



FOCUS DYNAMICS TECHNOLOGIES BERHAD
(Company No. 582924-P)
(Incorporated in Malaysia under the Companies Act, 1965)

STRENGTHENING
GROWTH



ANNUAL REPORT **2007**



[WHO WE ARE]

We are integrated energy efficiency solutions provider of a wide range of systems and equipment for industrial and commercial buildings, and lighting application.

We manufacture Energy Savers, Variable Speed Drives and Softstarters for cost-effective control of industrial machines and processes, and LED lighting for energy-efficient lighting systems.

We provide consultation services, testing and commissioning of our energy efficiency systems for buildings and factories.

Our Group's strength lies in our ability to analyze our customer's energy saving requirements, application of our company's energy efficiency technologies and development of in-house manufactured products, systems and equipment that provide cost efficient energy efficiency solutions.



focus

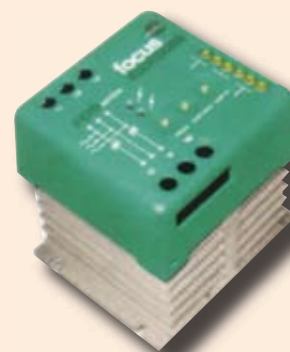
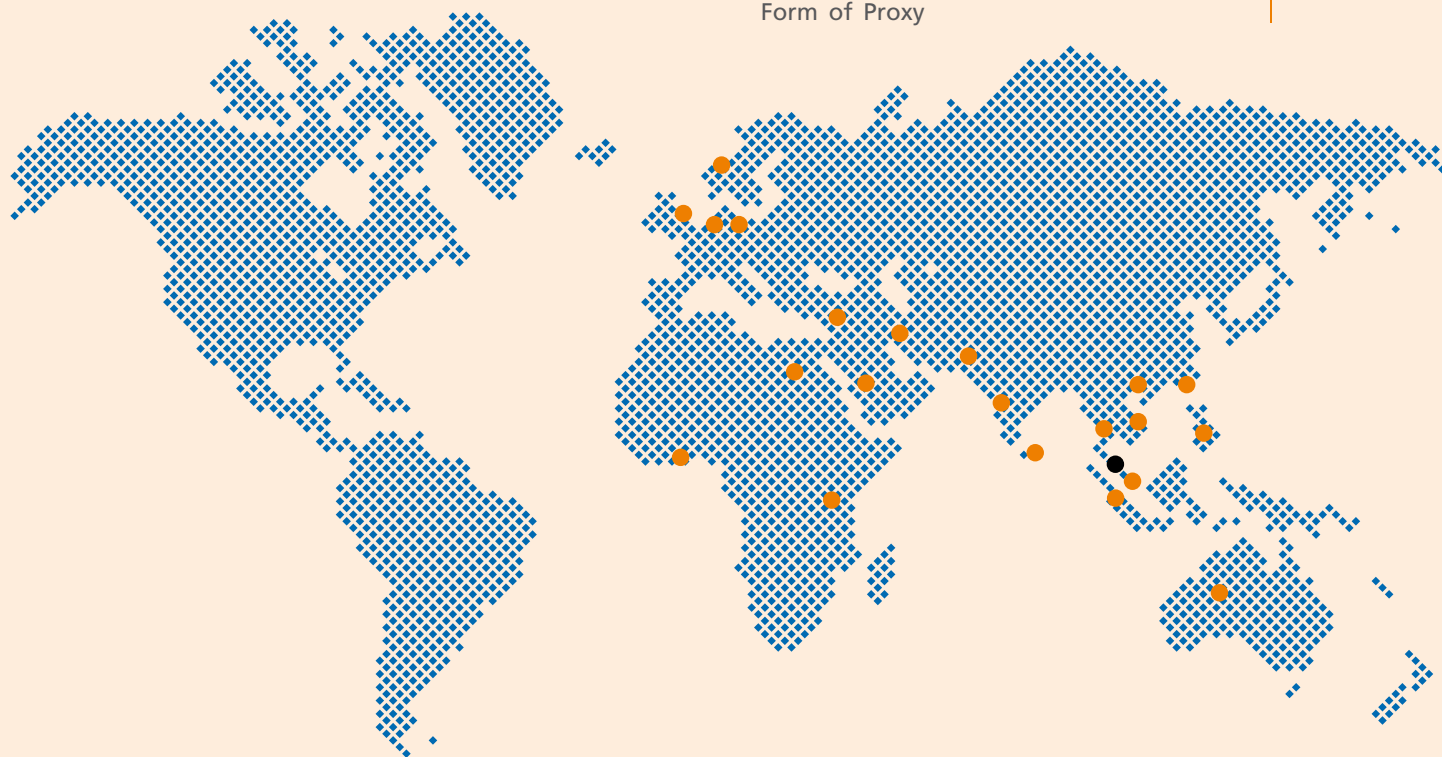
dynamics



[VISION & MISSION]

To become a total, integrated energy efficiency solutions provider and manufacturer of a complete range of energy efficiency products that offer better cost control and energy savings for industrial machines, commercial buildings and lighting application. We expect to achieve this through the continuous research and development, and utilization of leading edge technology.

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[BOARD OF DIRECTORS]

DATO' HAMZAH BIN MOHD SALLEH *Independent Non-Executive Chairman*

KONG KWAI CHING *Managing Director / Chief Technical Officer*

WONG MUN LEONG *Executive Director / Technical Director*

DATUK LAU BENG WEI *Executive Director*

KEE TWUAN TEE *Chief Executive Officer / Executive Director*

NG SIN HONG *Independent Non-Executive Director*

[AUDIT COMMITTEE]

NG SIN HONG
Independent Non-Executive Director

DATO' HAMZAH BIN MOHD SALLEH
Independent Non-Executive Chairman

KONG KWAI CHING
Managing Director / Chief Technical Officer

[COMPANY SECRETARIES]

HUANG MIEW WOON
(MACS 00036)

TAIBAH BINTI ABDUL RAHMAN @ LING KIONG
(MAICSA 7003550)

[REGISTRED OFFICE]

30-3, Jalan 11/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel : 03-7981 3337
Fax : 03-7982 5708

[PRINCIPAL PLACE OF BUSINESS]

Nos. 12, 14 & 16
Jalan PJU 1A/11
Ara Damansara
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7845 0896
Fax : 03-7845 0897
Email : info@focusdynamics.net
Website : www.focusdynamics.net

[PRINCIPAL BANKERS]

CIMB Bank Berhad
HSBC Bank Malaysia Berhad

[AUDITORS]

MUSTAPHA, KHOO & CO.
(AF0599)
Chartered Accountant

[SOLICITORS]

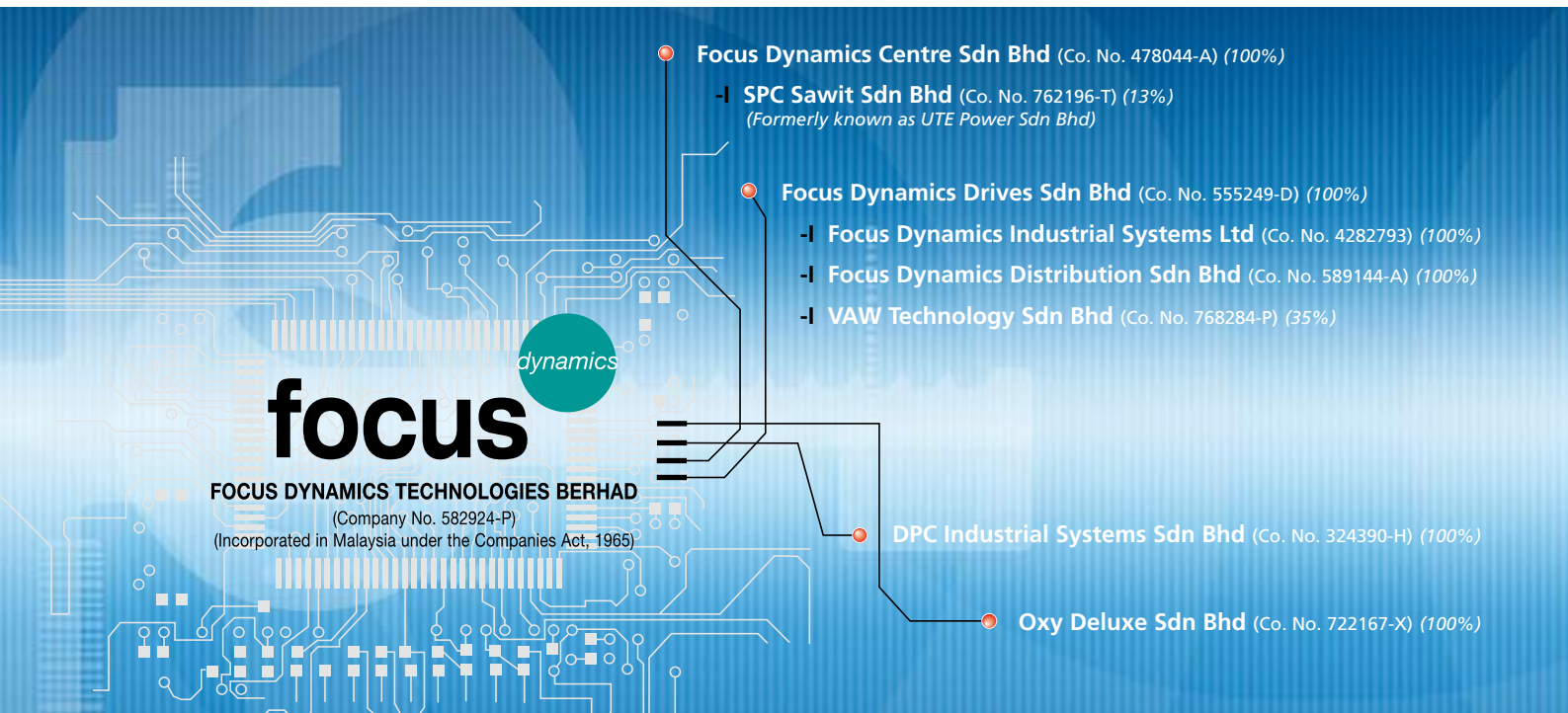
WONG, BEH & TOH
Advocates & Solicitors

[SHARE REGISTRAR]

SYMPHONY SHARE REGISTRARS SDN BHD
(Co. No. 378993-D)
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 03-2721 2222
Fax : 03-2721 2530

[SPONSOR]

