

Focus Dynamics Technologies Berhad
(Company No: 582924-P)
Interim Financial Reports for the 1st quarter ended 31 October 2006

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

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with FRS 134 Interim Financial Reporting and Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad for the MESDAQ Market.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 July 2006 except for the adoption of the following new/revised FRS effective for financial period beginning 1 January 2006.

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale And Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of all of the above FRS does not have any significant financial impact on the Group except for the FRS 3, Business Combinations.

The adoption of FRS 3 resulted in a change in accounting policy for negative goodwill.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill arising from acquisition"), after reassessment, is now recognised immediately in profit or loss.

In accordance with the provisions of FRS 3, the negative goodwill arising from acquisition has been transferred to the retained earnings as follows:-

	Negative goodwill RM'000	Retained Profits RM'000
Balance at 1 August 2006	517	2,291
Prior year adjustment - effects of adopting FRS 3	(517)	517
Balance at 1 August 2006 (as restated)	-	2,808

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 2006 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 is 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 October 2006 is as follows:

	Current Quarter 31/10/2006 RM'000	Current Year To Date 31/10/2006 RM'000
Segment Revenue		
Domestic	2,387	2,387
Export	421	421
Total revenue	<u>2,808</u>	<u>2,808</u>
Segment Results		
Domestic	245	245
Export	60	60
	<u>305</u>	<u>305</u>
Interest income	15	15
Interest expenses	(56)	(56)
Taxation	(52)	(52)
Minority Interest	-	-
Net profit attributable to shareholders	<u>212</u>	<u>212</u>

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

	As at end of current quarter 31/10/2006 RM'000	As at preceding financial year ended 31/07/2006 RM'000
Total assets		
Domestic	17,387	16,564
Export	7	-
Total assets	<u>17,394</u>	<u>16,564</u>

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

Save as disclosed in Note B8, there were no material events subsequent to the current financial quarter ended 31 October 2006 up to the date of this report, which is likely to substantially affect the results of the operations of the Company.

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 October 2006 and up to the date of this report.

A13. Capital Commitments

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

Focus Dynamics Technologies Berhad
(Company No: 582924-P)
Interim Financial Reports for the 1st quarter ended 31 October 2006

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

B1. Review of Performance

For the three (3) months period ended 31 October 2006, the Group recorded revenue of RM2.81 million which represent an increase of RM0.59 million as compared to RM2.21 million in the preceding year corresponding quarter. This was mainly attributed to the contribution of existing projects for energy efficiency system and the implementation of new electrification projects.

Despite the increase in revenue, the Group posted a lower profit before tax of RM0.26 million for the current quarter as compared to RM0.58 million in the preceding year corresponding quarter mainly due to higher operating expenses incurred, including increase in payroll and set-up costs for overseas sales and marketing office.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	1st Quarter ended 31 October 2006 RM'000	4th Quarter ended 31 July 2006 RM'000
Revenue	2,808	3,144
Profit before taxation	264	443

For current quarter, the Group recorded lower turnover of RM2.81 million or decrease of RM0.34 million as compared to turnover of RM3.14 million in the preceding quarter which was mainly due to lower contribution of existing energy efficiency system project.

Correspondingly, the Group posted a lower profit before tax of RM0.26 million for the current quarter as compared to RM0.44 million in the preceding quarter and also due to higher operating expenses incurred, including set-up costs for overseas sales and marketing office.

B3. Prospects for the Financial Year ending 31 July 2007

In view of the Government's initiatives to promote the implementations of energy efficiency applications in the industrial and commercial sectors under the Ninth Malaysia Plan, the outlook for energy efficiency applications industry is believed to be favourable.

A new area of growth would come from the Group's overseas ventures and a venture into new product, Light Emitting Diode ("LED"), which had been commercialised in May 2006. The Group had also recently signed a Memorandum of Understanding with Wakong International Group Corporate Limited for the production and sales facilities for Variable Speed Drives in China.

The Group expects those overseas ventures and new product would contribute positively for the financial year ending 31 July 2007. 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 2007.

