

**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)
(Company No: 582924-P)
Interim Financial Report for the three months period ended 30 September 2013**

**PART A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD 134 (“MFRS 134”) INTERIM FINANCIAL REPORTING**

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards (“MFRS”) No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) ACE Market Listing Requirements (“ACE Listing Requirements”) and should be read in conjunction with the audited financial statements of the Company and its subsidiaries (“Group”) for the financial year ended 31 December 2012. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2012 except for the newly-issued accounting framework - MFRS and IC Interpretations (“IC Int.”) to be applied by all Entities Other Than Private Entities for the:

Financial periods beginning on or after 1 July 2012

Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income

Financial periods beginning on or after 1 January 2013

Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

MFRS 2, Share-based Payment

MFRS 3, Business Combinations

MFRS 5, Non-current Assets Held for Sale and Discontinued Operations

MFRS 7, Financial Instruments: Disclosures

MFRS 8, Operating Segments

MFRS 101, Presentation of Financial Statements MFRS 107, Statement of Cash Flows

MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors

MFRS 110, Events after the Reporting Period

MFRS 112, Income Taxes

MFRS 116, Property, Plant and Equipment MFRS 118, Revenue

MFRS 119, Employee Benefits

MFRS 121, The Effects of Changes in Foreign Exchange Rates

MFRS 124, Related Party Disclosures

MFRS 127, Consolidated and Separate Financial Statements MFRS 128, Investment in Associates

MFRS 132, Financial Instruments: Presentation MFRS 133, Earnings Per Share

MFRS 134, Interim Financial Reporting MFRS 136, Impairment of Assets

MFRS 137, Provisions, Contingent Liabilities and Contingent Assets MFRS 138, Intangible Assets

MFRS 139, Financial Instruments: Recognition and Measurement Improvements to MFRSs

The adoption of the above did not have any significant effects on the interim financial statements upon their initial application.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report for the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2012 were not subject to any qualification.

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's business operational results were not materially affected by any major seasonal or cyclical factors.

A4. UNUSUAL ITEM DUE TO THEIR NATURE, SIZE OR INCIDENCE

During the current quarter under review, there were no unusual items or events that affecting the assets, liabilities, equity, net income or cash flows, to the effect that is unusual nature, size or incidence.

A5. MATERIAL ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter and financial period-to-date results under review.

A6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayment of debt securities during the period under the review and up to the date of this report

A7. DIVIDEND DECLARED

No dividend has been declared or paid by the Company during the current quarter under review.

The Directors do not recommend the payment of any dividend in respect of the current financial period under review.

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A8. SEGMENT INFORMATION

Segment information is provided based on three (3) major business segments, i.e. engineering services, manufacturing and Food & Beverage. Expenses, assets and liabilities which are common and cannot be meaningfully allocated to the segments are presented under allocated expenses, assets and liabilities respectively.

Business segments in revenue and results of the Company and its subsidiaries (“Group”) for the current quarter and current year to date for 30 September 2013 are as follows:-

	←-----Results for 9 months ended 30 September 2013-----→				
	Manufacturing RM	Engineering services RM	Food & Beverage RM	Others RM	Total RM
Revenue					
Segment revenue	13,406	3,793,058	1,983,458	-	5,789,922
Elimination- inter segment	-	-	-	-	-
Total revenue	<u>13,406</u>	<u>3,793,058</u>	<u>1,983,458</u>	<u>-</u>	<u>5,789,922</u>
Results from operating activities	(369,612)	(576,878)	(1,315,369)	(417,647)	(2,679,506)
Finance costs					(132,845)
Share of results in associates					-
Loss before taxation					<u>(2,812,351)</u>
Tax expense					<u>(35,808)</u>
Loss after taxation					<u>(2,848,159)</u>
Assets and Liabilities					
Segment assets	7,656,893	8,028,614	6,67,609	84,709	22,537,825
Goodwill on consolidation					2,827,104
Investment in associates					-
Cash in hand and at banks					441,724
Deposits with licensed banks					2,780,710
Tax recoverable					400,235
Consolidated total assets					<u>28,987,598</u>
Segment liabilities	6,517	836,457	1,785,554	1,082,728	3,711,256
Provision for taxation					40,314
Borrowings					5,019,690
Total liabilities					<u>8,711,260</u>
Capital expenditure					600,861
Depreciation of property, plant and equipment					884,522
Amortisation of products development expenditure					-
Impairment loss on R&D					-

