issue Shares of the 8,500,000 Public Issue Shares made available for application by investors to be identified by the Placement Agent and up to 1,000,000 unsubscribed Public Issue Shares made available to the eligible Directors and employees (collectively, "Underwritten Shares") under the Underwriting Agreement are conditional on the performance by the Company of its obligations under the Underwriting Agreement and on:

3.9.1.1 The Managing Underwriter receiving the reports or confirmation, stating and confirming that:

3.9.1.1:1 there has been no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that provided in this Prospectus to the satisfaction of the Managing Underwriter at the last date for acceptance, application for and payment of the subscription moneys under this prospectus ("Closing Date"); or

3.9.1.1:2 there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in Clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by the Company to the satisfaction of the Managing Underwriter at the Closing Date;

3.9.1.2 The Managing Underwriter receiving a certificate in the form contained in Schedule 3 (Certificate) of the Underwriting Agreement dated the date of this Prospectus ("Issue Date") signed by all the Directors of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement;

3.9.1.3 The issue of this Prospectus and application form not later than one (1) month from the date of the Underwriting Agreement or such later date as the Managing Underwriter and the Company may from time to time agree;

3.9.1.4 The registration of this Prospectus and such other documents as may be required in accordance with the Securities Commission Act, 1993 in relation to the Public Issue with the SC and its lodgement with the Registrar of Companies ("ROC") by the Issue Date;

3.9.1.5 The approval of SC and SC on behalf of FIC referred to in Clause 2.2 (Approvals) of the Underwriting Agreement to the admission of the Company to the official list of Bursa Securities ("Official List") and the listing of and quotation for its entire issued and paid up share capital being obtained on terms acceptable to the Managing Underwriter remaining in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the Public Issue has been completed) have been complied with;

3.9.1.6 The Managing Underwriter being satisfied that the Company will, following completion of the Public Issue be admitted to the Official List and its share capital be listed and quoted on the MESDAQ Market within three (3) months from the date of this Prospectus;

3.9.1.7 The Managing Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in Clause 10 (Fees and Commission) of the Underwriting Agreement;

---

**3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

---

- 3.9.1.8 The Managing Underwriter receiving a copy certified by a director or secretary of the Company to be a true and accurate copy and in full force and effect of a resolution of the Directors in form and substance acceptable to the Managing Underwriter:
- 3.9.1.8:1 approving this Prospectus and application form, the Underwriting Agreement and the transactions contemplated by it;
  - 3.9.1.8:2 authorising a person to sign and deliver the Underwriting Agreement on behalf of the Company;
  - 3.9.1.8:3 authorising the issuance of this Prospectus and application form;
- 3.9.1.9 The Underwriting Agreement being signed by all parties and stamped;
- 3.9.1.10 The Public Issue not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the Public Issue and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Public Issue and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market have been obtained and are in force on the Closing Date or the Managing Underwriter being reasonably satisfied that the same will be in force on the Closing Date;
- 3.9.1.11 The Managing Underwriter being satisfied that the Company has complied with and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;
- 3.9.1.12 The Public Issue being approved by the shareholders of the Company in an extraordinary general meeting; and
- 3.9.1.13 The Kuala Lumpur Composite Index not falling below 700 points for three (3) consecutive days.
- 3.9.2 In the event any of the conditions set out in Clause 6.1 (Details) of the Underwriting Agreement is not fulfilled or complied to the satisfaction of the Managing Underwriter or the Underwriters by the Closing Date provided that any of the Underwriters may at its discretion with respect only to its own obligation waive compliance with any of the provisions of Clause 6.1 (Details) of the Underwriting Agreement, the Managing Underwriter (as agent of the Underwriters) after consultation with the Underwriters and the Company shall be entitled to terminate the Underwriting Agreement and in such event the provisions of Clause 14 (Termination) of the Underwriting Agreement shall apply but without prejudice to the rights of the Managing Underwriter and the Underwriters under Clause 10 (Fees and Commission) of the Underwriting Agreement.
- 3.9.3 Notwithstanding anything contained in the Underwriting Agreement, the Underwriters and/or the Managing Underwriter (as the case may be) may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel and withdraw their respective commitment to underwrite their respective portion of the Underwritten Shares ("Underwriting Commitment") as set out under Schedule 2 (Underwriting Commitments) of the Underwriting Agreement if:
- 3.9.3.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Company; or
  - 3.9.3.2 there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement; or