HWANGDBS INVESTMENT BANK BERHAD
(Co. No. 14389-U)
Suite 23A-01, 23A Floor
Menara Keck Seng
No. 203, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 03-2143 7888
Fax : 03-2148 2989



SUBSIDIARIES

PRINCIPAL ACTIVITIES

| | |
|---------------------------------------|--|
| Focus Dynamics Centre Sdn Bhd | Marketing, distribution and sale of industrial instruments for the control of industrial machines and processes, providing a range of support services covering project management services, maintenance support, engineering conceptualisation, system audit, energy saving services and other support services in relation to FDC's business and products. |
| Focus Dynamics Drives Sdn Bhd | Manufacture, R&D of Variable Speed Drives, and supply and trading of instruments for the control of industrial machines and processes. |
| DPC Industrial Systems Sdn Bhd | Designing, installation and implementation of automation system for the energy resource based industry and providing other related products and services. |
| Oxy Deluxe Sdn Bhd | Dormant. |

SUBSIDIARIES OF FOCUS DYNAMICS DRIVES SDN BHD

| | |
|--|---|
| Focus Dynamics Industrial Systems Ltd | Dormant. Its intended principal activities are promotion and recruitment of distributors of industrial control equipment. |
| Focus Dynamics Distribution Sdn Bhd | Trading, marketing and distribution of OEM industrial control equipment and related products. |

ASSOCIATE COMPANY OF FOCUS DYNAMICS CENTRE SDN BHD

| | |
|--|--|
| SPC Sawit Sdn Bhd <i>(Formerly known as UTE Power Sdn Bhd)</i> | To market, distribute and sell a range of automation and industrial instrument and processes, providing a range of support services covering project management services, maintenance support energy saving services and other related services to government agencies, corporations, industries, individual, etc. Plantation and land investment. |
|--|--|

ASSOCIATE COMPANY OF FOCUS DYNAMICS DRIVES SDN BHD

| | |
|-------------------------------|--|
| VAW Technology Sdn Bhd | Provides services to product developer, manufacturer and marketing companies in the areas of design/engineering construction and contract manufacturing. |
|-------------------------------|--|

[DATO' HAMZAH BIN MOHD SALLEH] *Independent Non-Executive Chairman*

Dato' Hamzah Bin Mohd Salleh (Independent Non-Executive Chairman), a Malaysian, aged 59, was appointed to our Board on 7 September 2005. He graduated with a Diploma in Management from the Malaysian Institute of Management in 1980 and obtained a Masters Degree in Business Administration from the University of Bath, UK in 1989. He was an Audit Assistant with PricewaterhouseCoopers from 1969 to 1975 and worked for five (5) years as Finance and Administration Manager in Pillar Naco Malaysia Sdn Bhd, which deals with architectural metal fabrication. From 1980 to 1993, he held various senior management positions in Pernas Sime Darby Group and the Sime Darby Group of companies. Presently, he is the Chief Executive Officer of Spanco Sdn Bhd, a fleet management specialist. He has been the Director of PDZ Holdings Berhad since 1996 and Furniweb Industrial Products Berhad since 2003 and Bio-Osmo Berhad since 2007. In addition, he is a director of various other private companies.

He is a member of the Audit Committee, a member of Nomination Committee and a member of the Remuneration Committee.

He has no family relationship with any directors or major shareholders of the Company and has no conflict of interest with the Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.

[KONG KWAI CHING] *Managing Director / Chief Technical Officer*

Kong Kwai Ching (Managing Director / Chief Technical Officer), a Malaysian, aged 42, was appointed to our Board on 24 June 2005 and is responsible for the overall management and financial matters of the Focus Group. He graduated from Universiti Teknologi Malaysia with Bachelor of Mechanical Engineering Degree in 1990. He started his career with ABB Industrial and Building Systems Sdn Bhd ("ABB"), a Swiss-based company in electro-mechanical field as a Sales Engineer and was later promoted to the position of Departmental Manager in 1993. In 1995, he left ABB and joined Control Techniques Drives (M) Sdn Bhd, as the Managing Director and was responsible for the operations in Malaysia and Philippines. Subsequently, in 1999, he joined Focus Dynamics PLC, UK, where he was appointed as the Managing Director of Focus Dynamics Centre Sdn Bhd and responsible for the development of the Malaysian and Thailand markets. On 20 June 2004, Kong Kwai Ching was awarded the 3rd Asia Pacific / Malaysia e-Entrepreneur Excellence Award 2004.

He is a member of the Audit Committee and a member of the Remuneration Committee. He does not hold any directorships on the Board of other public companies in Malaysia.

He has no family relationship with any directors or major shareholders of the Company and has no conflict of interest with the Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.

[WONG MUN LEONG] *Executive Director / Technical Director*

Wong Mun Leong (Executive Director / Technical Director), a Malaysian, aged 47, was appointed to our Board on 24 June 2005. In 1985, he graduated with a Diploma in Electronics Engineering from the French-Singapore Institute, Singapore under the Study Bursary of Economic Development Board ("EDB") of Singapore. Upon graduation in 1985, he was assigned by EDB to serve a 3-year bond with ASEA Singapore Pte Ltd as a Control Engineer in the Automation Division. Upon completion of the 3-year bond in 1988, he left and joined ABB Process Automation Pte Ltd, Singapore as the Regional Sales Engineer, responsible for the sales and marketing of automation systems and products in South East Asian countries. Since 1996, he was the director of DPC Industrial Systems Sdn Bhd.

He is a member of the Nomination Committee. He does not hold any directorships on the Board of other public companies in Malaysia.

He has no family relationship with any directors or major shareholders of the Company and has no conflict of interest with the Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.

[DATUK LAU BENG WEI] *Executive Director*

Datuk Lau Beng Wei (Executive Director), a Malaysian, aged 41, was appointed to our Board on 31 January 2007. He holds a Bachelor of Electrical Engineering Degree from Universiti Teknologi Malaysia and Master in Business Administration from Universiti Putra Malaysia. He was an engineer in Tenaga Nasional Berhad for 15 years and had held several positions during his tenure there including being Regional Head of the Kelantan State and Perak State for Transmission Maintenance Division. Currently, he is a director in Sistem Hospital Awasan Taraf Sdn Bhd, a company which is involved in healthcare business. He is also a director of Dream Chorus Sdn Bhd, a company which deals with telecommunications.

He is a member of the Remuneration Committee. He does not hold any directorships on the Board of other public companies in Malaysia.

He has no family relationship with any directors or major shareholders of the Company and has no conflict of interest with the Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.

[KEE TWUAN TEE] *Chief Executive Officer / Executive Director*

Kee Twuan Tee (Chief Executive Officer / Executive Director), a Malaysian, aged 49, was appointed to our Board on 1 March 2007. He holds a certificate in Marketing from Advance Business School and in 1994 completed the INSEAD-ABB Business Management Program in Hong Kong. He started his career in sales with Tamca Cutler Hammer Sdn Bhd, a company specializing in electrical engineering products in 1979. In 1983 he developed a career with Asea Sdn Bhd (later changed to ABB Sdn Bhd), a Swedish based electrical engineering company as a Sales Executive and was promoted to Sales Manager in 1988. He was awarded the ABB Jumet Honour Award for outstanding contribution to a segmental business. In 1992 he was promoted to Divisional Manager responsible for various strategic business units. In 1994 he became General Manager responsible for business units of Robotics, Industrial Automation, Plant Projects and Industrial Products Distribution contributing RM130 million to revenue. In 1997 he left ABB Group to join a local industrial distribution company, Waras Mewah Sdn Bhd as their Sales Director. In 2000 he joined Focus Dynamics Centre Sdn Bhd as their General Manager before making a career switch to International Marketing and Distribution of Composite Products as the General Manager of Fundwin Sdn Bhd in 2001, focusing on UK, USA, Australia and Middle East. In 2003 he joined ATIS Corporation Berhad, a PLC, which is a market leader in Industrial Supplies as their Chief Operating Officer. In 2006 during his spare time, he was responsible for bringing PRESSTO, a global leader in garment care franchise to Malaysia and Asia.

He does not hold any directorships on the Board of other public companies in Malaysia.

He has no family relationship with any directors or major shareholders of the Company and has no conflict of interest with the Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.

[NG SIN HONG] *Independent Non-Executive Director*

Ng Sin Hong (Independent Non-Executive Director), a Malaysian, aged 46, was appointed to our Board on 31 January 2007. He was admitted as Member of Malaysian Institute of Certified Public Accountants (MICPA). He started his professional career in 1981 as an audit assistant, serving his articleship with Coopers & Lybrand, an international chartered accounting firm in Malaysia. He was assigned to Coopers & Lybrand Consulting Sdn Bhd in 1998. He has 9 years of combined experience in auditing, taxation, corporate advisory and corporate care and insolvency and management consultancy. He left the firm in 1990. He has held various senior management positions in some private companies, serving as Director and/or Company Secretary. Presently, he is holding a senior management position in an international trading company.

Currently, he sits as a Chairman of the Audit Committee and a member of the Nomination Committee. He does not hold any directorships on the Board of other public companies in Malaysia.

He has no family relationship with any directors or major shareholders of the Company and has no conflict of interest with the Company. Within the last 10 years, he has not been convicted for any offence other than traffic offence.



On behalf of the Board of Directors, it gives me great pleasure as the Chairman of Focus Dynamics Technologies Berhad to present the inaugural Annual Report and the Audited Financial Statements for the financial year ending 31 July 2007.

DATO' HAMZAH BIN MOHD SALLEH
Independent Non-Executive Chairman

FINANCIAL RESULTS

For the financial year ended ("FYE") 31 July 2007, the Group recorded revenue of RM14.87 million, which is 58.62% higher than the preceding year's revenue of RM9.37 million. The Group's PBT of RM0.84 million for the financial year under review, however was lower in comparison with the preceding year's PBT of RM1.66 million. This was mainly due to higher operating costs and lower margins. The gross margin was lower due to the group's penetration into electrification projects which operates in a very competitive market environment.

The significant revenue growth for the financial year ending 31st July 2007 was primarily due to securing of more electrification and automation projects in the heavy industries and agricultural based segment.

The Group's continuous growth was achieved through the execution of the Group's strategies in both the energy efficiency solutions and electrification projects segment, and through strong development in our core competencies.

DIVIDEND

No dividend was paid, declared or proposed since the end of the previous financial year.

