

**Focus Dynamics Technologies Berhad**  
**(Company No: 582924-P)**  
**Interim Financial Reports for the 3<sup>rd</sup> quarter ended 30 April 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 goodwill.

Under FRS 3, the acquirer shall measure goodwill acquired in a business combination at cost less any accumulated impairment losses.

(a) (Cont'd)

In accordance with the provisions of FRS 3, the goodwill of RM2,209,793 arising from acquisition of the new subsidiary (DPC Industrial Systems Sdn. Bhd.) during the 3<sup>rd</sup> quarter ended 30 April 2007, has been stated at cost less accumulated impairment losses, if any.

(b) The accounting policies and method of computation adopted by the Group in the 3<sup>rd</sup> Quarter ended 30 April 2007 are consistent with those adopted for the 2<sup>nd</sup> Quarter ended 31 January 2007.

**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 by the Company 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 for 30 April 2007 are as follows:

	<b>Current Quarter 30/04/2007 RM'000</b>	<b>Current Year To Date 30/04/2007 RM'000</b>
<b>Segment Revenue</b>		
Domestic	1,844	7,701
Export	178	903
Total revenue	2,022	8,604
<b>Segment Results</b>		
Domestic	(56)	335
Export	4	83
	(52)	418
Interest income	20	47
Interest expenses	(44)	(144)
Taxation	(62)	(209)
Minority Interest	-	-
Net (loss) / profit attributable to shareholders	(138)	112

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

	<b>As at end of current quarter 30/04/2007 RM'000</b>	<b>As at preceding financial year ended 31/07/2006 RM'000</b>
<b>Total assets</b>		
Domestic	21,733	16,594
Export	7	-
Total assets	21,740	16,594

#### **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 30 April 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 during the quarter under review.

(a) On 26 March 2007, Focus Dynamics Drives Sdn. Bhd., a wholly-owned subsidiary of Focus Dynamics Technologies Berhad, had subscribed for 35,000 ordinary shares of RM1 each in Vaw Technology Sdn. Bhd. ("Vaw") representing a 35% equity interest in Vaw for a cash consideration of RM35,000.

(b) Focus Dynamics Centre Sdn. Bhd. ("FDC"), a wholly-owned subsidiary of Focus Dynamics Technologies Berhad, had on 3 April 2007 subscribed for 49,000 ordinary shares of RM1 each in UTE Power Sdn. Bhd. ("UTE"). This represents a 49% interest by FDC in UTE.

#### **A12. Contingent Liabilities**

Save as disclosed in Note B11, there were no material contingent liabilities or contingent assets as at 30 April 2007 and up to the date of this report.

#### **A13. Capital Commitments**

There were no material capital commitments as at 30 April 2007 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 nine (9) months period ended 30 April 2007, the Group recorded a revenue of RM8.60 million as compared to RM6.23 million for the corresponding period in the preceding year, an increase of 38%. This was mainly attributed to the contribution of existing and new projects for automation and control system implementation and electrification projects.

However, the Group posted a lower profit before taxation of RM0.32 million for the nine (9) months period ended 30 April 2007 as compared to RM1.26 million for the corresponding period in the preceding year, a decrease of 74%, due to lower margins from market segments, higher operating expenses incurred, increased in payroll and set-up costs for overseas sales and marketing office.

For the current quarter ended 30 April 2007, the Group recorded revenue of RM2.02 million which represent an increase of RM0.36 million or 21% as compared to RM1.67 million in the preceding year's corresponding quarter. This was mainly attributed to the contribution of existing projects for automation and control system and the electrification projects.

Despite the increase in revenue, the Group posted a loss before tax of RM0.08 million for the current quarter as compared to a profit of RM0.24 million in the preceding year's corresponding quarter, a decrease of 131%, mainly due to lower contribution from the energy savings projects during the 3<sup>rd</sup> quarter ended 30 April 2007, higher operating expenses incurred and increased in payroll.