---

**3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

---

- 3.9.3.3 there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the shares issued under the Public Issue; or
- 3.9.3.4 there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or
- 3.9.3.5 there shall have occurred, or happened any of the following circumstances:
- 3.9.3.5.1 any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
  - 3.9.3.5.2 any change in law, regulation, directive, policy or ruling in any jurisdiction; or
  - 3.9.3.5.3 any event or series of events beyond the reasonable control of the Underwriters including (without limitation) acts of government, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, earthquakes, tsunami, civil commotion, sabotage, acts of war or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares;

which, in the reasonable opinion of the Managing Underwriter and/or the Underwriters, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the listing of the Company on the MESDAQ Market or market conditions generally or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

- 3.9.4 Upon any such notice(s) being given pursuant to Clause 14.1 (Termination) of the Underwriting Agreement, the Underwriters shall be released and discharged of their obligations without prejudice to their rights under the Underwriting Agreement, and where the Underwriters have terminated or withdrawn their Underwriting Commitments pursuant to Clause 14.1 (Termination) of the Underwriting Agreement, the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Underwriting Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement and under Clause 12 (Costs and Expenses) of the Underwriting Agreement for the payment of costs and expenses already incurred up to the date of or in connection with such termination and under Clause 8.3.2 (Prospectus and Listing) of the Underwriting Agreement for the payment of any taxes, duties or levies, and for any antecedent breach.

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

#### 4. RISK FACTORS

---

**BEFORE INVESTING IN FOCUS SHARES, YOU SHOULD PAY PARTICULAR ATTENTION TO THE FACT THAT WE, AND TO A LARGE EXTENT OUR ACTIVITIES, ARE SUBJECT TO THE LEGAL, REGULATORY AND BUSINESS ENVIRONMENT IN MALAYSIA. OUR BUSINESS IS SUBJECT TO A NUMBER OF FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. PRIOR TO MAKING AN INVESTMENT DECISION, YOU SHOULD CAREFULLY CONSIDER, ALONG WITH THE OTHER MATTERS IN THIS PROSPECTUS, THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW. THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ARE NOT AN EXHAUSTIVE LIST OF THE CHALLENGES THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY IN THE FUTURE HAVE A MATERIAL ADVERSE EFFECT ON US OR FOCUS SHARES.**

##### 4.1 LIMITED OPERATING HISTORY

We have a limited operating history on which to evaluate our business and operations. Apart from the operations previously conducted by FDL (the previous holding company of FDC), there are risks and difficulties that will be encountered by our Group in the early stages of establishing and recapturing the lost market segments previously serviced by FDL, namely in those countries of UK, Germany, Australia and Singapore. Amongst others, these risks and difficulties include our ability to:

- regain the confidence of the market on our products and services (which were previously marketed under FDL);
- penetrate the new global markets; and
- research and develop new products and technologies.

As a result of our limited operating history, there is no assurance that we can achieve our revenue targets set or that we will achieve increasing or consistent levels of profitability.

##### 4.2 COMPETITION

Energy efficiency market is a growing global business. The increasing global demand for energy efficiency products is mainly driven by greater awareness on energy conservation and technology advancement. There can be no assurance that our competitors that are predominantly well-established multinational corporations, will not develop technologies and products that are more efficient and effective than those being developed by us or that would render our technology and products obsolete or non-competitive.

Our Directors believe that our Group has the advantages in terms of pricing, energy efficiency technology know-how, R&D team, product flexibilities (such as the ability to provide single module equipment to a complete system with full application support), before and after-sales support services (such as technical assistance, maintenance support and etc) against the competitions. Our Directors believe that our Group has the necessary competitive edge to face the keen competition in this market place.

#### **4. RISK FACTORS (Cont'd)**

---

##### **4.3 RELIANCE ON OUTSOURCING TO OEM**

Save for MX3, Softstarter and household energy saver, our Group has been outsourcing most of our other products marketed under the “focus dynamics” trademark, such as, motors, low power VSDs to other OEMs. In the event our Group fails to have or fails to continue existing arrangements with the OEMs to manufacture quality products on a timely basis, our business, financial condition and results of operations may be adversely affected.