UTILIZATION OF PROCEEDS

In conjunction with its listing on the MESDAQ Market of the Bursa Malaysia Securities Berhad on 10th February 2006, Focus Dynamics Technologies Berhad made a public issue of 11,500,000 new ordinary shares of RM0.10 each at RM0.72 per ordinary share. A one-for-one bonus issue of 37.79 million new ordinary 10 sen shares was held upon the completion of Focus' public issue. Hence, the effective issue price was 36 sen per share.

Out of our proceeds of RM8.28 million, RM1.80 million was used to defray listing expenses. For FYE 31th July 2007, the Focus Group has spent a total of RM1.79 million in its R&D activities, out of which approximately RM1.49 million was funded by the proceeds raised from the Company's Initial Public Offering. However, the Group does not allocate a fixed development budget for its R&D activities as the R&D plans may be accelerated, postponed or modified if deemed necessary, depending on customers' demand, technological development and/or market trend. Currently the company on going R&D projects include R&D on Alphadrives (0.18KW to 7.5KW), SV PWM software for MX3, and lighting energy saver. Once completed, the above R&D projects are expected to enhance and diversify the products and services provided by the Focus Group, which is expected to contribute positively to the sustained growth of the Group.



CORPORATE GOVERNANCE

The provisions of the revised Bursa Malaysia Securities Berhad Listing Requirements and the Code on Corporate Governance came into effect on 1st June 2001. The Board had already taken appropriate steps to modify board composition, setting up an Internal Audit and the Remuneration as well as Nominations Committee in order to achieve compliance with the Code.



The group is committed to corporate social responsibilities towards the community. The Group does not have a formal corporate social responsibility program but as part of our corporate philosophy to be a caring company, we have initiated some activities as follows:

1) Employee Focus

Employee's growth and development is important to us as our people are our key assets. We have initiated Employee Suggestion Box and Best Staff Program to continuously and interactively listen, understand and improve.

2) Our Business in Energy Efficiency

Our main business is Energy Efficiency and continuous expenditure in R&D on Energy Efficiency makes us unique. We are continuously promoting awareness and solutions on Energy Efficiency and this has in turn contributed in helping our environment.

3) Social Activities

As part of our goal to give back to society, we have made contributions to charitable organisations and the needy. Our people in tandem with us participated in blood donations and social charitable events.

HIGHLIGHTS OF THE YEAR

The Group continued focus on the Energy Efficiency market has now increased in momentum due to the substantial increase in crude oil prices which has spurred increased awareness on cost and in particular review of electricity consumption and energy management policies.

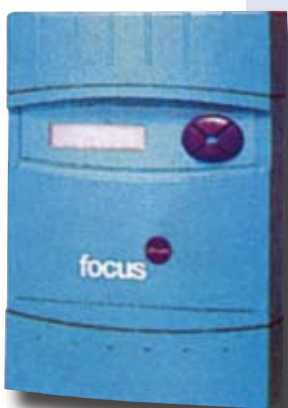
The recent push from the government initiatives from the Ninth Malaysia Plan (9MP) and Special Development Corridors such as ECER, IDR, NCER have emphasis on energy efficiency and environment concerns, which have further increase the Group's potential opportunities.

During the financial year the Group's consolidated their business growth via the acquisition of 100% equity in DPC Industrial Systems Sdn Bhd.

FUTURE OUTLOOK

In view of the recent strong focus on special development corridors, the energy sector will play the role in intensifying towards strong economic growth with increased focus towards energy management and renewable energy initiatives. The current high crude oil prices and petroleum products have resulted in the search for alternative fuels.

With that backdrop, the unavoidable, escalating fuel costs and imminent tariff hikes will have a substantial positive impact on the Energy Efficiency industry as cost saving will be critical in sustainability for companies in Malaysia as well as globally.





Energy efficiency initiatives, particularly in the industrial, transport and commercial sectors as well as in government buildings will intensify. These have led to the recent opening of the new Pusat Tenaga Malaysia building which was implemented based on Zero energy office (ZEO). This new PTM building has set the benchmark to provide a platform for advancing the Malaysian construction industry towards adoption of ZEO standards within the coming two decades.

We anticipate that with the strong outlook and consistent government initiatives, we are optimistic about the Group's future.

FOREIGN VENTURES

In the development of growth in new market, we are continuously developing our overseas market in particular the distribution channels.

We have also consolidated on our position in particular in Indonesia for the energy efficiency market as well as equipment for the agricultural segment.

Despite the inability to constructively move towards a firm agreement with Wakong for the development of the China market, we are working towards penetrating the high potential and crucial China market which should see significant contributions in the next financial year.

The group continues its consolidation efforts to strengthen our position in the Energy efficiency market such as HVAC system for Building, Pump & Fan System for Industrial Application. This has been further enhanced in our research and development of new products and enhancement of existing products.

BRAND BUILDING

In a continuous effort to enhance our brand awareness to our market we have secured a international brand promotion grant (BPG) from Matrade and together with the strong government support, we aim to further push our products and solutions towards a bigger market in particular targeting the emerging markets of China, Vietnam, India, Indonesia and Middle East markets.

APPRECIATION

On behalf of the Board, I would like to extend our sincere gratitude and appreciation to Dato' Abdul Azim Bin Mohd Zaibidi for his leadership and guidance during his tenure as our Chairman. We would also like to extend our heartfelt thanks and gratitude to Independent Non-Executive Director, Mr. Khoo Chee Siang for his guidance and counsel during his tenure with us.

We would also wish to take this opportunity to welcome newly appointed members of the Board, Datuk Lau Beng Wei, Mr. Ng Sin Hong and Mr. Kee Twuan Tee.

We would also like to thank the management and the staff for their relentless hard work and contribution towards the Group's performance. Last but not least, to all our shareholders, customers, business partners, financiers and business associates for their continued support and confidence in the Group, as we look forward to another year of good returns and rewarding business relationships.

DATO' HAMZAH BIN MOHD SALLEH

Independent Non-Executive Chairman



MEMBER

The Audit Committee comprises:

Khoo Chee Siang

*(Audit Committee Chairman, Independent Non-Executive Director)
(Resigned on 31st January 2007)*

Ng Sin Hong

*(Audit Committee Chairman, Independent Non-Executive Director)
(Appointed on 30th March 2007)*

Dato' Hamzah Bin Mohd Salleh

(Member, Independent Non-Executive Director)

Mr. Kong Kwai Ching

(Member, Managing Director)

TERMS OF REFERENCE**1. Membership**

The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members. The majority of the members including the Chairman of the committee shall be Independent Directors.

The Committee shall include at least one (1) person:

- (a) who is a member of the Malaysian Institute of Accountants; or
- (b) who must have at least three (3) years' working experience and:
 - (i) have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (ii) is a member of one (1) of the Associations specified in Part II of the 1st Schedule of the Accountants Act, 1976.

No Alternate Director shall be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from amongst their number.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months appoint such number of new members as may be required to make up the minimum of three (3) members.

The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

2. Meetings

The quorum for a Committee Meeting shall be at least two (2) members, the majority present must be Independent Directors.

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide. However, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.

The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.

The non-member Directors and/or employees of the Company and of the Group shall be invited from time to time to attend the meetings to assist in its deliberations and resolutions of matters raised. However, at least once a year, the Committee shall meet with the External Auditors without the presence of the executive members of the Committee.

The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters as well as the recommendations relating thereto and to follow up on all relevant decisions made.

The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting. The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

In addition to the availability of detailed minutes of the Committee Meetings to all Board members, the Committee at each Board Meeting, will report a summary of significant matters and resolutions.

3. Rights and Authority

- (a) The Committee is authorised to investigate any matter within its terms of reference.
- (b) The Committee is authorised to have the resources which are required to perform its duties.
- (c) The Committee is authorised to have full and unrestricted access to any information pertaining to the Company.
- (d) The Committee is authorised to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- (e) The Committee is authorised to engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if considers necessary.
- (f) The Committee is authorised to engage to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

4. Functions and Duties

The functions and duties of the Committee shall include a review of:

- (a) The adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
- (b) The internal audit plan of internal auditors to ensuring that principal risk areas were adequately identified and covered in the plan;
- (c) The adequacy and effectiveness of internal control systems and to consider major findings of internal investigations and management's response;
- (d) The effectiveness of the internal audit function (if any);
- (e) The quarterly and annual financial statements prior to approval by the board, focusing particularly on:
 - (i) Any changes in the accounting policies and practices;
 - (ii) Significant adjustments arising from the audit;
 - (iii) The going concern assumption; and
 - (iv) Compliance with accounting standards and other legal requirements.
- (f) Any management letter sent by the external auditors to the Company and the management's response to such letter;
- (g) The procedures for identification of related party transactions of the Group;
- (h) The assistance and co-operation given by the officers of the Group to the external and internal auditors and all other matters delegated by the Board of Directors.

Recommend to the Board on the appointment of internal and external auditors, their terms of appointment and reference and any matters in relation to their resignation or dismissal.

Discuss the problems and reservations arising from the interim and final audits and any matter the external auditors may wish to discuss (in the absence of the management where necessary).

5. Internal Audit Function

The internal audit function is essential to assist the Audit Committee in reviewing the state of the system of internal control maintained by the management.

The Company currently outsourced its internal audit function to an Internal audit consulting firm. Functionally, the internal auditors review and assess the Group's system of internal control and report to the Audit Committee. During the financial year, the internal auditors conducted reviews on corporate governance practices of the company and presented their reports to the Board and the Audit Committee for consideration and deliberation.

ATTENDANCE OF AUDIT COMMITTEE MEETING

A total of four (4) Audit Committee meetings were held during the financial year ended 31 July 2007. The details of attendance of each Audit Committee member were as follows:

| Name of Audit Committee member | Attendance Attended / Held* |
|--------------------------------|--------------------------------|
| Khoo Chee Siang | 2/2 |
| Dato' Hamzah Bin Mohd Salleh | 4/4 |
| Kong Kwai Ching | 4/4 |
| Ng Sin Hong | 1/2 |

* Reflects the number of meetings held during the time the Director held office.

The Board of Focus Dynamics Technologies Berhad acknowledges the importance of maintaining corporate governance practices in the Group. To achieve this objective, the Board is committed to ensure that the principles of corporate governance and best practices as set out in the Malaysian Code on Corporate Governance ("the Code") are being observed.

In this annual Corporate Governance Statement, the Board is pleased to disclose its application of the principles and best practices in discharging its responsibilities during the current financial year.

BOARD OF DIRECTORS

The Company continues to be led by a team of Board members with combination of both professional and business experience relevant to the Group's businesses. During the financial year, the Board has increased its size from five (5) members to six (6) members. The current board members comprise of four (4) Executive Directors and two (2) Independent Non-Executive Directors. The number of Independent Non-Executive Directors has complied with Listing Requirement on the composition of independent directors in the board.