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	←-----Results for 9 months ended 30 September 2012-----→				
	Manufacturing RM	Engineering services RM	Food & Beverage RM	Others RM	Total RM
Revenue					
Segment revenue	60,995	5,110,851	-	-	5,171,846
Elimination- inter segment	-	-	-	-	-
Total revenue	60,995	5,110,851	-	-	5,171,846
Results from operating activities	(177,808)	(2,315,107)	(355,157)	(247,503)	(3,095,576)
Finance costs					(157,778)
Share of results in associates					(976)
Loss before taxation					<u>(3,254,330)</u>
Assets and Liabilities					
Segment assets	7,759,212	10,676,309	-	-	18,435,521
Goodwill on consolidation					2,209,793
Investment in associates					25,238
Cash in hand and at banks					744,958
Deposits with licensed banks					5,645,403
Tax recoverable					481,060
Consolidated total assets					<u>27,541,9732</u>
Segment liabilities	11,439	2,240,566		1,124,171	3,376,276
Unallocated liabilities					
Borrowings					666,509
Total liabilities					<u>4,042,785</u>
Capital expenditure					1,375,486
Depreciation of property, plant and equipment					558,427
Amortisation of products development expenditure					208,531
Impairment loss on R&D					168,652

A9 SUBSEQUENT EVENTS

There were no other material events during the current quarter of 30 September 2013 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.

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes in the valuation of property, plant and equipment since the latest audited financial statements for the financial year ended 31 December 2012.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

On 26 June 2013, the wholly owned subsidiary of Focus, Marquee International Holding Sdn. Bhd. ("MIHSB"), had completed the acquisition of 510,000 ordinary shares, representing 51.0% equity interest of Max Wisdom Sdn Bhd ("MWSB") for RM1,600,000. MWSB is principally involved in restaurant, food and beverages business ("Acquisition"). The Acquisition will enable the Company to venture into the food service industry to improve its revenue stream and earnings base and hence, to reduce the reliance on its existing core business.

A12. CONTINGENT ASSETS AND LIABILITIES

There were no changes in contingent liabilities or contingent assets, since the last financial year ended 31 December 2012.

A13. CAPITAL COMMITMENTS

Capital expenditure commitments contracted and not provided for in the interim financial statements as at 30 September 2013 are as follows:-

	As at 30.09.2013 RM
Property, plant and equipment	985,615
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**Focus Dynamics Technologies Berhad (“Focus” or the “Company”)
(Company No: 582924-P)
Interim Financial Report for three months period ended 30 September 2013**

B. ADDITIONAL INFORMATION REQUIRED BY “BURSA SECURITIES”

B1. REVIEW OF PERFORMANCE

CURRENT QUARTER COMPARED TO THE CORRESPONDING QUARTER OF LAST YEAR (3Q 13 vs 3Q 12)

	3 months ended	
	30.09.2013	30.09.2012
	RM	RM
Revenue	2,792,074	1,449,339
Loss before taxation (“LBT”)	684,557	838,625

For the 3rd quarter ended 30 September 2013, the Group achieved sales revenue of RM2.79 million as against RM1.45 million of the corresponding quarter of last year. The increase in revenue is mainly due to the contribution of RM1.98 million from MWSB, the newly acquired subsidiary, which is engaged in the restaurant, food and beverage business.

With the new line of business, the gross profit (“GP”) margin for the current quarter rose to 44.80% from 16.92% in the corresponding quarter in 2012. The higher GP margin is mainly attributable higher GP margin for food and beverage business.