However, our Directors believe that our Group will be able to source for other OEMs to manufacture the products in the short term. Also, we plan to develop and manufacture in-house some of the products that are currently being sourced from third party OEMs. Amongst others, they include Alphadrives (0.18KW to 7.5KW) and MS Softstarters (22KW to 30KW). There can be no assurance that the new OEMs will be able to offer terms that we are currently having with our existing OEMs.

##### **4.4 OPERATING RISK**

FDC and FDD have been generating profits since they commenced operations. However, there is no assurance that FDC and FDD, the two (2) core revenue-contributors of our Group, will continue to grow and be profitable in the future, or that they will achieve increasing or consistent level of profitability. Our revenue and operating results are difficult to forecast and could be adversely affected by many factors. These include, amongst others, the ability of our Group to secure future projects/contracts/purchase orders; to research and to develop new products/services; market acceptance of those products/services; and to control costs and other risks attached to the operations of our Group.

Our prudent cash flow management, including regular monitoring of our debtors position, close monitoring of operating expenditure, and careful management of our debt and equity structure will minimize the operating risks of our Group.

##### **4.5 PRODUCT RISKS**

Our Group’s future results will substantially be dependent on market acceptance and ability of the new products developed and to be developed by us to meet performance objectives. Our Group’s main product is the MX3 series of AC drives with power rating ranging from 11KW to 1MW, developed based on SV PWM technology. We have identified two (2) new products to be designed and developed namely Alphadrives (0.18KW to 7.5KW) and MS Softstarters (22KW to 30KW). However, under the present fast changing market conditions, there is no assurance that the competitors will not develop new products or technologies in the near future that may shorten the product life cycle of our Group’s new products or render them obsolete or no longer competitive in the market place.

In mitigating these product risks, our Group will use our best endeavours to develop and introduce new products or services and/or enhance or upgrade the existing products and services in a timely manner in response to the fast changing market demand and customer requirements. We have also expended substantial resources for the enhancement of our products and for product developments and will continue to do so.

---

#### 4. RISK FACTORS (*Cont'd*)

---

##### 4.6 TRADENAME/TRADEMARK

Our Group's "focus dynamics" trademark is used on all products manufactured internally or by OEMs. FDC has made an application to ROT on 19 July 2001 to register the "focus dynamics" under class 9 trademark but such application was found by the ROT in its letter dated 13 June 2003 not to have 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 we are presently waiting for a hearing date to be fixed by the ROT. We are not aware of any other person using or whether any other person has applied for or has rights similar to the "focus dynamics" tradename or trademark in Malaysia. However, there is no assurance that no other person is using or has applied for or has the rights to use the tradename or trademark similar to the "focus dynamics" tradename or trademark.

FDC was formerly a subsidiary of FDPLC and later of FDL, prior to the acquisition by Kong Kwai Ching of FDL's entire equity interest in FDC on 21 June 2001. FDPLC and FDL (prior to its liquidation) also had various overseas subsidiaries and markets in various jurisdictions including Australia, Germany, UK and Singapore. There can be no assurance that the "focus dynamics" tradename or trademark or a similar tradename or trademark is not being used by persons and others outside of our Group or has not been registered in countries outside Malaysia in favour of persons and/or others outside of our Group. In such a case, the use of the tradename or trademark "focus dynamics" by our Group in those jurisdictions could result in our Group infringing the tradename and/or trademark of another person or entity in those various jurisdictions. Such use of registrations by persons and/or others outside of our Group or infringements would affect the ability of our Group to penetrate in the markets identified or to be identified in those jurisdictions.

In addition to the application for registration in Malaysia, FDC has taken steps to register the tradename and trademark "focus dynamics" as a Community Trademark in its name that covers the European Union countries which was duly registered with effect from 28 November 2003. We also intend to take the necessary steps to protect the use of our tradename and trademark in other jurisdictions as and when we consider appropriate to do so. However, we take note that even if we are able to register our trademarks in the territories which we have applied for registration of our trademarks, present trademark laws provide only limited protection and generally (with some exceptions) have no extraterritorial coverage. As a result, there can be no assurance that our Group will be able to protect our trademark against unauthorised third party use or exploitation which could have a material adverse effect on our Group's reputation and business.

