Focus Dynamics Technologies Berhad
(Company No: 582924-P)
Interim Financial Reports for the 2nd quarter ended 31 January 2007

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

A1. Basis of Preparation

(a) 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.

(a) (Cont'd)

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

(b) The accounting policies and method of computation adopted by the Group in the 2nd Quarter ended 31 January 2007 are consistent with those adopted for the 1st Quarter ended 31 October 2006.

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 Cyclicality 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, business 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 2007 is as follows:

	Current Quarter 31/01/2007 RM'000	Current Year To Date 31/01/2007 RM'000
Segment Revenue		
Domestic	3,469	5,857
Export	304	725
Total revenue	3,773	6,582
Segment Results		
Domestic	146	391
Export	19	79
	165	470
Interest income	12	27
Interest expenses	(44)	(100)
Taxation	(95)	(147)
Minority Interest	-	-
Net profit attributable to shareholders	38	250

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

	As at end of current quarter 31/01/2007 RM'000	As at preceding financial year ended 31/07/2006 RM'000
Total assets		
Domestic	18,279	16,594
Overseas	7	-
Total assets	18,286	16,594

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

Save as disclosed in Note B8, there are no material events subsequent to the current financial quarter ended 31 January 2007 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

Save as disclosed below, there are no changes in the composition of the Group as at 30 March 2007:

(a) 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 (Oxy Deluxe) for a cash consideration of RM2. The said acquisition made Oxy Deluxe a wholly owned subsidiary of the Company.

(b) On 15 November 2006, the Company had 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. The acquisition was completed on 6 March 2007.

A12. Contingent Liabilities

Save as disclosed in Note B11, there are no material contingent liabilities or contingent assets as at 31 January 2007 and up to the date of this report.

A13. Capital Commitments

There are no material capital commitments as at 31 January 2007 and up to the date of this report.

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

B1. Review of Performance

For the current quarter ended 31 January 2007, the Group recorded revenue of RM3.77 million which represents an increase of RM1.42 million or 61% as compared to RM2.35 million in the preceding year's corresponding quarter. This was mainly attributed to the increased contribution of existing and new projects for energy efficiency system and the electrification projects.

Despite the increase in revenue, the Group posted a lower profit before tax of RM0.13 million for the current quarter as compared to RM0.43 million in the preceding year's corresponding quarter, a decrease of 69%, mainly due to higher operating expenses incurred, increased in payroll, professional fees in relation to the acquisition of DPC Industrial Systems Sdn Bhd and related costs in developing related businesses.

For the six (6) months period ended 31 January 2007, the Group recorded revenue of RM6.58 million as compared to RM4.56 million for the corresponding period in the preceding year, an increase of 44%.

However, the Group posted a lower profit before taxation of RM0.39 million for the six months period ended 31 January 2007 as compared to RM1.01 million for the corresponding period in the preceding year, a decrease of 61%. The increase in revenue and the decrease in profit before taxation was mainly attributable to the same reason mentioned above.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	2nd Quarter ended 31 January 2007 RM'000	1st Quarter ended 31 October 2006 RM'000
Revenue	3,773	2,808
Profit before taxation	132	264

For current quarter, the Group recorded higher revenue of RM3.77 million or increase of RM0.96 million or 34% as compared to revenue of RM2.81 million in the preceding quarter which was mainly due to higher contribution from the existing and new projects for energy efficiency and electrification projects.

The Group posted a lower profit before tax of RM0.13 million for the current quarter as compared to RM0.26 million in the preceding quarter, a decrease of 50%, mainly due to professional fees and other related costs incurred during the 2nd quarter ended 31 January 2007 on the new subsidiary (DPC Industrial Systems Sdn Bhd) acquired.

B3. Prospects for the Financial Year ending 31 July 2007

Barring any unforeseen circumstances, the Board expects that the performance of the Group will be satisfactory for the financial year ending 31 July 2007 due to the following reasons :-

(a) In view of the Government's initiatives to promote the implementations of Energy Efficiency (EE) applications in the industrial and commercial sectors under the Ninth Malaysia Plan, the outlook for EE applications industry is expected to be favourable.

(b) Acquisition of DPC Industrial System Sdn Bhd which was completed on 6 March 2007 and it is expected to contribute positively to the Group from the third quarter onwards.

B4. Variance on Profit Forecast, Profit Guarantee and Internal Targets

The Group has not provided any profit forecast, profit guarantee or internal targets in a public document or any announcement.

B5. Taxation

	Current Quarter 31/01/2007 RM'000	Current Year To Date 31/01/2007 RM'000
Income tax expense	95	147

The effective tax rate for the current period under review was higher 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 a loss of approximately RM253,000 incurred by the holding company, Focus Dynamics Technologies Berhad, which was not allowed to set-off against the profits from its subsidiaries for tax purpose.

The Group's tax charge for the six months period ended 31 January 2007 was higher than the statutory tax rate due to certain expenses not allowed for tax purpose and slightly offset by one of the subsidiaries in the Group been granted Pioneer Status under the Promotion of Investments Act, 1986 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 and financial year-to-date.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the financial quarter under review and financial year-to-date.

B8. Status of Corporate Proposals

Save as disclosed below, as at 30 March 2007, there were no corporate proposals announced but not yet completed:

(a) 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.

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings as at 31 January 2007 are as follows:

			RM'000
Short term borrowings			
	Bank overdraft	- secured	169
	Export Credit Refinancing facility	- secured	948
	Bankers' acceptance	- secured	2,299
	Hire purchase	- unsecured	64
			3,480
Long term borrowings			
	Hire purchase	- unsecured	202
Total Borrowings			3,682

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 30 March 2007, the Group is 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 and financial year-to-date.

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 RM37,628 and RM249,696 respectively, by the weighted average number of shares in issue of 75,597,780 Focus shares.

	Current quarter 31/01/2007	**Preceding year corresponding quarter 31/01/2006**	**Current year to-date 31/01/2007**	**Preceding year corresponding period 31/01/2006**
Net profit (RM)	37,628	358,414	249,686	894,820
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)	0.05	1.36	0.33	3.40

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 January 2007 is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Time Frame for Utilisation	Deviation Amount		Explanation
	RM'000	RM'000		RM'000	%	
Part finance acquisition of corporate office cum factory building	1,300	-	By financial year ending ("FYE") 31 July 2007	1,300	100	FOCUS is currently identifying the location.
Research and Development	1,500	1,262	Balance to be utilised by FYE 2007	238	16	-
Marketing Expenditure	650	63	Balance to be used by FYE 2007	587	90	-
Set-up costs for overseas sales and marketing office	550	101	The fund will be fully utilised by FYE 2007	449	82	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.
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.