On 26 August 2013, Focus Dynamics Centre Sdn Bhd (“FDC”) and Focus Dynamics Drive Sdn Bhd (“FDD”), the wholly-owned subsidiary of Focus, each received RM500,000 as lawsuit settlement (“Settlement”) from two (2) former directors. The Settlement is classified as other income in this quarter. Accordingly, the Group posted a lower LBT of RM0.68 million as against a LBT of RM0.84 million in the corresponding quarter.

B2. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER

3Q 13 vs 2Q 13

	3 months ended	3-months ended
	30.09.2013	30.06.2013
	RM	RM
Revenue	2,792,074	1,494,828
LBT	684,557	1,118,659

For the three months period ended 30 September 2013, the Group recorded revenue of RM2.79 million as against RM1.49 million of the preceding quarter. The increase in revenue is mainly due to the contribution of RM1.98 million from MWSB, the newly acquired subsidiary, which is engaged in the restaurant, food and beverage business.

With the new line of business, the GP margin for the current quarter rose to 44.80% from 17.99% in the preceding quarter in 2013.

Accordingly, the Group posted a lower LBT of RM0.68 million as against a LBT of RM1.12 million in the preceding quarter.

B3. COMMENTARY ON PROSPECTS

The Board of Directors is of the view that the Group will continue to operate in competitive environment. Moving forward, the Board of Directors is taking necessary measure and evaluating the Group's overall business strategy.

With the increase government drive towards Green incentives and Green metrics under Key Performance Areas for the government. The energy sector will play the role in intensifying towards strong economic growth with increased focus towards energy management and renewable energy initiatives.

In line with our vision to be a total integrated energy efficiency solution provider and with our knowledge of energy efficiency technology, our Group will continue to utilize our resources to explore into other new business and increase our market share in the energy conservation sector.

With energy prices increasing and an increased interest in sustainability, a market for high efficiency, environmentally friendly lighting has been created. This need can now be cost effectively met with LED lighting technology because of recent advances in LED manufacturing techniques with maturing LED technology.

Our group, as an energy efficiency company is well positioned to step forward of its core competencies that are well aligned with this great opportunity to expand to LED lighting industries.

Moving forward, the Group envisages that its foray into the food and beverage business will improve its revenue stream and earnings base at the same time reducing its reliance on its existing core business.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group did not publish any profit forecast or profit guarantee

B5. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended	
	30.09.2013	30.09.2012
	RM	RM
Loss for the period is arrived at after charging		
Amortisation and depreciation	(402,458)	(280,033)
Interest expense	(105,205)	(8,806)
Impairment on trade receivables	(60,653)	
Impairment loss on R&D expenses	-	(168,652)
Realised foreign exchange loss	-	-
Property, plant and equipment written off	-	-
And after crediting		
Bad debts recovered	-	-
Gain on disposal of quoted and unquoted investments	-	-
Gain on disposal of property, plant and equipment	-	-
Gain on foreign exchanged- realised	-	-
Interest income	10,012	15,996
Lawsuit settlement	1,000,000	-

B6. INCOME TAX EXPENSE

	3 months ended	
	30.09.2013	30.09.2012
	RM	RM
Deferred tax	-	-
Current tax	-	-
Tax Expenses	-	-

B7. STATUS OF CORPORATE PROPOSALS

There are no corporate proposals announced but not completed as at the reporting date save and except for the following:-

On 24 April 2013, M&A Securities Sdn Bhd ("M&A Securities"), on behalf the Board, announced that the Company proposes to implement a private placement of up to 32,068,300 new ordinary shares of RM0.10 each in Focus ("Focus Shares") to independent third party investors to be identified at a later date.

Based on an indicative issue price of RM0.10 per placement Share (which is the par value of Focus Shares), the Company is expected to raise gross proceeds amounting up to RM3,206,830 from the proposed private placement, which shall be utilised as working capital for the Group.