In the event the "focus dynamics" trademark is not capable of being registered, we believe that our Group's business would not be materially and adversely affected. As the business of our Group is unlike a consumer based company, where the protection of its logo and tradename as a trademark would provide substantial benefit to the business. Instead, our Group's business success is dependent on the quality of our products and our reputation within the drives industry and community.

---

#### **4. RISK FACTORS (Cont'd)**

---

##### **4.7 INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS**

FDC acquired the IPR to the MX3 from the liquidators of FDL on 2 July 2001. Subsequently, the acquisition of the IPR was re-confirmed by the liquidators of FDL via a Deed of Assignment on 31 October 2002. We have sought and received competent legal advice and we are satisfied with the legal advice received on the validity of the IPR sale and assignment. However, there can be no assurance that no third parties will challenge or dispute the ownership of FDL then or FDC presently over their IPR to the MX3. There can also be no assurance that disputes will not arise or that any disputes in relation to the IPR to the MX3 will be resolved in our Group's favour. Moreover, any such disputes could be time consuming, causing delays in introducing new or improved products and services or require us to discontinue using the challenged IPR, and could have a material adverse effect on our reputation, business, operating results and financial condition. However, in the event of any dispute or challenge, we believe that our R&D and development team is able to develop new software to run the drives within a relatively short period. However, there can be no assurance that the software developed can perform as effectively as the MX3 software or that it can be developed in a timely manner without affecting the ability of our Group to continue our production.

Our Group's success is dependent on our ability to protect our IPR. However, existing patent, copyright, trademark, trade secret laws and other intellectual and industrial property laws may only afford limited protection. There can be no assurance that our Group will be able to protect our IPR against unauthorised third party copying, using or exploiting, any of which could have a material adverse effect on our Group's business, operating results and financial condition. In the event the IPR of our Group is breached by a third party, we shall take the necessary action (legal or otherwise) to enforce our IPR and to ensure that our IPR is not exploited further. If in the event a third party makes any claim that we have breached their IPR, particularly the MX3 IPR, we shall dispute such claim and take the necessary action (legal or otherwise) to enforce our rights over our IPR. However, there is no assurance that any action taken by us will not materially and adversely affect our operations and/or our goodwill. In addition, our Directors are aware that as our Group's IPR is technology based, the life span of each IPR belonging to a product may be for a limited duration only. In mitigating this risk, our Group is constantly reviewing and enhancing the technology behind each of our Group's products and constantly striving to develop new and improved products and/or expanding our range of products. However, there can be no assurances that our Group will be successful in developing and/or improving our existing range of products and/or the technology behind them.

##### **4.8 TECHNOLOGICAL ADVANCEMENT**

In meeting the fast changing market conditions and complex user demands, products are subject to technological advancement, such as improving designs, increasing power, imbedding broader functions and enhancements. The inability of our Group to anticipate, forecast or adapt to such changes could impact our Group's ability to maintain our existing businesses and/or to secure new businesses.

We will use our best endeavours to keep abreast with industry trends and technological developments by subscribing to market research report as well as engaging consultants specialising in energy efficiency and ICE industry. This would enhance our Group's readiness and ability to anticipate, forecast and adapt to such changes.

#### **4. RISK FACTORS (Cont'd)**

---

##### **4.9 RELIANCE ON SPECIFIC COMPONENTS**

Our Group's products require DSP chips, which form a crucial component of the MX3 series of VSD. Currently, we are sourcing the DSP chips from intermediaries who in turn source from a chip manufacturer in Germany. There is no assurance that the DSP chips will remain available in the market in the future due to technological changes or cessation of production by the chip manufacturer and of us in securing a contractual supply for the DSP chips.

Our Directors do not foresee that the DSP chips will cease production in the near future. However, if the situation does arise, our Group will change the DSP chips that are currently being bought by our Group. Our Board believes that a period of not more than three (3) months will be adequate to switch from the current software program to adopt the new DSP chips specifications.

