

**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)
(Company No: 582924-P)
Interim Financial Reports for the 1ST quarter ended 31 October 2008**

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 (“Bursa Securities”) for the MESDAQ Market.
- (b) The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 July 2008.

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 2008 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 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 subsidiaries are principally engaged in the manufacturing, marketing, distribution and sale of industrial instruments for the control of industrial machines and process, research and development 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 Company and its subsidiaries ("Group") for the current quarter and current year to date for 31 October 2008 are as follows:

	Current Quarter 31/10/2008 RM'000	Current Year To Date 31/10/2008 RM'000
Segment Revenue		
Domestic	4,602	4,602
Export	1,107	1,107
Total revenue	<u>5,709</u>	<u>5,709</u>
Segment Results		
Domestic	(102)	(102)
Export	66	66
	<u>(36)</u>	<u>(36)</u>
Interest income	12	12
Interest expenses	(90)	(90)
Share of results of associated company	(45)	(45)
Taxation	37	37
Minority Interest	(9)	(9)
Net loss attributable to shareholders	<u>(131)</u>	<u>(131)</u>

A9. Segmental Information (Cont'd)

A breakdown of segmental total assets in geographical areas of the Group is as follows:

	As at end of current quarter 31/10/2008 RM'000	As at preceding financial year ended 31/07/2008 RM'000
Total assets		
Domestic	26,808	27,292
Export	2	5
Total assets	<u>26,810</u>	<u>27,297</u>

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

There were no material events subsequent to the current financial quarter ended 31 October 2008 and up to the date of this report, which is likely to substantially affect the results of the operations of the Company, which have not been announced.

A11. Changes in the Composition of the Group

There are no changes in the composition of the Group during the quarter under review and up to 16 December 2008.

A12. Contingent Liabilities

Save as disclosed in Note B11, there were no material contingent liabilities as at 31 October 2008 and up to the date of this report.

A13. Capital Commitments

There are no material capital commitments as at 31 October 2008 and up to the date of this report.

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B. ADDITIONAL INFORMATION REQUIRED BY “BURSA SECURITIES”

B1. Review of Performance

For the three (3) months period ended 31 October 2008, the Group recorded a total revenue of RM5.71 million, as compared to RM5.65 million for the corresponding period in the preceding year, an increase of 1.09%. The increase in revenue was primarily due to increased in materials resulting in higher sales value.

The Group posted a loss before tax of RM0.16 million for the current quarter as compared to a profit before tax of RM0.55 million in the preceding year's corresponding quarter mainly due to decrease in margin from market depressed situation and higher operating expenses.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	First Quarter ended 31 October 2008 RM'000	Forth Quarter ended 31 July 2008 RM'000
Revenue	5,709	4,386
Loss before taxation	(158)	(454)

For the three months period ended 31 October 2008, the Group recorded a revenue of RM5.71 million, representing a increase of 30.18% compared to the 4th quarter ended 31 July 2008. The increase in revenue was primarily due to increased in materials resulting in higher sales value and also higher project sales.

The Group posted a loss before tax of RM0.16 million for the current quarter as compared to a loss before tax of RM0.45 million in the preceding quarter, due to increased provision on inventories in the preceding quarter.

B3. Prospects for the Financial Year ending 31 July 2009

Barring any unforeseen circumstances, the Board expects that the performance of the Group will be satisfactory for the financial year ending 31 July 2009 in view of the impending concern on higher energy costs in Malaysia despite challenging operating environment.

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 31/10/2008 RM'000	Current Year To Date 31/10/2008 RM'000
Income tax expense		
- current quarter	39	39
- overprovision in previous years	(76)	(76)
	<u>(37)</u>	<u>(37)</u>

The adding back of income tax expense for the current quarter is mainly due to an overprovision of taxation in previous years by one of the subsidiary companies, DPC Industrial Systems Sdn. Bhd. of approximately RM76,000.

For the three months period ended 31 October 2008, there is a tax charge of RM39,000 for the Group. The Group's tax charge for the current quarter ended 31 October 2008 was higher than the statutory tax rate mainly due to certain expenses which were not allowed to set-off against the profits for tax purposes and a loss of approximately RM75,000 incurred by the holding company, Focus, and RM119,000 loss by two of the subsidiary companies, Focus Dynamics Drives Sdn. Bhd. and Focus Dynamics Centre Sdn. Bhd., which were not allowed to set-off against the profits from its other subsidiaries for tax purpose.

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 16 December 2008, there were no corporate proposals announced but not yet completed:

Focus Dynamics Drives Sdn. Bhd. ("FDD"), a wholly-owned subsidiary of Focus, had on 9 August 2007 entered into a Joint Venture Agreement ("JVA") with Terra Max Sdn. Bhd. to team up exclusively for the management, supply and execution of projects from the Malaysian Governments and/or Government Bodies.

On 13 November 2008, the Company has further announced that the JVA is still in force. Both parties are working in close corporation to target projects from the Malaysian Governments and/or Government Bodies.

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings as at 31 October 2008 are as follows:

		RM'000
Short term borrowings		
Bank overdraft	- secured	78
Term loan	- secured	49
Export Credit Refinancing facility	- secured	948
Bankers' acceptance	- secured	3,010
Hire purchase	- unsecured	104
		<hr/> 4,189
Long term borrowings		
Term loan	- secured	1,724
Hire purchase	- unsecured	296
		<hr/>
Total Borrowings		<hr/> <hr/> 6,209

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 16 December 2008, 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, 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 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 for 30 and 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 attributable to shareholders of RM(130,843), by the weighted average number of shares in issue of 103,956,925 Focus shares.

	Current quarter 31/10/2008	Preceding year corresponding quarter 31/10/2007	Current year to-date 31/10/2008	Preceding year corresponding period 31/10/2007
Net (loss)/profit (RM)	(130,843)	419,880	(130,843)	419,880
Weighted average no. of ordinary shares in issue	103,956,925	94,497,225	103,956,925	94,497,225
Basic (Loss)/ Earnings per Ordinary Shares (sen)	(0.13)	0.44	(0.13)	0.44
Diluted (Loss)/Earnings per Ordinary Shares (sen)	(0.13)	0.44	(0.13)	0.44

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 2008 is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Time Frame for Utilisation	Deviation Amount		Explanation
	RM'000	RM'000		RM'000	%	
Part finance land acquisition for construction of a corporate office cum factory building	1,300	1,300	-	-	-	-
Research and Development	1,500	1,500	-	-	-	-
Marketing Expenditure	184	184	-	-	-	-
Set-up costs for overseas sales and marketing office	550	533	Balance to be utilised by 31.07.2009	17	3	To set-up sales and marketing office.
Working Capital	2,946	2,946	-	-	-	-
Listing expenses *	1,800	1,800	-	-	-	-

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