**B2. Comparison of Current Quarter Results with the Preceding Quarter**

	<b>3<sup>rd</sup> Quarter ended 30 April 2007 RM'000</b>	<b>2<sup>nd</sup> Quarter ended 31 January 2007 RM'000</b>
Revenue	2,022	3,773
(Loss)/Profit before taxation	(76)	132

For current quarter, the Group recorded lower revenue of RM2.02 million or decrease of RM1.75 million or 46% as compared to revenue of RM3.77 million in the preceding quarter which was mainly due to lower contribution from the energy savings projects.

The Group posted a loss before tax of RM0.08 million for the current quarter as compared to a profit before tax of RM0.13 million in the preceding quarter, a decrease of 157%, mainly due to lower contribution from the energy savings projects and increased in payroll costs.

**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 believed to be favourable.

(b) Acquisition of DPC Industrial System Sdn. Bhd. was completed on 6 March 2007 and it will 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**

	<b>Current Quarter 30/04/2007 RM'000</b>	<b>Current Year To Date 30/04/2007 RM'000</b>
Income tax expense	62	208

The Group has a taxation charge of RM62,000 despite the loss for the current quarter ended 30 April 2007 mainly due to a loss of approximately RM242,000 incurred by a subsidiary company, Focus Dynamics Centre Sdn. Bhd., which was not allowed to set-off against the profits from related corporations of the Group for tax purpose.

The Group's tax charge for the nine (9) months period ended 30 April 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, Focus Dynamics Drives Sdn. Bhd., 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 28 June 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.

(b) The company had on 30 March 2007 announced that the company proposes to implement the followings:-

(i) an increase in authorised share capital of Focus from RM10,000,000 divided into 100,000,000 ordinary shares of RM0.10 each ("Focus Shares") to RM25,000,000 divided into 250,000,000 Focus Shares by the creation of an additional 150,000,000 Focus Shares;

(ii) a bonus issue of 18,899,445 new Focus Shares, to be credited as fully paid-up on the basis of one (1) new Focus Share for every four (4) existing Focus Shares held ("Proposed Bonus Issue");

(iii) a right issue of 47,248,612 five (5)-year warrants 2007/2011 ("Warrants") on the basis of one (1) Warrant for every two (2) Focus Shares held at an issue price of RM0.02 per Warrant after the Proposed Bonus Issue; and

(iv) amendments to the Memorandum and Articles of Association of Focus.

(collectively referred to as the "Proposals")

All the relevant approvals (save for the approval-in-principle to be obtained from Bursa Securities for item (iii) above) are obtained and the Proposals are expected to be completed by end of 2007.

## **B9. Group Borrowings and Debt Securities**

Particulars of the Group's borrowings as at 30 April 2007 are as follows:

		<b>RM'000</b>
Short term borrowings		
Bank overdraft	- secured	167
Export Credit Refinancing facility	- secured	948
Bankers' acceptance	- secured	2,318
Hire purchase	- unsecured	95
		<hr/> 3,528
Long term borrowings		
Hire purchase	- unsecured	276
		<hr/> 3,804
Total Borrowings		<hr/> <hr/> 3,804

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 June 2007, the Group is not involved in any litigation, either as plaintiff or defendant, which has a material effect on the financial position and the 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 the financial position or business:

On 27 September 2005, Focus Dynamics Drives Sdn Bhd (“FDD”) (“Defendant”), a wholly-owned subsidiary of Focus Dynamics Technologies Berhad (“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 trial dates for this case have been fixed on 30 & 31 March 2009.

## **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 (loss)/profit attributable to shareholders of RM(137,570) and RM112,116 respectively, by the weighted average number of shares in issue of 75,597,780 Focus shares.

	Current quarter 30/04/2007	Preceding year corresponding quarter 30/04/2006	Current year to- date 30/04/2007	Preceding year corresponding period 30/04/2006
Net (loss)/profit (RM)	(137,570)	229,554	112,116	1,124,374
Weighted average no. of ordinary shares in issue	75,597,780	75,080,926	75,597,780	59,927,450
Basic (Loss)/Earnings per Ordinary Shares (sen)	(0.18)	0.31	0.15	1.88

### 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 30 April 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	1,433	Balance to be utilised by FYE 2007	67	4	-
Marketing Expenditure	650	73	Balance to be used by FYE 2007	577	89	-
Set-up costs for overseas sales and marketing office	550	120	The fund will be fully utilised by FYE 2007	430	78	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.