##### **4.10 UNCERTAINTY OF THE FIVE (5)-YEAR BUSINESS DEVELOPMENT PLAN**

Our Group's proposed future plan and prospects will depend on, amongst others, efforts to secure local projects on favourable terms and conditions to our Group; to hire and retain professional personnel in marketing, finance and others; as well as key technical personnel in R&D and production field; to successfully manage operations (including controlling cost, maintaining effective quality, inventory and production and other costs) as well as to obtain adequate financing as and when needed. There can be no assurance that our Group will be able to successfully implement our business plan or that unanticipated problems or technical difficulties will not occur which would result in material delays of the implementation or deviation from our original plan.

##### **4.11 DEPENDENCE ON KEY PERSONNEL**

Our Group's continued success depends to a significant extent upon the abilities and continued effort to retain Kong Kwai Ching, our Managing Director and Chief Technical Officer as well as the driving force behind the incorporation of our Group and certain senior management and key technical personnel of our Group. The loss of Kong Kwai Ching or any of the senior management and key technical personnel may, to a certain extent, affect our Group's continual ability to maintain and improve our performance. The loss of the services of these individuals may have a material adverse effect on us. Our Group's future success also depends on our ability to attract sufficient numbers of skilled employees or to groom the other members of our management team to assume more responsibilities, hence ensuring a smooth transition should changes occur. To be in line with the K-economy promoted by the government, our Company sends our employees to various courses to upgrade their knowledge and competency.

##### **4.12 INDUSTRY RISK**

Our Group is an integrated control solution provider of energy efficiency systems for the control of industrial machines and processes. VSDs are supplied to automation control industries in business sectors that require automation control such as building, manufacturing, utilities and waste as well as energy production.

Presently our Group's products and services are supplied to the building and manufacturing sectors. Therefore, our Group is subject to certain industry and business risks inherent in these industries as well as the changes in the general economy. Nevertheless, the same risks will also be applicable to all other players in the VSD industry.



---

#### 4. RISK FACTORS (Cont'd)

---

##### 4.13 CHANGES IN GENERAL ECONOMIC, POLITICAL, LEGISLATIVE, BUSINESS AND CREDIT CONDITIONS

Our Group's future growth and performance may to a certain extent depend on the political and economic developments in Malaysia and countries where our Group has or intends to have market presence. The future growth may also be subject to the overall changes in inflation, interest rates, tariffs, duties, taxation and social developments within and outside Malaysia.

Accordingly, there can be no assurance that the future growth and performance of our Group would remain favourable in the event of any changes in the general economic, political, legislative business and credit conditions within and outside Malaysia.

##### 4.14 FOREIGN EXCHANGE RISK

We conduct a portion of our business transactions in foreign currency and may therefore be affected by fluctuations in foreign exchange rates. Our Board represents that, for the financial year ended 31 July 2005, approximately 21% of our sales are overseas sales and approximately 49% of our VSD components are obtained from overseas suppliers. We intend to use various hedging techniques available in the market when the need arises to mitigate the risk of foreign exchange rates fluctuations. However, it must be noted that there can be no assurance that any future significant exchange rate fluctuations or changes in foreign exchange control regulations will not have a material and adverse impact on our Group's business transactions.

##### 4.15 RISK ASSOCIATED WITH THE ACQUISITION OF FDC FROM THE PREVIOUS HOLDING COMPANY

On 21 June 2001, Kong Kwai Ching entered into an agreement with FDL to acquire 1,440,000 ordinary shares of RM1.00 each held by FDL in FDC not already held by Kong Kwai Ching for a purchase consideration of GBP20,000 ("Sale of Shares"). On 26 June 2001, the creditors appointed liquidators over FDL. We have sought and received competent legal advice and that we are satisfied with the legal advice received on the validity of the FDC sale. If FDL was insolvent at the time of the Sale of Shares or became insolvent as a result of the Sale of Shares and the Sale of Shares were at an undervalue, there is a risk that a court in England or other relevant jurisdiction may, on application by a liquidator, creditors or shareholders of FDL, order the Sale of Shares to be set aside or to make such other order as it sees fit. There can be no assurance that the Sale of Shares to Kong Kwai Ching and/or the value of the shares in FDC disposed by FDL will not be challenged or questioned and that on application to such court, the court will not set aside the Sale of Shares to Kong Kwai Ching or make any such other order.