The roles and responsibilities of the Chairman, Managing Director and Chief Executive Officer ("CEO") are assumed by different directors. The Chairman is primarily responsible for running of the Board while the Managing Director and CEO are responsible for running of the business of the Company. In view of the independence of the Chairman, a Senior Independent Non-Executive Director was not identified. In this respect, the Board invites shareholders to convey their concerns directly to the Chairman of the Board.

A description of the background of each director is presented on pages 4 to 5.

The Board is provided with information for the discharge of their duties and responsibilities. This information is provided by the management staff and external professional advisers who render their views and advices within their professional capacity. The Board also has access to the services of the Company Secretaries, who are responsible for ensuring that Board meeting procedures are followed and the filing rules and regulations are being complied with. The management and auditors are also invited to be present at the Board and Audit Committee meetings to provide further explanations and reports to the Board as and when necessary. There were four (4) Board Meetings held during the financial year ended 31 July 2007. Details of the Directors' attendance were as follows:

| Directors | Attendance at the Board Meetings Attended / Held* |
|---|--|
| Dato' Abdul Azim bin Mohd Zabidi (<i>Resigned on 31st January 2007</i>) | 0/2 |
| Dato' Hamzah bin Mohd Salleh | 4/4 |
| Datuk Lau Beng Wei (<i>Appointed on 31st January 2007</i>) | 2/2 |
| Kong Kwai Ching | 4/4 |
| Wong Mun Leong | 4/4 |
| Ng Sin Hong (<i>Appointed on 31st January 2007</i>) | 1/2 |
| Khoo Chee Siang (<i>Resigned on 31st January 2007</i>) | 2/2 |
| Kee Twuan Tee (<i>Appointed on 1st March 2007</i>) | 2/2 |

* Reflects the number of meetings held during the time the Director held office.

The Board maintains specific Board committees, namely the Audit Committee, Nomination Committee and Remuneration Committee to address specific Board agenda. However, in order to ensure that the control of the Group is firmly within the Board, the Board has defined the terms of reference for each Committee. The ultimate responsibility and decision on all matters deliberated in these Committees, however, rests with the Board.

APPOINTMENT TO THE BOARD

The Nomination Committee is established and maintained to ensure that there is a formal and transparent procedure for the appointment of new directors to the Board, assessing the effectiveness of the Board and reviewing the required mix of skill, experience and other qualities of Non-Executive Directors.

The members of the Committee are as follows:

| | |
|----------|--|
| Chairman | : Dato' Hamzah bin Mohd Salleh (<i>Independent Non-Executive Chairman</i>) |
| Member | : Ng Sin Hong (<i>Independent Non-Executive Director</i>) |
| Member | : Wong Mun Leong (<i>Executive Director</i>) |

Subsequent to the financial year end, the Nomination Committee has on 23rd October 2007 reviewed the current composition of its members and candidates for additional position for independent non-executive director. With the appointment of a new independent director in due time, it would fulfil the recommended Best Practice for fully non-executive with majority independent directors in the composition of the Nomination Committee.

During the financial year, the Nomination Committee had two (2) meetings. Details of the Directors' attendance were as follows:

| Directors | Attendance at the Nomination Committee Meetings Attended / Held |
|------------------------------|--|
| Dato' Hamzah bin Mohd Salleh | 2/2 |
| Ng Sin Hong | 1/2 |
| Wong Mun Leong | 2/2 |

In these meetings, the Nomination Committee reviewed the resignation, nomination and re-designation of the directors in the Board and the Board Committees. The annual review of directors' performance will be conducted once the new composition of Nomination Committee mentioned in the above is put in place.

DIRECTORS' TRAINING

Continuous learning and training is part of Directors' development programs. The Directors recognise the needs to attend trainings to keep abreast with the development in the regulatory requirements and business practices. All Board members have completed the Mandatory Accreditation Programme in accordance with the Bursa Malaysia Securities Berhad's Listing Requirements.

All directors have also attended other training programs, seminars and conference to enhance their skills and knowledge including new developments of regulatory requirements to aid them in discharging their duties.

RE-ELECTION OF DIRECTORS

Director's re-election provides an opportunity for shareholders to renew their mandate conferred to the Directors. Following the amendments to the Articles of Association of the Company all directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire from office and be eligible to offer themselves for re-election at the Annual General Meeting ("AGM").

Information of the Directors standing for election, their personal profile, meeting attendance, directorships in other companies and shareholdings in the Group are furnished in the Statement Accompanying the Notice of AGM, the Directors' Profile and the Directors' Report in this annual report.

DIRECTORS' REMUNERATION

The remuneration of Executive Directors and Non-executive Directors are reviewed by the Remuneration Committee and the Board respectively. All directors play no part in the decision of their own remuneration.

The members of the Remuneration Committee are:

| | |
|----------|--|
| Chairman | : Dato' Hamzah bin Mohd Salleh (<i>Independent Non-Executive Chairman</i>) |
| Member | : Datuk Lau Beng Wei (<i>Executive Director</i>) |
| Member | : Kong Kwai Ching (<i>Executive Director</i>) |

The Board has noted the Best Practice recommendation for wholly or mainly non-executive directors forming the composition of the Remuneration Committee. The Board would address this matter vis-à-vis the composition of Nomination Committee upon the appointment of an additional independent non-executive director as mentioned in the above.

The Committee adopts the principles recommended by the Code in determining the Directors' remuneration, whereby, the Executive Directors' remuneration is designed to link rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed.

During the current financial year, the Remuneration Committee had two (2) meetings and this meeting was attended by all members of the Committee.

The number of Directors whose income falls within the following bands is set out as follows:

| Remuneration Bands | Executive Directors | Non-Executive |
|-----------------------|---------------------|---------------|
| RM50,000 and below | 3 | 3 |
| RM50,001 - RM100,000 | 1 | - |
| RM100,001 - RM150,00 | - | - |
| RM250,001 - RM300,000 | 1 | - |

The aggregate remuneration paid or payable to all Directors are further categorised into the following components:

| Remuneration Component | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Executive: | | | | |
| Directors' fee* | 42,000 | 14,400 | 42,000 | 14,400 |
| Salaries and other emoluments | 335,510 | 350,060 | - | - |
| Benefits-in-kind | 23,950 | 23,950 | - | - |
| Directors' allowance | 7,000 | 2,400 | 7,000 | 2,400 |
| | 408,460 | 390,810 | 49,000 | 16,800 |
| Non-executive: | | | | |
| Directors' fee* | 57,600 | 21,600 | 36,000 | 21,600 |
| Directors' allowance | 4,700 | 3,800 | 4,700 | 3,800 |
| | 62,300 | 25,400 | 40,700 | 25,400 |

* Subject to the approval by shareholders at the AGM.

The Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with the above disclosure. Therefore, detailed remuneration of each director was not presented.

SHAREHOLDERS

The Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa Malaysia Securities Berhad which includes the quarterly reports, annual reports and press releases. This information is also accessible by the public through the Bursa Securities' website at <http://www.bursamalaysia.com>. When necessary, the Board is prepared to enter into a dialogue with institutional shareholders.

The Annual General Meeting is the principal forum for dialogue and interaction with all shareholders while the Extraordinary General Meetings are held as and when required. During the financial year, the Fourth Annual General Meeting ("AGM") was held on 29th December 2006. At this AGM, the Chairman encouraged shareholders to seek clarification on each proposed resolutions before putting it to the meeting for a vote.

ACCOUNTABILITY AND AUDIT

In presenting the quarterly financial results, audited financial statements and annual reports, the Board endeavours to present a balanced and understandable assessment of the Group's financial position and prospects.

The Board also affirms its responsibility for maintaining a sound system of internal control for the Group. The effectiveness of the system of internal control is reviewed by internal auditors, who operate independently from the activities of the Group under the purview of the Audit Committee. The internal audit function is currently outsourced to an independent internal audit service company. The information on the Group's state of internal control is reported in the Statement on Internal Control on page 16.

To maintain a transparent and professional relationship with the Company's external auditors, the Audit Committee considers the appointment, performance and remuneration of the external auditors before recommending them to the shareholders for re-appointment in the AGM. If deemed necessary, the Audit Committee will convene meetings with the external auditors without the presence of executive members of the Audit Committee.

COMPLIANCE WITH THE BEST PRACTICES

Other than the explanations provided in the above statement for any departures from the best practices, the Board of Directors believes that the best practices of corporate governance as set out in Part 2 of the Code have been complied with during the current financial year.

DIRECTORS' RESPONSIBILITY STATEMENT FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements prepared are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates.

The Board has a responsibility to present a true and fair assessment of the Group's position and prospects in the quarterly reports to the Bursa Securities and the Annual Report to shareholders. The Audit Committee assists the Board in reviewing the information for disclosure and ensuring accuracy and adequacy.

In addition, the Directors have overall responsibilities for taking steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board of Directors of Focus Dynamics Technologies Berhad acknowledges the importance of the system of internal control and affirms that it is their responsibility to maintain a sound system of internal control to safeguard the Group's assets. This responsibility covers the identification of risks, managing risks, setting policy for internal control systems and performing periodic evaluations to assess the integrity of the internal control systems of the Group. However, it is important to note that risk management and internal control systems can only manage rather than to eliminate risks of failure and only able to provide reasonable but not absolute assurance against material misstatements or losses.

The process of identification, evaluation and management of significant risks faced by the Group is carried out as part of the Group's normal business operation and management activities. These processes are led by the Managing Director and supported by the executive team of directors and senior management. Review and communication of changes in business environment and operations are carried out in the course of operation to ensure business strategies are aligned to the strategic and corporate plan. Significant corporate and operation matters are summarized and presented in the Board meetings for deliberation and approval to ensure the control of the Group is kept firmly within the Board.

Effective monitoring and reviews are the essential components of a sound system of internal control. The Board's reviews of the system of internal controls of the Group is currently conducted by the Audit Committee with the assistance of the Internal Auditors. In addition, the Audit Committee reviews the quarterly financial results and annual financial statements with the assistance of the management and the external auditors. These reviews complement the Audit Committee assessment on the management's system of internal controls in the Group and its understanding of the financial performance of the Group. Similarly, all matters discussed at the Audit Committee meetings are also briefed at the Board meeting.