On 6 May 2013, M&A Securities on behalf of the Board announced that the listing application for the proposed private placement has been submitted to Bursa Securities on even date. On 19 November 2013, M&A Securities, the Board announce that Bursa Securities, had, vide its letter dated 18 November 2013, approved the listing of and quotation for up to 32,068,300 new Focus Shares to be issued pursuant to the Private Placement on the ACE Market of Bursa Securities subject to the following conditions:

- (i) Focus and M&A Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Private Placement;
- (ii) Focus and M&A Securities to inform Bursa Securities upon the completion of the Private Placement; and
- (iii) Focus to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Private Placement is completed.

B8. GROUP BORROWINGS AND DEBT SECURITIES

The details of the Group's borrowings as at 30 September 2013 are as follows:

	As at	As at
	30.09.2013	31.12.2012
	RM	RM
Current		
Term loan- secured	571,716	5,854
Bank overdraft	1,383,168	
Hire purchase unsecured	251,452	112,103
	2,206,336	117,103
Non-current	2,101,138	
Term loan-secured	712,216	-
Hire purchase-unsecured		517,800
	2,813,354	517,800
Total Bank borrowings	5,019,690	635,757

The Group does not have any foreign borrowings as at the date of this report.

B9. MATERIAL LITIGATION

Save for the following, the Group is not engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary companies and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary companies as at the date of this report:-

Pan Asia Publications Sdn Bhd (“PAPSB” or “Plaintiff”) vs Focus Dynamics Drives Sdn Bhd (“FDD” or Defendant”) (High Court of Shah Alam Civil Suit No; 22-1424-2010)

PAPP initiated a legal action against FDD, a wholly-owned subsidiary of the Company, in the High Court of Malaya, Shah Alam on 3 November 2010. FDD filed the Memorandum of Appearance on 23 December 2010. PAPSB in this suit prays for a declaration that the Agreement to Purchase dated 26 April 2010 between PAPSB and FDD (“the said Agreement”) where FDD agreed to sell and PAPSB agreed to purchase a property known as industrial building with single storey warehouse and 3 storey office / assembly area located at No. 2-16, Jalan SU 8 (Lion Industrial Park), Seksyen 22, 40300 Shah Alam, Selangor held under individual title GRN177271, Lot 38170, Pekan Baru Hicom District of Petaling, State of Selangor (“the said Property”) in consideration of RM6,150,000 is a valid, binding and enforceable agreement. PAPSB also prays for a specific performance of the said Agreement and damages for breach of contract as PAPSB alleged that pursuant to the said Agreement PAPSB duly paid the earnest deposit of RM129,150.00 (2.1% of the sale and purchase price) to Reapfield Properties (S.J.) Sdn. Bhd., the so call agent of FDD (“Reapfield) and yet FDD failed, neglected and / or refuse to respond on the draft formal Sale and Purchase Agreement which was prepared by their solicitors. The solicitors in charge of this matter are of the view that since Reapfield has no authority to act on FDD behalf and there was no board resolution to sell the said Property to PAPSB, FDD has an arguable dispute against the claim. Currently, the solicitors of PAPSB and FDD are finalising the pleadings.

The Defendant applied to strike out the Plaintiff’s action was fixed for case management on 31 October 2013 before the Deputy Registrar. The Court has fixed the application for case management on 29 November 2013 before the Deputy Registrar and the hearing for the Defendant’s application to strike out the Plaintiff’s action was fixed on 12 December 2013. The trial for the Main Suit has set on 27 and 28 January 2014.

(i) Focus Dynamics Centre Sdn Bhd (“FDC” or Plaintiff”) vs Kong Kwai Ching & Kee Twuan Tee (“collectively referred to as “Defendants”) (High Court of Kuala Lumpur Civil Suit No: 22NCC-1822-12/2012)

FDC has initiated legal proceedings against two (2) of its former directors namely Kong Kwai Ching and Kee Twuan Tee (“Defendants”) for breach of fiduciary duties and breach of section 132 of the Companies Act 1965 in approving sales of energy efficiency products and subsequently drawdown approximately RM2,618,524.43 on the Plaintiff’s banking facilities. Statement of Claim (“the Claim”) was filed on 10 December 2012 by Focus Dynamics Centre Sdn. Bhd. The application to amend the Claim was filed on 26 April 2013.