The liquidators of FDL had in a letter dated 27 July 2001 stated that the Sale of Shares was ratified<sup>1</sup>. In the event any claim, challenge or dispute is made by a creditor of FDL or any other person entitled to do so, on the Sale of Shares, Kong Kwai Ching has given an undertaking that he would take all necessary action and do all that is necessary to perfect (if necessary) the Sale of Shares including (without limitation) doing all things necessary to secure his absolute legal and beneficial title to the shares and any other shares and entitlements desired from or arising from them free from encumbrances and to ensure that the Sale of Shares is not set aside.

---

<sup>1</sup> The ability of the liquidators of FDL to ratify the Sale of Shares would depend (among others) on the validity of the original sale. Legal opinion has been obtained that the Share Sale Agreement has been validly executed by FDL and is binding on FDL, its liquidators, shareholders and creditors under English law.

#### **4. RISK FACTORS (Cont'd)**

---

##### **4.16 OWNERSHIP AND CONTROL OF OUR COMPANY**

Upon completion of the Public Issue, our substantial shareholder, who is the Promoter as well as the Managing Director/Chief Technical Officer, namely Kong Kwai Ching will be holding approximately 65% of our equity interest. He will emerge as the single largest shareholder of our Company. As such, he will be able to control the outcome of certain matters requiring the votes of our Company's shareholders unless he is required to abstain from voting and deliberating by law and/or the relevant authorities.

However, our Company has appointed two (2) independent Directors as a step towards good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on an arms-length basis.

##### **4.17 ARBITRARY ISSUE PRICE, PRIOR MARKET FOR FOCUS SHARES AND POSSIBLE VOLATILITY OF SHARE PRICE**

As there has been no prior market for Focus Shares, there can be no assurance that an active market may be developed upon our Company's listing on the MESDAQ Market or if developed, that such market will be sustained. The issue price of RM0.72 per share has been determined after taking into consideration a number of factors, including but not limited to, our Group's financial and operating history and conditions, our future earnings, our prospects and the prospects of the industry in which our Group operates, our management, the market price for shares of companies engaged in similar businesses to our Group and the prevailing market conditions at the time when the issue price was determined. There can be no assurance that the Issue Price will correspond to the price at which we will be traded on the MESDAQ Market upon or subsequent to our listing. The price at which Focus Shares will be traded may be higher or lower than the Issue Price.

##### **4.18 DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

Other than statements of historical facts, this Prospectus also contains forward-looking statements that are based on assumptions that are subject to uncertainties and contingencies. Although our Group believes that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to be correct. Any difference in our Group's expectations from actual eventualities may affect our Group's anticipated financial and business performance and plans.

##### **4.19 INSURANCE COVERAGE ON OUR GROUP'S ASSETS AND DISASTER RECOVERY**

Our business operations may be adversely affected by events such as the breakout of fire, severe disruption in electricity supply or other emergencies. A breakout of fire may damage or destroy our assets and lead to prolonged inability to resume operations, and thus affect our results of operations and profitability. A severe disruption in electricity supply may also disrupt our business operations.

We are aware of the adverse consequences arising from inadequate insurance coverage for damage as mentioned above that could cripple our Group's business operations. In ensuring such risks are maintained to the minimum, we review and ensure adequate coverage for our Group's assets on a continuous basis. We have sufficient insurance coverage under fire and burglary insurance policies for all our assets. In addition, our Group has a disaster recovery plan by keeping our critical software codes and documentation at a different location.

However, there can be no assurance that the disaster recovery will be able to prevent the loss of any critical data or that the insurance coverage will be adequate for the replacement cost of assets or any consequential loss arising therefrom.

**4. RISK FACTORS (Cont'd)**

---

**4.20 DELAY OR FAILURE IN OUR LISTING**

The occurrence of certain events, including the following, may cause a delay in or failure in our listing:

- the identified investors failing to subscribe to the portion of Focus Shares intended to be placed to them; or
- the underwriters exercising their rights pursuant to the underwriting agreement to discharge themselves from their obligations thereunder; or
- we are unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the total number of Focus Shares for which listing is sought must be held by minimum of 200 "public" shareholders.

Although our Directors will endeavour to ensure compliance of the various provisions of the MMLR, including the public spread requirements imposed by Bursa Securities for the successful listing, no assurance can be given that the abovementioned events will not occur and cause in a delay in or failure in our listing.

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