Other key elements of the Group's internal control system are described below:

- Management organization structure outlining the responsibility, accountability and reporting of the management team;
- Limit of approval and authorization procedures;
- Performance reports covering the quarterly financial report, sales and production reports are generated for management review; and
- ISO 9001:2000 Quality Management System forming the base for operational procedures for Focus Dynamic Drives Sdn. Bhd., the manufacturing arm of the Group.

The Board believes the above review frameworks and control procedures provide reasonable assurance on the integrity of internal control systems of the Group. The Board is committed towards maintaining a sound system of internal controls and recognises that the systems of internal controls should be continuously improved in line with the growth of the Group and the changes in operating environment.

1. 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 July 2007 is as follows:

| Details of Utilisation | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Balance RM'000 | Explanation |
|---|--------------------------------|------------------------------|-------------------|---|
| Part finance acquisition of corporate office cum factory building | 1,300 | 286 | 1,014 | FOCUS is currently reviewing construction plan with architect and expects submission of plan to Majlis Bandaraya Shah Alam by November 2007. The fund will be utilised by FYE 2008. |
| Research and expenditure | 1,500 | 1,485 | 15 | Balance to be utilised by FYE 2008. |
| Marketing expenditure | 650 | 91 | 559 | Balance to be utilised by FYE 2008. |
| Set-up costs for overseas sales | 550 | 143 | 407 | FOCUS has entered MOU with and marketing office Wakong International Group Corporation Limited for sales and production facilities in China. The fund will be utilised by FYE 2008. |
| Working capital | 2,480 | 2,480 | - | |
| Listing expenses | 1,800 | 1,800 | - | |
| | 8,280 | 6,285 | 1,995 | |

2. SHARE BUY-BACKS

The Company does not have a share buy-backs programme in place.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company does not issue any options, warrants or convertible securities during the financial year. On 11th September 2007, the Company completed a rights issue exercise with the listing and quotation of 47,248,612 warrants on the MESDAQ Market of Bursa Malaysia Securities Berhad.

4. AMERICAN DEPOSITORY RECEIPT (ADR) / GLOBAL DEPOSITORY RECEIPT (GDR)

The Company does not have an ADR or GDR programme in place.

5. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, directors or management by the relevant regulatory bodies as at the end of financial year.

6. NON-AUDIT FEES

During the financial year ended 31 July 2007, the Company had paid RM12,000 to the External Auditors pursuant to the Company's financial due diligence review for the Acquisition of DPC Industrial Systems Sdn Bhd and Bonus Issue.

7. VARIATION OF RESULTS

There were no profit estimates, forecasts or projections or unaudited financial results released which differ by 10% or more from the audited results.

8. PROFIT GUARANTEE

There were no profit guarantees given in respect of the Company.

9. REVALUATION POLICY

The Company and/or its subsidiaries did not revalue any of its property, plant and equipment during the financial year.

10. LIST OF PROPERTIES

The Company and/or its subsidiaries does not own any landed properties as at the end of financial year.

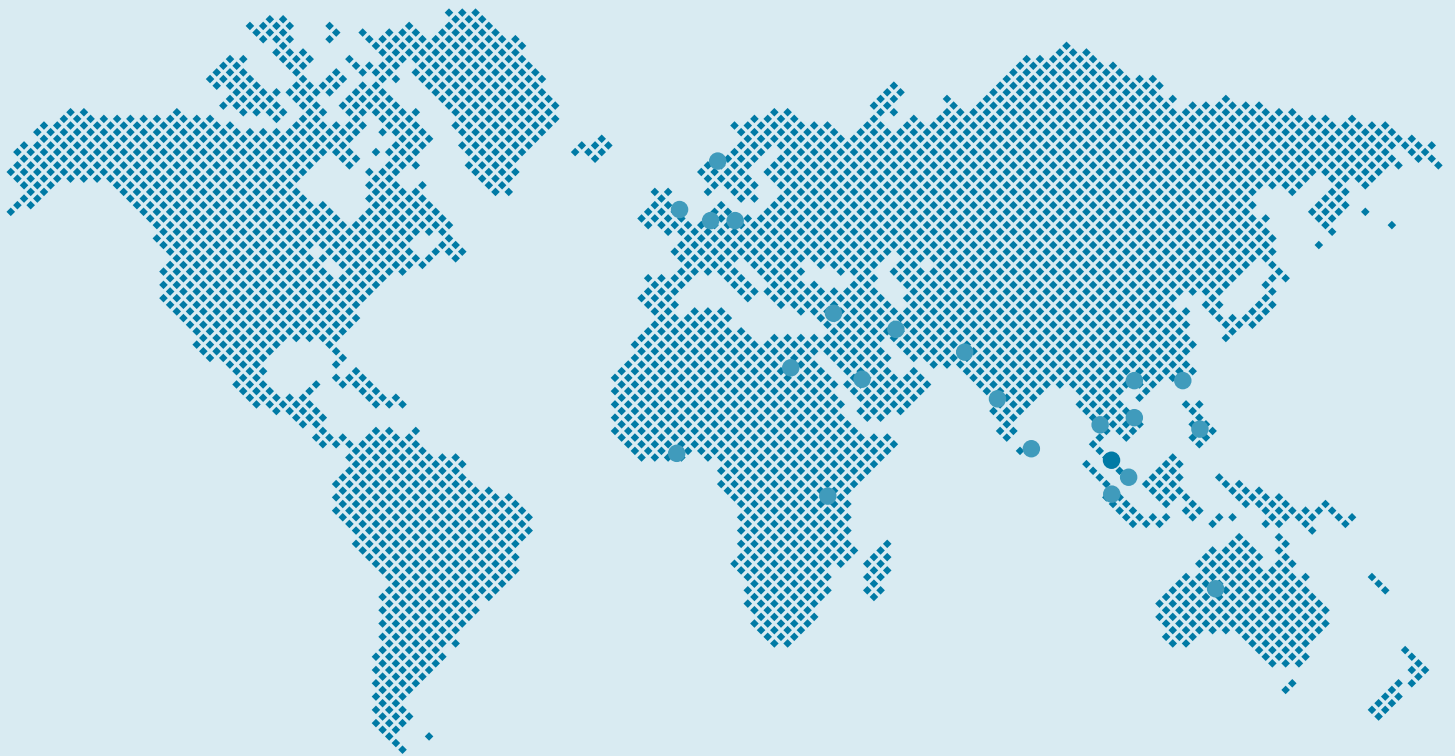
11. MATERIAL CONTRACT

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the annual financial statements which give a true and fair view of the state of affairs of the Company and the Group and have ensure that the financial statements and other financial reports of Company and the Group are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

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The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies and associates are as stated in note 6 and 7 in the notes to the financial statements respectively.

There have been no significant changes in the nature of the principal activities of the Company, its subsidiaries and associates during the financial year.

FINANCIAL RESULTS

| | Group RM | Company RM |
|--|-------------|---------------|
| Profit before taxation | 844,492 | 1,797,848 |
| Taxation | (341,568) | (413,100) |
| Net profit for the year after taxation | 502,924 | 1,384,748 |
| Attributable to: | | |
| Equity holders of the Company | 502,924 | 1,384,748 |
| Minority interests | - | - |
| | 502,924 | 1,384,748 |

DIVIDENDS

No dividends were paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

DIRECTORS

The directors who served since the date of the last report and at the date of this report are:

| | |
|----------------------------------|-------------------------|
| Kong Kwai Ching | |
| Wong Mun Leong | |
| Dato' Abdul Azim bin Mohd Zabidi | (Resigned on 31/01/07) |
| Dato' Hamzah bin Mohd Salleh | |
| Khoo Chee Siang | (Resigned on 31/01/07) |
| Datuk Lau Beng Wei | (Appointed on 31/01/07) |
| Ng Sin Hong | (Appointed on 31/01/07) |
| Kee Twuan Tee | (Appointed on 01/03/07) |

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

No director has, since the end of the previous financial year, receive or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTEREST

According to the register of directors' shareholding, the interests of directors in office at the end of the financial year in the ordinary shares of the Company and its related corporations are as follows:

| | Number of ordinary shares of RM0.10 each | | | | As at 31/07/07 |
|------------------------|--|-------------|-----------|--------------|-------------------|
| | As at 01/08/06 | Bonus issue | Bought | Sold | |
| THE COMPANY | | | | | |
| Direct Interest | | | | | |
| Kong Kwai Ching | 34,468,170 | 6,901,120 | 1,844,300 | (12,708,000) | 30,505,590 |
| Wong Mun Leong | 2,070,980 | 483,819 | 142,000 | (562,800) | 2,133,999 |
| Datuk Lau Beng Wei | - | 1,212,500 | 4,850,000 | - | 6,062,500 |
| Deemed Interest | | | | | |
| Kong Kwai Ching | - | 1,000,000 | 4,297,000 | - | 5,297,000 |

By virtue of the above shareholdings, the directors are deemed to have interest in its subsidiary companies to the extent of their shareholdings.

None of the other directors in office at the end of the financial year held any shares in the Company or in any related corporations during the financial year ended 31 July 2007.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

On 28 June 2007, the Company increased its authorised share capital from RM10,000,000 divided into 100,000,000 ordinary shares of RM0.10 each to RM25,000,000 divided into 250,000,000 ordinary shares of RM0.10 each by additional creation of 150,000,000 new ordinary shares.

On 16 July 2007, the Company issued a total of 18,899,445 ordinary shares of RM0.10 each pursuant to a bonus issue exercise on the basis of one new ordinary share for every existing four ordinary shares held.

The shares issued were then rank pari passu in all respects with the existing shares in the Company.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and are satisfied that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- which would render the amount of bad debts written off, or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company, inadequate to any substantial extent; or

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year except for as disclosed in the notes to the financial statements.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements of the Group and of the Company misleading.

In the opinion of the directors:

- (i) the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 41 to the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events after the balance sheet date are disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Mustapha, Khoo & Co., have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Kong Kwai Ching

Director

Wong Mun Leong

Director

Kuala Lumpur

Dated: 28 November 2007

We, **Kong Kwai Ching** and **Wong Mun Leong**, being two of the directors of **FOCUS DYNAMICS TECHNOLOGIES BERHAD**, do hereby state that in the opinion of the directors, the financial statements set out on pages 25 to 60 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2007 and of the results of the operations of the Group and of the Company and the cash flow and changes in equity of the Group and of the Company for the financial year ended on that date and have been properly drawn up in accordance with the applicable approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Kong Kwai Ching
Director

Wong Mun Leong
Director

Kuala Lumpur
Dated: 28 November 2007

I, **Kong Kwai Ching**, being the director primarily responsible for the accounting records and financial management of **FOCUS DYNAMICS TECHNOLOGIES BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 25 to 60 are to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed)
at Kuala Lumpur)
in Wilayah Persekutuan this)
28 November 2007) _____
Kong Kwai Ching
Director

Before me,

Kok Poo Him (No. W386)
Commissioner for Oaths

We have audited the financial statements of the Group and of the Company as set out on pages 25 to 60 of **FOCUS DYNAMICS TECHNOLOGIES BERHAD**. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable approved Standards on Auditing issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements, which have been prepared under the historical cost convention, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia for Entities Other Than Private Entities, so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 31 July 2007 and of the results of the operations of the Group and of the Company and the cash flow and changes in equity of the Group and of the Company for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.
- (b) the accounting and other records and the registers required by the said Act, to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia, did not include any comment made under Section 174(3) of the Act.