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
31/10/2006
RM'000**

Income tax expense

52

The effective tax rate for the current period under review was lower than the applicable tax rate of 28% (20% is applied for companies with paid up capital not more than RM2.5 million and chargeable income below RM500,000) mainly due to one of the subsidiaries in the Group was granted Pioneer Status 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

Save as disclosed below, as at 28 December 2006, there were no corporate proposals announced but not yet completed in the current quarter under review:-

- (i) The Company had on 15 November 2006 entered into a conditional share sale agreement to acquire 300,000 ordinary shares of RM1.00 each in DPC Industrial Systems Sdn Bhd ("DPC") representing 100% equity interest in DPC for a cash consideration of RM3,200,000 ("Proposed Acquisition").

The Proposed Acquisition is approved by shareholders, of which the approval is obtained at an Extraordinary General Meeting convened on 29 December 2006.

- (ii) The Company had on 22 August 2006 entered into a Memorandum of Understanding ("MOU") with Wakong International Group Corporation Limited ("Wakong") to set up a joint venture company in China for the setting of production and sales of variable speed motors and electronic soft motors (industrial control products).

The Company is still in the midst of finalising the formal joint venture agreement with Wakong. An announcement will be made once the formal joint venture agreement is executed.

- (iii) The Company had on 27 December 2006 acquired two (2) ordinary shares of RM1 each representing 100% of the issued and paid-up capital of Oxy Deluxe Sdn Bhd for a cash consideration of RM2. The said acquisition made Oxy Deluxe Sdn Bhd a wholly owned subsidiary of the Company.

B9. Group Borrowings and Debt Securities

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

		RM'000
Short term borrowings		
Bank overdraft	- secured	47
Export Credit Refinancing facility	- secured	948
Bankers' acceptance	- secured	1,946
Hire purchase	- unsecured	64
		<hr/> 3,005
Long term borrowings		
Hire purchase	- unsecured	218
		<hr/> 3,223
Total Borrowings		<hr/> <hr/> 3,223

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 28 December 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, Focus Dynamics Drives Sdn Bhd (“FDD”) (“Defendant”), a wholly-owned subsidiary of Focus, 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 Defence Science and Technology Agency 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. The maximum exposure to liabilities of Focus is estimated at RM290,620.30 (equivalent to USD77,097.84 at the conversion rate of USD1 to RM3.769), excluding the interest and legal cost.

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 Direct Current Current Transformer 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 Printed Circuit Board causing the gate driver/Inverse Gate Bipolar Transistor 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.

The Directors of FOCUS are of the opinion that FDD has a good chance of succeeding given that the three (3) units in question were mishandled either by third parties or the Plaintiff, and thus, the warranty given on those three (3) units should be void. The case has been fixed for case management on 6 June 2007 and the trial date has yet to be set by the Court.

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 quarter and current year to date is calculated by dividing the net profit attributable to shareholders of RM212,058 by the weighted average number of shares in issue of 75,597,780 Focus shares.

	Current quarter 31/10/2006	Preceding year corresponding quarter 31/10/2005	Current year to- date 31/10/2006	Preceding year corresponding period 31/10/2005
Net profit (RM)	212,058	536,406	212,058	536,406
Weighted average no. of ordinary shares in issue	75,597,780	26,298,890	75,597,780	26,298,890
Basic Earnings per Ordinary Shares (sen)	0.28	2.04	0.28	2.04

B14. Utilisation of IPO Proceeds

The status of the utilisation of the proceeds raised from the Public Issue pursuant to the listing of the Company on the MESDAQ Market of Bursa Securities amounting to RM8.28 million as at 31 October 2006 is as follows:-

Purpose	Proposed Utilisation	Actual Utilisation	Balance		Explanation
	RM'000	RM'000	RM'000	%	
Part finance acquisition of corporate office cum factory building	1,300	-	1,300	100	FOCUS is currently identifying the location. The fund will be utilised by 2007
Research and Development	1,500	688	812	54	Balance to be utilised by FYE 2007
Marketing Expenditure	650	54	596	92	Balance to be utilised by FYE 2007
Set-up costs for overseas sales and marketing office	550	74	476	87	FOCUS has entered MOU with Wakong International Group Corporation Limited for sales and production facilities in China. The establishment of Representative office is in the initial stage. The fund will be utilised by FYE 2007
Working Capital	2,480	2,480	-	-	-
Listing expenses *	1,800	1,800	-	-	Have been utilised for working capital

Note: * The variation in the actual listing expenses from the estimated amount had been utilised for working capital.