

Focus Dynamics Technologies Berhad
(Company No: 582924-P)
Interim Financial Reports for the 2nd quarter ended 31 January 2006

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim report is prepared in accordance with FRS134 “Interim Financial Reporting” and the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The accounting policies and methods of computation adopted by the Company in this interim financial report are consistent with those adopted for the last annual financial statements for the year ended 31 July 2005.

A2. Audit Report of the Preceding Annual Financial Statements

The audit report for the annual financial statements of the Company and its subsidiaries for the financial year ended 31 July 2005 were not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The Group’s business operation results were not materially affected by any major seasonal or cyclical factors.

A4. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the current quarter under review, there were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows, to the effect that is unusual nature, size or incidence.

A5. Material Changes in Estimates

There were no changes in estimates of amounts reported that have material effect on the results for the current quarter under review.

A6. Issuances, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter under review.

A7. Valuation of Property, Plant and Equipment

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have effect in the current financial quarter under review.

A8. Dividend

No dividend has been declared or paid during the current quarter under review.

A9. Segmental Information

The Company is principally an investment holding company. The Group principally engaged in the manufacturing, marketing, distribution and sale of industrial instruments for the control of industrial machines and process, R&D of variable speed drive, providing a range of support services covering project management services, maintenance support, engineering conceptualisation, system audit, energy saving services and other related support services which are substantially within a single business segment, and therefore, segmental reporting is deemed not necessary.

Segmental revenue and results in geographical areas of the Group for the current quarter and current year to date 31 January 2006 is as follows:

	Current Quarter 31/01/2006 RM'000	Current Year To Date 31/01/2006 RM'000
Segment Revenue		
Domestic	2,073	3,570
Export	276	992
Total revenue	<u>2,349</u>	<u>4,562</u>
Segment Results		
Domestic	378	850
Export	84	248
Profit from operations	<u>462</u>	<u>1,098</u>
Interest income	11	22
Interest expenses	(41)	(107)
Taxation	(74)	(118)
Minority Interest	-	-
Net profit attributable to shareholders	<u>358</u>	<u>895</u>

Segmental total assets in geographical areas of the Group are as follows:

	As at end of current quarter 31/01/2006 RM'000	As at preceding financial year ended 31/01/2005 RM'000
Total assets		
Domestic	14,002	N/A
Export	-	N/A
Total assets	14,002	N/A

A10. Material Events Subsequent to the End of the Interim Reporting Period

Save as disclosed below, there were no material events subsequent to the current financial quarter ended 31 January 2006 up to the date of this report, which is likely to substantially affect the results of the operations of the Company.

Initial Public Offering (IPO)

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company, the Company undertook an IPO, which was approved by the Securities Commission on 28 March 2005, 15 July 2005, 27 September 2005, 4 October 2005 and 17 November 2005.

The IPO involved the following:-

- (i) Public issue of 11,500,000 new ordinary shares of RM0.10 each at an issue price of RM0.72 per share payable in full on application comprising:
 - (a) 2,000,000 new ordinary shares of RM0.10 each available for application by the Malaysian public;
 - (b) 8,500,000 new ordinary shares of RM0.10 each by way of private placement; and
 - (c) 1,000,000 new ordinary shares of RM0.10 each available for application by the eligible directors and employees.
- (ii) Bonus issue of 37,798,890 new ordinary shares of RM0.10 each in the company to be capitalised from the share premium account arising from the public issue on the basis of one (1) new ordinary share of RM0.10 each for each ordinary share of RM0.10 each held after the public issue but prior to the listing.

The Company was successfully listed on the MESDAQ market on 10 February 2006.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A12. Contingent Liabilities

Save as disclosed in Note B11, there were no material contingent liabilities or contingent assets as at 31 January 2006 and up to the date of this report.

A13. Capital Commitments

There were no material capital commitments as at 31 January 2006 and up to the date of this report.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

B1. Review of Performance

For the six (6) months period ended 31 January 2006, the Group recorded a turnover of RM4.56 million and PBT of RM1.01 million. This was mainly attributed to the contribution of existing and new projects for energy efficiency system implementation.