Mustapha, Khoo & Co.
No: AF 0599
Chartered Accountants

Khoo Siong Kee
No.791/4/08 (J/PH)
Partner of the Firm

Kuala Lumpur
Dated: 28 November 2007

| | Note | Group 2007 RM | 2006 RM | Company 2007 RM | 2006 RM |
|---|------|---------------------|-------------------|-----------------------|------------------|
| NON-CURRENT ASSETS | | | | | |
| Plant and equipment | 5 | 550,446 | 406,980 | - | - |
| Investment in subsidiaries | 6 | - | - | 6,482,774 | 3,282,772 |
| Investment in associates | 7 | 73,756 | - | - | - |
| Goodwill on consolidation | 8 | 2,209,793 | - | - | - |
| Products development expenditure | 9 | 2,267,687 | 1,431,244 | - | - |
| Deferred tax assets | 20 | 4,087 | 30,155 | - | - |
| | | 5,105,769 | 1,868,379 | 6,482,774 | 3,282,772 |
| CURRENT ASSETS | | | | | |
| Inventories | 10 | 6,432,215 | 5,282,515 | - | - |
| Trade and other receivables | 11 | 7,994,188 | 6,026,632 | 50,611 | 12,500 |
| Amount due from subsidiary companies | 12 | - | - | 5,615,058 | 4,632,755 |
| Amount due from associated companies | 13 | 267,609 | - | - | - |
| Tax recoverable | | 20,000 | 21,603 | - | - |
| Deposits with licensed banks | 14 | 2,060,502 | 2,729,009 | 775,000 | 1,500,000 |
| Short-term deposit | | 28,603 | - | - | - |
| Cash in hand and at banks | 15 | 1,207,340 | 665,981 | 11,638 | 13,326 |
| | | 18,010,457 | 14,725,740 | 6,452,307 | 6,158,581 |
| TOTAL ASSETS | | 23,116,226 | 16,594,119 | 12,935,081 | 9,441,353 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 16 | 9,449,723 | 7,559,778 | 9,449,723 | 7,559,778 |
| Reserves | 17 | 2,725,046 | 3,841,904 | 700,105 | 1,452,071 |
| Negative goodwill | 18 | - | 516,932 | - | - |
| TOTAL EQUITY | | 12,174,769 | 11,918,614 | 10,149,828 | 9,011,849 |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 19 | 261,008 | 227,463 | - | - |
| Deferred tax liabilities | 20 | 51,479 | 4,569 | - | - |
| | | 312,487 | 232,032 | - | - |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 21 | 4,551,983 | 1,554,647 | 767,636 | 41,832 |
| Provisions for warranty and maintenance costs | 22 | 15,430 | - | - | - |
| Amount due to subsidiary companies | 12 | - | - | - | 335,472 |
| Amount due to associated companies | 13 | 134,278 | - | - | - |
| Amount due to directors | 23 | 2,082,285 | 42,200 | 2,009,700 | 42,200 |
| Borrowings | 19 | 3,521,705 | 2,679,122 | - | - |
| Tax payable | | 323,289 | 167,504 | 7,917 | 10,000 |
| | | 10,628,970 | 4,443,473 | 2,785,253 | 429,504 |
| TOTAL LIABILITIES | | 10,941,457 | 4,675,505 | 2,785,253 | 429,504 |
| TOTAL EQUITY AND LIABILITIES | | 23,116,226 | 16,594,119 | 12,935,081 | 9,441,353 |

The accompanying notes form an integral part of these financial statements.



| | Note | Group 2007 RM | 2006 RM | Company 2007 RM | 2006 RM |
|---|-------------|------------------------------|--------------------|--------------------------------|--------------------|
| Revenue | 24 | 14,866,518 | 9,372,268 | 2,230,000 | - |
| Cost of sales | 25 | (10,938,189) | (6,261,312) | - | - |
| Gross profit | | 3,928,329 | 3,110,956 | 2,230,000 | - |
| Other income | 26 | 93,069 | 489,002 | 6,048 | 36,374 |
| Total income | | 4,021,398 | 3,599,958 | 2,236,048 | 36,374 |
| Administrative and operating expenses | 27 | (2,842,951) | (1,612,972) | (438,200) | (120,733) |
| Sales and marketing expenses | | (120,750) | (152,095) | - | - |
| Profit / (Loss) from operations | | 1,057,697 | 1,834,891 | 1,797,848 | (84,359) |
| Finance costs | 28 | (202,961) | (177,803) | - | - |
| Share of results in associates | | (10,244) | - | - | - |
| Profit / (Loss) before taxation | | 844,492 | 1,657,088 | 1,797,848 | (84,359) |
| Taxation | 29 | (341,568) | (185,774) | (413,100) | (10,000) |
| Net profit / (loss) for the year after taxation | | 502,924 | 1,471,314 | 1,384,748 | (94,359) |
| Attributable to: | | | | | |
| Equity holders of the Company | | 502,924 | 1,471,314 | | |
| Minority interests | | - | - | | |
| | | 502,924 | 1,471,314 | | |
| Basic earnings per ordinary share (sen) | 30 | 1 | 2 | | |

The accompanying notes form an integral part of these financial statements.

| | Note | Share capital RM | Non-distributable Share premium RM | Negative goodwill RM | Distributable (Accumulated loss)/ Retained profit RM | Total RM |
|--|----------|---------------------|--|-------------------------|---|-------------|
| Group | | | | | | |
| As at 1 August 2005 | | 2,629,889 | - | 789,591 | 819,728 | 4,239,208 |
| Issue of share capital | | 1,150,000 | 7,130,000 | - | - | 8,280,000 |
| Bonus issue by capitalisation of share premium | | 3,779,889 | (3,779,889) | - | - | - |
| Amortisation of negative goodwill | | - | - | (272,659) | - | (272,659) |
| Listing expenses | | - | (1,799,249) | - | - | (1,799,249) |
| Net profit for the year | | - | - | - | 1,471,314 | 1,471,314 |
| As at 31 July 2006 | | 7,559,778 | 1,550,862 | 516,932 | 2,291,042 | 11,918,614 |
| Effects of adopting FRS 3 | 3(a)(iv) | - | - | (516,932) | 516,932 | - |
| Bonus issue | | 1,889,945 | (1,181,000) | - | (708,945) | - |
| Bonus issue expenses | | - | (246,769) | - | - | (246,769) |
| Net profit for the year | | - | - | - | 502,924 | 502,924 |
| As at 31 July 2007 | | 9,449,723 | 123,093 | - | 2,601,953 | 12,174,769 |

| | | Share capital RM | Non-distributable Share premium RM | Distributable (Accumulated loss)/ Retained profit RM | Total RM |
|--|--|---------------------|--|---|-------------|
| Company | | | | | |
| As at 1 August 2005 | | 2,629,889 | - | (4,432) | 2,625,457 |
| Issue of share capital | | 1,150,000 | 7,130,000 | - | 8,280,000 |
| Bonus issue by capitalisation of share premium | | 3,779,889 | (3,779,889) | - | - |
| Listing expenses | | - | (1,799,249) | - | (1,799,249) |
| Net loss for the year | | - | - | (94,359) | (94,359) |
| As at 31 July 2006 | | 7,559,778 | 1,550,862 | (98,791) | 9,011,849 |
| Bonus issue | | 1,889,945 | (1,181,000) | (708,945) | - |
| Bonus issue expenses | | - | (246,769) | - | (246,769) |
| Net profit for the year | | - | - | 1,384,748 | 1,384,748 |
| As at 31 July 2007 | | 9,449,723 | 123,093 | 577,012 | 10,149,828 |

The accompanying notes form an integral part of these financial statements.



| | Note | Group 2007 RM | 2006 RM | Company 2007 RM | 2006 RM |
|--|------|---------------------|--------------|-----------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts from customers | | 14,024,246 | 10,530,894 | 1,209,586 | - |
| Cash paid to suppliers and employees | | (10,887,915) | (13,331,324) | 1,919,632 | (5,003,801) |
| Cash generated from / (used in) operating activities | | 3,136,331 | (2,800,430) | 3,129,218 | (5,003,801) |
| Interest paid | | (164,162) | (140,144) | - | - |
| Interest received | | 50,541 | 79,294 | 6,048 | 36,374 |
| Dividend income received | | 8,603 | - | - | - |
| Taxation refunded | | 7,045 | - | - | - |
| Taxation paid | | (225,605) | (131,332) | (415,183) | - |
| Net cash generated from / (used in) operating activities | | 2,812,753 | (2,992,612) | 2,720,083 | (4,967,427) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of plant and equipment | | (150,230) | (54,200) | - | - |
| Placement of fixed deposits pledged | | (64,493) | (41,477) | - | - |
| Investment in associates | 7 | (84,000) | - | - | - |
| Proceed from disposal of plant and equipment | | 1,200 | 8,000 | - | - |
| Acquisition of subsidiaries | 31 | (3,123,139) | - | (3,200,002) | - |
| Net cash used in investing activities | | (3,420,662) | (87,677) | (3,200,002) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Payment of listing expenses | | - | (1,799,249) | - | (1,799,249) |
| Payment of bonus issue expenses | | (246,769) | - | (246,769) | - |
| Proceed from issue of share capital | | - | 8,280,000 | - | 8,280,000 |
| Payment of hire purchase interest | | (51,605) | (54,368) | - | - |
| Proceeds from / (Repayments of) bankers' acceptance | | 1,039,000 | (976,000) | - | - |
| (Repayments of) / Proceeds from bills payables | | (230,563) | 22,273 | - | - |
| Repayments of hire purchase liabilities | | (71,554) | (49,661) | - | - |
| Net cash generated from / (used in) financing activities | | 438,509 | 5,422,995 | (246,769) | 6,480,751 |
| Net (decrease) / increase in cash and cash equivalents | | (169,400) | 2,342,706 | (726,688) | 1,513,324 |
| Cash and cash equivalents at beginning of the year | | 2,165,981 | (176,725) | 1,513,326 | 2 |
| Cash and cash equivalents at end of the year | 32 | 1,996,581 | 2,165,981 | 786,638 | 1,513,326 |

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies and associates are as stated in note 6 and 7 in the notes to the financial statements respectively.