The Plaintiff is claiming for a specific losses in the sum of RM2,618,524.43 from the Defendants and other losses to be assessed by the Court. The Plaintiff has also on 26 April 2013 filed an application to amend the Claim to insert a further claim of restitution in the sum of RM1,721,805.00, either in addition or in the alternative to the above specific losses, from the Defendants. Plaintiff pleaded that Defendants have breached their fiduciary duties and Section 132 of the Companies Act 1965 in approving sales and subsequently drawdown on the

Plaintiff's banking facilities as well as causing wrongful loss to the Plaintiff.

The case management was on 31 May 2013 on Plaintiff's application for amendment to the Statement of Claim ("SOC"). The Judge allowed the Plaintiff's amendment to the SOC. On the case management held on 26 August 2013, both Plaintiff and Defendants have arrived at a full and final settlement of the abovementioned suit, whereby the Plaintiff had withdrawn the Suit against the Defendants with no order to cost and no liberty to file afresh as the Plaintiff had received RM1,000,000.00 from the Defendants as full and final settlement of the Suit (hereinafter referred to as "the Settlement").

One of the terms of the Settlement is that the Settlement also binds Focus Dynamics Drives Sdn. Bhd. ("FDD"), another wholly-owned subsidiary of the Company. This is because both the Plaintiff and FDD have suffered an impairment on trade debtors amounted to RM2,618,524.43 and RM3,223,904.14 respectively. During the material time of those sales transactions, the Defendants were directors of the Plaintiff and FDD who responsible for those sales transactions. As such, the Settlement meant for a global settlement for both the Plaintiff and FDD since it involves same parties. This shall constitute a full and final settlement of all claims and related matters between the Plaintiff, Defendants and FDD and there shall be no further claim between the parties thereafter.

B10. PROPOSED DIVIDEND

No dividend has been declared or paid during the current quarter under review and financial year-to-date.

B11. EARNINGS/ (LOSS) PER SHARE

Basic

Basic loss per ordinary share is calculated by dividing the net loss for the financial period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	9 months ended		Current year to date	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Loss attributable to equity holders of the parent (RM)	(684,557)	(838,625)	(2,848,159)	(3,254,330)
Weighted average number of Ordinary shares in issue	320,683,100	311,639,235	320,683,100	311,639,235
Basic Loss per Ordinary Share (sen)	(0.21)	(0.27)	(0.89)	(1.04)

Diluted

The fully diluted loss per ordinary share for the Group for the current financial period is not presented as the warrants would be anti-dilutive as the exercise price is higher than the fair value of the Company's shares.

B12. STATUS OF UTILISATION OF PROCEEDS

Private placement

The status of the utilisation of the proceeds raised from the private placement of 29,153,050 Shares at an issue price of RM0.15 per share amounting to RM4,372,963 as at 30 September 2013 is as follows:-

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance of proceeds RM'000	Time frame for the utilisation of proceeds RM'000
Working capital	4,273	2,603	1,670	31.12.2013
Defraying expenses	100	83	17	31.12.2013
	<u>4,373</u>	<u>2,686</u>	<u>1,687</u>	

The Board has on 3 December 2012 approved the utilisation of the proceeds derived from private placement to be extended to 31 December 2013.

B13. REALISED AND UNREALISED PROFIT OR LOSSES

Breakdown of the Group's realised profit or losses as at 30 September 2013 is as follows:-

	As at 30.09.2013 RM	As at 31.12.2012 RM
Total accumulated loss of the Company and its subsidiaries:-		
- Realised	(16,193,354)	(13,304,610)
- Unrealised	-	3,713
Total share of accumulated losses from associate		
- Realised	-	(200,000)
- Unrealised	-	-
Less: Consolidation adjustments		-
Total accumulated loss as per statement of financial position	(16,193,354)	(13,500,897)

B14. AUTHORITY FOR ISSUE

The interim financial report were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

By order of the Board

TEO SOON MEI
Company Secretary