

**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)
(Company No: 582924-P)
Interim Financial Reports for the 2nd quarter ended 31 January 2010**

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 ACE Market.
- (b) The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 July 2009 except for the following new and revised FRS which is effective for financial period beginning on or after 1 July 2009:

FRS 8 Operating Segments

FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting and requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. The adoption of the said FRS does not have any significant financial impact on the Group.

- (c) At the date of authorisation of these interim financial statements, the following new FRSs, Amendments to FRSs, Revised FRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group:

		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements (revised 2009)	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2	Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010

A1. Basis of Preparation (Cont'd)

IC Interpretation 14: FRS 119	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (Revised 2010)	1 July 2010
FRS 127	Consolidated and Separate Financial Statements (Revised 2010)	1 July 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"		1 January 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010

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 2009 were not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The Group's business operational 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.

Business segments in revenue and results of the Company and its subsidiaries ("Group") for the current quarter and current year to date for 31 January 2010 are as follows:

	Current Quarter 31/10/2010 RM'000	Current Year To Date 31/10/2010 RM'000
Business Segments		
Manufacturing	1,232	2,304
Trading and services	4,072	6,180
Total revenue	<u>5,304</u>	<u>8,484</u>

A9. Segmental Information (Cont'd)

A breakdown of business segments in total assets of the Group is as follows:

	As at end of current quarter 31/01/2010 RM'000	As at preceding financial year ended 31/07/2009 RM'000
Total assets		
Manufacturing	12,126	8,733
Trading and services	9,351	13,499
Others	6,187	4,882
Total assets	<u>27,664</u>	<u>27,114</u>

A breakdown of business segments in total liabilities of the Group is as follows:

	As at end of current quarter 31/01/2010 RM'000	As at preceding financial year ended 31/07/2009 RM'000
Total liabilities		
Manufacturing	1,007	2,699
Trading and services	2,150	2,349
Others	8,338	8,956
Total liabilities	<u>11,495</u>	<u>14,004</u>

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 January 2010 are as follows:

	Current Quarter 31/01/2010 RM'000	Current Year To Date 31/01/2010 RM'000
Segment Revenue		
Domestic	3,384	6,226
Export	1,920	2,258
Total revenue	<u>5,304</u>	<u>8,484</u>
Segment Results		
Domestic	7	(182)
Export	122	199
	<u>129</u>	<u>17</u>
Interest income	4	15
Interest expenses	(98)	(188)
Gain to Group on disposal of subsidiaries and associated company	-	136
Loss to Group on strike off of subsidiaries	(109)	(109)
Share of results of associated companies	(18)	(140)
Taxation	(37)	(41)
Minority Interest	-	-
	<u>(129)</u>	<u>(310)</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 31/01/2010 RM'000	As at preceding financial year ended 31/07/2009 RM'000
Total assets		
Domestic	27,663	27,109
Export	1	5
Total assets	<u>27,664</u>	<u>27,114</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 January 2010 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

Save as disclosed below, there are no changes in the composition of the Group during the quarter under review.

- (a) On 20 November 2009, Oxy Deluxe Sdn. Bhd., a dormant company incorporated in Malaysia, which is a wholly owned subsidiary of Focus Dynamics Technologies Berhad., has been voluntarily strike off.
- (b) On 22 December 2009, DPC Industry Sdn. Bhd and DPC Industrial (PG) Sdn. Bhd., both companies incorporated in Malaysia, which are 100% and 60% owned subsidiaries respectively of Focus Dynamics Distribution Sdn. Bhd. have been disposed.
- (c) Focus Energy Solutions Sdn. Bhd., a company incorporated in Malaysia, which is a 51% owned subsidiary of Focus Dynamics Centre Sdn. Bhd. has been disposed on 22 December 2009.
- (d) Focus Dynamics Drives Sdn. Bhd. had on 22 December 2009 disposed its' 35% owned associated company, VAW Technology Sdn. Bhd., a company incorporated in Malaysia.
- (e) Elpower Holdings Limited, a dormant company incorporated in Hong Kong, which is a wholly owned subsidiary of Focus Dynamics Technologies Berhad, was deregistered on 17 December 2009.

A12. Contingent Liabilities

Save as disclosed in Note B11, there were no material contingent liabilities as at 31 January 2010 and up to the date of this report.

A13. Capital Commitments

There are no material capital commitments as at 31 January 2010 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 January 2010, the Group recorded a total revenue of RM5.30 million, as compared to RM5.60 million for the corresponding period in the preceding year, a decrease of 5.27%. The decrease in revenue was primarily due to disposal of non core businesses and lower automation demand from the Palm Oil Mills.

The Group posted a loss before taxation of RM0.09 million for the current quarter as compared to loss before taxation of RM0.15 million in the preceding year's corresponding quarter, mainly due to lower operational expenses and reduction of losses contributed by the associated companies derived from disposal of non core businesses.

For the cumulative 2 quarters ended 31 January 2010, the Group recorded a total revenue of RM8.48 million, as compared to RM11.31 million for the cumulative corresponding quarters in the preceding year, which is a decrease of 24.98%.

The Group recorded a loss before taxation of RM0.27 million for the cumulative 2 quarters ended 31 January 2010 as compared to a loss before taxation of RM0.31 million for the cumulative corresponding quarters in the preceding year. The decrease in revenue and the loss before taxation is due to the same reason as above.