There have been no significant changes in the nature of the principal activities of the Company, its subsidiaries and associates during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at No. 30-3, Jalan 11/116B, Kuchai Entrepreneurs Park, Off Jalan Kuchai Lama, 58200 Kuala Lumpur.

The principal place of business of the Company is located at No. 12, 14 & 16, Jalan PJU 1A/11, Ara Damansara, 46050 Petaling Jaya, Selangor Darul Ehsan.

2. DATE OF AUTHORISATION OF ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 November 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

(i) New and revised FRSs adopted

At the beginning of the current financial year, the Group and the Company had adopted the following FRSs which are mandatory for financial periods beginning on or after 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 Accounting 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 |

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(ii) New FRSs and amendments to FRSs not adopted

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

| FRSs, Amendments to FRSs and Interpretations | Effective for financial periods beginning on or after |
|---|---|
| FRS 139: Financial Instruments: Recognition and Measurement | Deferred |
| FRS 117: Leases | 1 October 2006 |
| FRS 124: Related Parties Disclosures | 1 October 2006 |
| FRS: 6 Exploration for and Evaluation of Mineral Resources | 1 January 2007 |
| Amendment to FRS 119 ₂₀₀₄ : Employee Benefits | |
| - Actuarial Gains and Losses, Group Plans and Disclosures | 1 January 2007 |
| Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates | |
| - Net Investment in a Foreign Operation | 1 July 2007 |
| FRS 107: Cash Flow Statements | 1 July 2007 |
| FRS 111: Construction Contracts | 1 July 2007 |
| FRS 112: Income Taxes | 1 July 2007 |
| FRS 118: Revenue | 1 July 2007 |
| FRS 120: Accounting for Government Grants and Disclosure of Government Assistance | 1 July 2007 |
| FRS 134: Interim Financial Reporting | 1 July 2007 |
| FRS 137: Provisions, Contingent Liabilities and Contingent Assets | 1 July 2007 |
| IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |
| IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments | 1 July 2007 |
| IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 July 2007 |
| IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment | 1 July 2007 |
| IC Interpretation 7: Applying the Restatement Approach under FRS 129 ₂₀₀₄ – Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| IC Interpretation 8: Scope of FRS 2 | 1 July 2007 |

The above FRSs, amendments to FRSs and IC Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.

FRS 6 is not relevant to the Group's and the Company's operations and the adoption of the above amendments and Interpretations will have no significant impact to the financial statements of the Group and of the Company.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 117, 124 and 139.

(iii) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The adoption of new and revised FRSs does not result in significant changes in accounting policies of the Group and of the Company except as stated below:

(i) FRS 3: Business Combinations

Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(iii) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(i) FRS 3: Business Combinations (cont'd)

Prior to 1 August 2006, negative goodwill was carried as reserve on consolidation. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in the income statements. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 August 2006 of RM516,932 was derecognised with a corresponding increase in retained profit.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 31 July 2007 are shown in Note 3(a)(iv). This change has no impact on the Company's financial statements.

(ii) FRS 101: Presentation of financial statements

(a) Disclosure of judgements and estimates

FRS 101 requires disclosures of judgements made by management in the process of applying the Group's and the Company's accounting policies that has the most significant effect in the amounts recognised in the financial statements and the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These disclosures are made in Note 4.

(b) Presentation of share of tax of associates

FRS 101 requires the share of tax of associates accounted for using the equity method be included in the respective shares of profit or loss reported in the consolidated income statements before arriving at the Group's profit or loss before tax.

(iv) Summary of effect of adopting new and revised FRSs on the current year's financial statements

Effects on balance sheets as at 31 July 2007

| Group | Increase/(Decrease) | | Total RM |
|-------------------|---------------------|---------------|-------------|
| | FRS 3 RM | FRS 101 RM | |
| Negative goodwill | (516,932) | - | (516,932) |
| Retained profit | 516,932 | - | 516,932 |

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary companies, after the elimination of all material intercompany transactions, balances and unrealised gains and losses. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date such control effectively ceases.

The financial statements of subsidiary companies are prepared for the same reporting period as the Company. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. This method involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

(c) Plant and equipment

Plant and equipment are initially stated at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statements during the financial year in which they are incurred. Costs includes expenditure that is directly attributable to the acquisition of the plant and equipment.

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(d).

Depreciation is provided on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life. The principal rates used are as follows:

| | |
|-------------------------|-----------|
| Plant and machinery | 25% |
| Furniture and fittings | 10% - 25% |
| Office equipment | 10% - 25% |
| Motor vehicles | 20% |
| Computers | 10% - 33% |
| Signboard | 15% |
| Electrical installation | 10% |
| Renovation | 20% |

The residual values, useful lives and depreciation method of plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statements.

(d) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

The carrying amounts of assets, other than inventories, assets arising from deferred tax assets and financial assets (other than investments in subsidiaries and associates) are reviewed at each balance sheet date for impairment when there is an indication that the carrying amount of the assets may not be recoverable. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual asset, or if it is not possible, for the cash generating unit.

An impairment loss is recognised as an expense in the income statements immediately, unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Impairment of assets (cont'd)

Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. A reversal of impairment loss on a revalued asset is credited directly to revaluation surplus. To the extent that impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as an income in the income statements.

(e) Subsidiary companies

Subsidiary companies are those enterprises in which the Group has a long-term equity interest and which are controlled by the Group, generally accompanying a shareholding of more than one half of the voting rights. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investments in subsidiary companies in the separate financial statements of the Company are stated at cost less impairment losses, if any.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any balance of goodwill and exchange differences which were not previously recognised in the consolidated income statements.

The policy for the recognition and measurement of impairment losses is in accordance with Note 3(d).

(f) Associates

Associates are entities in which the Group exercises significant influence and that is neither a subsidiary nor an interest in a joint venture, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies decisions of the associates but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associates are carried in the consolidated balance sheet at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates during the financial year is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred.

The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(d).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Intangible assets

(i) Goodwill on consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statements. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Research and development expenditures

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statements as an expense when incurred.

Expenditure incurred on development activities, where research findings are applied to a plan or design for the production of new or substantially improved products or processes is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the asset under development so that it will be available for use or sale, its intention to complete and its ability to use or sell the developed asset, it can be demonstrated how the asset will generate future economic benefits, the availability of adequate technical, financial and other resources to complete the asset under development and the ability to measure reliably the expenditure attributable to the asset under development.

Other development expenditures which do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent financial year. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(d).

Capitalised development expenditure is amortised and recognised as an expense from the point at which the asset is ready for use on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over a period not exceeding 10 years.

(h) Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value with first-in, first-out being the main basis for cost. The cost of raw materials comprises the purchase price plus the cost of bringing the inventories to the present condition and location. The cost of finished goods and work-in-progress comprises raw materials, direct labour, sub-contractor fees, other direct costs and an appropriate proportion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(i) Trade and other receivables

Trade and other receivables are carried at anticipated net realisable values. Bad debts are written off in the period in which they are identified. An allowance is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(j) Short-term investments

Investments held as current assets are stated at the lower of cost and market value at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Short-term investments (cont'd)

The market value of the short-term investments is determined based on the quoted bid prices at the balance sheet date.

On the disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statements.

(k) Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statements comprise cash in hand and at banks, demand deposits, deposits pledged with financial institutions, bank overdrafts, and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(l) Equity instruments

Ordinary shares are recorded at nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Dividends to shareholders are recognised in equity in the financial year in which the dividends are approved by the shareholders.

(m) Assets acquired under hire purchase and finance lease agreements

Assets acquired under hire purchase and finance lease arrangements which transfer substantially all the risks and rewards of ownership to the Group and the Company are included in plant and equipment and capital element of the hire purchase commitment is shown as hire purchase creditor.

Assets acquired under hire purchase and finance lease arrangements are depreciated over the useful lives of equivalent owned assets.

Finance charges are recognised as an expense in the income statements over the period of the agreements to give a constant periodic rate of charge on the outstanding liability at the end of each financial year.

(n) Interest bearing loans and borrowings

Interest bearing borrowings are recorded at the amount of proceeds received less directly attributable transaction costs.

All other borrowing costs are recognised as an expense in the income statements in the financial year in which they are incurred.

(o) Income tax

Income tax for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. However, deferred tax is not accounted for if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting nor taxable profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Income tax (cont'd)

Deferred tax is determined using tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(p) Trade and other payables

Trade and other payables are stated at fair value of the consideration to be paid in the future for goods and services received.

(q) Provisions for warranty and maintenance costs

The Group recognises the estimated liability to repair or replace products when the underlying products or services are sold. This provision is calculated based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

(i) Sale of goods

Revenue from trading, project and manufacturing activities are recognised in the income statements when significant risks and rewards of ownership of goods have been transferred to the buyer.

(ii) Interest income

Interest income is recognised in the income statements as it accrues, taking into account the effective yield on the assets unless collectibility is in doubt.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(s) Employee benefits

(i) Short Term Employee Benefits

Wages, salaries and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlements that have accumulated at the balance sheet date.

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

(t) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Group's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Foreign currencies (cont'd)

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statements for the financial year.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statements for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The principal closing rates used in the translation of foreign currency amounts and the financial statements of foreign entities are as follows:

| | 2007 RM | 2006 RM |
|--------|--------------------|--------------------|
| 1 USD | 3.40 | 3.70 |
| 1 GBP | 6.50 | 6.50 |
| 1 EURO | 4.67 | 4.60 |

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- (ii) Income and expenses for each income statements are translated at average exchange rates for the financial year; and
- (iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity. On disposal, exchange differences that were recorded in equity are recognised in the income statements as part of the gain or loss on sale.

(u) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in the income statements. Distributions to holders of financial instruments classified as equity are debited directly to equity net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The recognition methods adopted are disclosed in the individual policy statement associated with each item.