For the current quarter under review, the Group achieved a revenue and profit before taxation of RM2.35 million and RM0.43 million respectively mainly attributed to the implementation of existing and new projects for energy efficiency system.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	2nd Quarter ended 31 January 2006 RM'000	1st Quarter ended 31 October 2005 RM'000
Revenue	2,349	2,213
Profit before taxation	433	580

The revenue for the 2nd quarter of 2006 increased by RM0.14 million or 6.1% to RM2.35 million mainly due to higher contributions from new projects that came on-stream to implement energy efficiency systems. The profit before taxation for the 2nd quarter of 2006 decreased by RM0.15 million or 25.3% mainly due to higher direct cost such as commission agent fees and higher operation expenses such as annual wages supplement/bonus and legal fee for the new banking facilities and litigation case as mentioned in B11.

B3. Prospects for the Current Financial Year

Barring any unforeseen circumstances, the Board is confident and optimistic that the performance of the Group will be satisfactory for the financial year ending 31 July 2006. The Group has sufficient outstanding order backlogs for energy efficiency projects, which will contribute positively to the performance of the Group.

B4. Variance on Profit forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

B5. Taxation

In respect of the current period:	Current quarter 31/01/2006 RM'000
Income tax expense	<u>74</u>

The effective tax rate for the current period under review was lower than the applicable tax rate of 20% mainly due to one of the subsidiaries in the Group was granted Pioneer Status in principle under the Promotion of Investments Act, 1986 by the Ministry of International Trade and Industry. The approved Pioneer status is granted for the period from 1 February 2002 to 31 January 2007.

B6. Profit on Sale of Unquoted Investment and/or Properties

There was no disposal of unquoted investment or properties during the financial quarter under review.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the financial quarter under review.

B8. Status of Corporate Proposals

Please refer to Note A10 above.

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings as at 31 January 2006 are as follows:

	RM'000
Short term borrowings	
Bank overdrafts - secured	367
Bills payable - secured	714
ECR financing facility - secured	949
Bankers' acceptance - secured	2,297
Term loan - unsecured	157
Hire purchase - unsecured	45
	<u>4,529</u>
Long term borrowings	
Hire purchase - unsecured	235
Total Borrowings	<u>4,764</u>

The Group does not have any foreign borrowings as at the date of this report.

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material Litigation

Save as disclosed below, as at 31 March 2006, we are not involved in any litigation, either as plaintiff or defendant, which has a material effect on our financial position and our Directors have no knowledge of any proceedings pending or threatened or any facts likely to give rise to any proceedings which might materially and adversely affect our financial position or business:

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”) claiming for a sum of RM254,591.42 (equivalent to USD67,539.84 at the conversion rate of USD1 to RM3.769) for the refund of the purchase price paid in respect of ten (10) units of MX3 227+F+C and six (6) units of MX3 330+F+C for Project T2 A&A, Changi Airport and RM36,028.88 (equivalent to USD9,558.00 at the conversion rate of USD1 to RM3.769) for the refund of purchase price paid in respect of six (6) units of MX3 21 and five (5) units of MX3 29 for Project DSTA and two (2) units of MX3 75 for Project GE Aviation and on general damages, interests, costs and any other relief deemed fit and proper by the Court.

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. The Defendant is claiming that on inspection of three (3) units of MX3 227, it was discovered that the first unit had been opened and the DCCT and fan cable had been disconnected, the second unit had metal chips and cable tie in the fan compartment and metal nuts on the heatsink implying that during installation of the unit, chips from the drilling had entered the unit and caused a short circuit on the PCB Board causing the gate driver/IGBT to fail, the third unit was found to contain metal chips in the fan compartment and the ribbon cable was disconnected. When the ribbon cable was reconnected, the unit worked. As the Defendant is of the opinion that the three (3) units in question were mishandled either by third parties or the Plaintiff, the warranty given on those three (3) units were void. The case has been fixed for hearing on 21 March 2006 for our application against the plaintiff for security for costs. The hearing was carried out and the registrar has reserved her decision for the 13 April 2006.

B12. Dividend

No dividend has been declared or paid during the current quarter under review.

B13. Earnings Per Share

The earnings per share for the current year to date is calculated by dividing the net profit attributable to shareholders of RM536,406 by the weighted average number of shares in issue of 26,298,890 Focus shares.

	Current quarter 31/01/2006	Current year to-date 31/01/2006
Net profit (RM)	358,414	894,820
Weighted average no. of ordinary shares in issue	26,298,890	26,298,890
Basic Earnings per Ordinary Shares (sen)	1.36 sen	3.40 sen