B2. Comparison of Current Quarter Results with the Preceding Quarter

	Second Quarter ended 31 January 2010 RM'000	First Quarter ended 31 October 2009 RM'000
Revenue	5,304	3,180
Loss before taxation	(92)	(177)

For the three months period ended 31 January 2010, the Group recorded a revenue of RM5.30 million, representing an increase of 66.80% compared to the 1st quarter ended 31 October 2010. The increase in revenue was primarily due to higher contribution from the energy saving projects.

The Group posted a loss before taxation of RM0.09 million for the current quarter as compared to a loss before taxation of RM0.18 million in the preceding quarter, mainly due to increase in revenue.

B3. Prospects for the Financial Year ending 31 July 2010

In view of the global economic crisis, the Board of Directors is of the view that the performance of the Group will be affected. The results for the year ending 31 July 2010 is expected to be less encouraging but is anticipated to be an improvement compared to the year ended 31 July 2009.

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 31/01/2010 RM'000	Current Year To Date 31/01/2009 RM'000
Income tax expense		
- current quarter	(43)	(47)
- overprovision in previous years	6	6
	<u>(37)</u>	<u>(41)</u>

The Group's tax charge for the three months period ended 31 January 2010 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 RM96,000 incurred by the holding company (Focus) and RM236,000 loss by two of the subsidiary companies (Focus Dynamics Drives Sdn. Bhd. and Focus Dynamics Distribution 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 23 March 2010, there were no corporate proposals announced but not yet completed:

On 5 February 2010, OSK Investment Bank Berhad had on Focus's behalf, announced the proposed private placement of up to 18,229,554 new ordinary shares of RM0.10 each in Focus representing up to ten percent (10%) of the total issued and paid-up share capital of Focus.

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings as at 31 January 2010 are as follows:

		RM'000
Short term borrowings		
Bank overdraft	- secured	-
Term loan	- secured	2,029
Export Credit Refinancing facility	- secured	-
Bankers' acceptance	- secured	3,279
Hire purchase	- unsecured	34
		<hr/> 5,342
Long term borrowings		
Term loan	- secured	2,948
Hire purchase	- unsecured	48
		<hr/> 8,338
Total Borrowings		<hr/> 8,338

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 23 January 2010, 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.

Although the case was fixed for full trial on 30 and 31 March 2009, it could not go on because the Court was not able to proceed that day. The Court instead gave further directions for the Plaintiff to comply to refixed the matter for further case management on 5 May 2009. However, the Plaintiff failed to comply with the directions of the Court and instead of proceeding, the Court once again refixed the matter on 25 June 2009 for the plaintiff to explain. The Court has fixed the case for next mention on 29 July 2009 for further case management.

On 27 July 2009, the Plaintiff and FDD agreed to withdraw the case provided that the costs will be awarded to FDD. Even with this withdrawal, the Plaintiff has liberty to file afresh. However, in view of the limitation period running out by May 2010, it is highly unlikely that Plaintiff will do so especially since they have gone this far and now wishes to withdraw.

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(129,349) and RM(310,691), by the weighted average number of shares in issue of 120,871,925 Focus shares.

	Current quarter 31/10/2010	Preceding year corresponding quarter 31/01/2009	Current year to-date 31/10/2010	Preceding year corresponding period 31/10/2009
Net loss (RM)	(129,349)	(197,994)	(310,691)	(328,837)
Weighted average no. of ordinary shares in issue	120,871,925	103,946,925	120,871,925	103,946,925
Basic Loss per Ordinary Shares (sen)	(0.11)	(0.19)	(0.26)	(0.32)
Diluted Loss per Ordinary Shares (sen)	(0.11)	(0.19)	(0.26)	(0.32)

B14. Utilisation of Private Placement Proceeds

(a)

The status of the utilisation of the proceeds raised from the private placement exercise ("Private Placement") of 15,000,000 Focus shares at the placement price of RM0.10 per share amounting to RM1,500,000 as at 23 March 2010 is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Time Frame for Utilisation	Deviation Amount		Explanation
	RM'000	RM'000		RM'000	%	
Working Capital	1,431	1,431	*	-	-	-
Private Placement expenses **	69	69	**	-	-	-

Note: * The above proceed was expected to be utilised within twelve (12) months from the listing of the Private Placement shares on 8 October 2009.

** The above proceed was expected to be utilised within six (6) months from the listing of the Private Placement shares on 8 October 2009.

B15. Utilisation of Private Placement Proceeds (Cont'd)

(b)

The status of the utilisation of the proceeds raised from the private placement exercise ("Private Placement") of 16,100,000 Focus shares at the placement price of RM0.125 per share amounting to RM2,012,500 as at 23 March 2010 is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Time Frame for Utilisation	Deviation Amount		Explanation
	RM'000	RM'000		RM'000	%	
Working Capital	1,932		*	1,932	100	-
Private Placement expenses **	81	12	**	69	85	-

Note: * The above proceed was expected to be utilised within twelve (12) months from the listing of the Private Placement shares on 21 January 2010.

** The above proceed was expected to be utilised within six (6) months from the listing of the Private Placement shares on 21 January 2010.