(w) Segmental reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that affect the application of the Group's accounting policies and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are outlined below:

(i) Depreciation of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the assets' useful lives. The management estimates the range of useful lives of these plant and equipment to be 3 to 10 years. However, any changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which the goodwill is allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in assumptions could significantly affect the results of the Group's tests for impairment of goodwill.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(iii) Impairment of assets other than goodwill

The Group assesses impairment of an asset whenever the events or changes in circumstances indicated that the carrying amount of the asset may not be recoverable. Recoverable amount is measured at the higher of the fair value less cost to sell for the asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from the asset discounted at an appropriate discount rate.

In determining the recoverable amount of an asset, the management is required to make an estimate of the expected future cash flows based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Allowance for doubtful debts

Allowance for doubtful debts is made based on the assessment of the recoverability of receivables. Allowances are made on receivables where events or changes in circumstances indicated that the carrying amounts may not be recoverable. The management has given due consideration to all pertinent information relating to the ability of the debtors to settle the debts which include historical bad debt, customer concentrations and creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(v) Income taxes

There are certain transactions and calculations for which the ultimate tax determination may be different from the initial estimate. Tax liabilities are recognised based on the Group's understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination may be different from the initial estimate.

(vi) Deferred tax asset

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

5. PLANT AND EQUIPMENT

Group

| | Plant and machinery RM | Furniture and fittings RM | Office equipment RM | Motor vehicles RM | Computers RM | Signboard RM | Electrical installation RM | Renovation RM | Total RM |
|--|---------------------------|------------------------------|------------------------|----------------------|-----------------|-----------------|-------------------------------|------------------|-------------|
| Net book value as at 1 August 2005 | 70,129 | 6,717 | 18,902 | 343,016 | 15,898 | - | - | - | 454,662 |
| Addition | 22,450 | 7,708 | 6,571 | 48,000 | 7,871 | - | - | - | 92,600 |
| Disposal | - | - | - | (2,800) | - | - | - | - | (2,800) |
| Depreciation charge | (29,332) | (7,559) | (12,678) | (78,250) | (9,663) | - | - | - | (137,482) |
| Net book value as at 31 July 2006 | 63,247 | 6,866 | 12,795 | 309,966 | 14,106 | - | - | - | 406,980 |
| Acquisition of subsidiary | - | 1,004 | 14,590 | 180,709 | - | 213 | 3 | 3 | 196,522 |
| Addition | 10,500 | 21,712 | 30,764 | - | 23,212 | - | - | 64,042 | 150,230 |
| Disposal | - | - | (2) | - | - | - | - | - | (2) |
| Write off | - | - | (1,973) | - | - | - | - | - | (1,973) |
| Depreciation charge | (32,791) | (3,494) | (9,774) | (140,063) | (12,438) | (194) | - | (2,557) | (201,311) |
| Net book value as at 31 July 2007 | 40,956 | 26,088 | 46,400 | 350,612 | 24,880 | 19 | 3 | 61,488 | 550,446 |
| Net book value as at 31 July 2006 | | | | | | | | | |
| Cost | 94,776 | 15,461 | 26,975 | 387,342 | 26,809 | - | - | - | 551,363 |
| Accumulated depreciation | (31,529) | (8,595) | (14,180) | (77,376) | (12,703) | - | - | - | (144,383) |
| Net book value | 63,247 | 6,866 | 12,795 | 309,966 | 14,106 | - | - | - | 406,980 |
| Net book value as at 31 July 2007 | | | | | | | | | |
| Cost | 105,276 | 71,611 | 90,480 | 695,349 | 50,021 | 5,550 | 6,419 | 69,663 | 1,094,369 |
| Accumulated depreciation | (64,320) | (45,523) | (44,080) | (344,737) | (25,141) | (5,531) | (6,416) | (8,175) | (543,923) |
| Net book value | 40,956 | 26,088 | 46,400 | 350,612 | 24,880 | 19 | 3 | 61,488 | 550,446 |

5. PLANT AND EQUIPMENT (cont'd)

The net book value of plant and equipment acquired under hire purchase arrangements is as follows:

| | Group 2007 RM | 2006 RM |
|----------------|------------------------------|--------------------|
| Motor vehicles | 350,614 | 309,966 |

Included in the Group's plant and equipment is the following fully depreciated assets which are still in use with cost value of:

| | 2007 RM | 2006 RM |
|-------------------------|--------------------|--------------------|
| Plant and machinery | 7,623 | 942 |
| Furniture and fittings | 170,777 | 137,779 |
| Office equipment | 77,865 | 55,493 |
| Motor vehicles | 80,285 | 36,237 |
| Computers | 114,893 | 98,404 |
| Signboard | 4,250 | - |
| Electrical installation | 6,419 | - |
| Renovation | 5,621 | - |

6. INVESTMENT IN SUBSIDIARIES

| Company | 2007 RM | 2006 RM |
|-------------------------------|--------------------|--------------------|
| Unquoted investments, at cost | 6,482,774 | 3,282,772 |

Details of the subsidiary companies are as follows:

| Name | Group's effective interest (%) | | Principal activities |
|--|---|-------------|--|
| | 2007 | 2006 | |
| Focus Dynamics Centre Sdn. Bhd. ("FDCSB") ** (Incorporated in Malaysia) | 100 | 100 | Marketing, distribution and sale of industrial machines and processes, providing a range of support services covering project management services, maintenance support, engineering conceptualisation, system audit, energy saving services and other support services in relation to the Company's business and products. |
| Focus Dynamics Drives Sdn. Bhd. ** (Incorporated in Malaysia) | 100 | 100 | Manufacture, research and development of variable speed drives and, supply and trading of instruments for the control of industrial machines and processes. |
| DPC Industrial Systems Sdn. Bhd. ** (Incorporated in Malaysia) | 100 | - | Trading of industrial equipment, designing, installation and implementation of automation system for the energy resource based industry and providing other related products and services. |
| Oxy Deluxe Sdn. Bhd. ** (Incorporated in Malaysia) | 100 | - | Dormant. |

6. INVESTMENT IN SUBSIDIARIES (cont'd)

| Name | Group's effective interest (%) | | Principal activities |
|--|--------------------------------|------|---|
| | 2007 | 2006 | |
| Subsidiaries of Focus | | | |
| Dynamics Drives Sdn. Bhd. | | | |
| Focus Dynamics Distribution Sdn. Bhd. ** (Incorporated in Malaysia) | 100 | 100 | Trading, marketing and distribution of original equipment manufacturer industrial control equipment and related products. |
| Focus Dynamics Industrial System Limited * (Incorporated in United Kingdom) | 100 | 100 | Dormant. The intended principal activity is promotion and recruitment of distributors of industrial control equipment. |

* Not audited by Mustapha, Khoo & Co. The United Kingdom Companies Act, 1985 provided an exemption from audit being undertaken on companies with balance sheet assets total of not more than £1.4 million and turnover of not more than £1.0 million.

** Audited by Mustapha, Khoo & Co.

7. INVESTMENT IN ASSOCIATES

| Group | 2007 RM | 2006 RM |
|--|------------|------------|
| Unquoted investments, at cost | 84,000 | - |
| Group's share of post-acquisition reserves | (10,244) | - |
| | 73,756 | - |

Details of the associates companies are as follows:

| Name | Group's effective interest (%) | | Principal activities |
|---|--------------------------------|------|--|
| | 2007 | 2006 | |
| SPC Sawit Sdn. Bhd. (Formerly known as UTE Power Sdn. Bhd.) (Incorporated in Malaysia) | 49 | - | Dormant. |
| VAW Technology Sdn. Bhd. (Incorporated in Malaysia) | 35 | - | Provides services to product developer, manufacturer and marketing companies in the areas of design/engineering construction and contract manufacturing. |

The investment in associates were accounted for in the financial statements under the equity method using the non-audited financial statements, as the audited financial statements of the associated companies are not available.

The Group's share of revenue, profit, assets and liabilities of associates are as follows:

| | 2007 RM | 2006 RM |
|---|------------|------------|
| Unquoted investment, at cost | 84,000 | - |
| Group's share of post-acquisition reserve | (10,244) | - |
| | 73,756 | - |
| Represented by: | | |
| Group's share of net assets | 72,408 | - |
| Add: Goodwill on acquisition | 1,348 | - |
| | 73,756 | - |

7. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information of the associates are as follows:

| | 2007 RM | 2006 RM |
|---------------------|------------|------------|
| Revenue | 347,563 | - |
| Loss after tax | (28,257) | - |
| Non-current assets | 88,414 | - |
| Current assets | 695,237 | - |
| Current liabilities | (614,661) | - |
| Net assets | 168,990 | - |

8. GOODWILL ON CONSOLIDATION

| Group | 2007 RM | 2006 RM |
|-------------------------------|------------|------------|
| Net book value as at 1 August | - | - |
| Additions | 2,209,793 | - |
| Impairment loss | - | - |
| As at 31 July | 2,209,793 | - |
| Net book value as at 31 July | | |
| Cost | 2,209,793 | - |
| Accumulated impairment loss | - | - |
| Net book value | 2,209,793 | - |

9. PRODUCTS DEVELOPMENT EXPENDITURE

| Group | 2007 RM | 2006 RM |
|-------------------------------|------------|------------|
| Net book value as at 1 August | 1,431,244 | 701,054 |
| Additions | 1,065,951 | 844,702 |
| Amortisation charge | (229,508) | (114,512) |
| As at 31 July | 2,267,687 | 1,431,244 |
| Net book value as at 31 July | | |
| Cost | 2,732,812 | 1,666,861 |
| Accumulated amortisation | (465,125) | (235,617) |
| Net book value | 2,267,687 | 1,431,244 |

Included in products development expenditure for the financial year is staff costs of RM292,620 (2006: RM282,425).

10. INVENTORIES

| Group | 2007 RM | 2006 RM |
|---------------------|------------|------------|
| At cost: | | |
| Raw materials | 554,873 | 629,721 |
| Work-in-progress | 4,927,552 | 3,574,994 |
| Finished goods | 949,790 | 186,402 |
| Trading inventories | - | 891,398 |
| | 6,432,215 | 5,282,515 |

11. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Trade receivables | 7,377,715 | 6,055,097 | - | - |
| Allowance for doubtful debts | - | (123,443) | - | - |
| | 7,377,715 | 5,931,654 | - | - |
| Other receivables, deposits and prepayments | 616,473 | 94,978 | 50,611 | 12,500 |
| | 7,994,188 | 6,026,632 | 50,611 | 12,500 |

The Group's normal trade credit terms ranges from 30 to 120 days (2006: 30 to 120 days). Other credit terms are assessed and approved on a case by case basis.

12. AMOUNT DUE FROM / (TO) SUBSIDIARY COMPANIES

The amount due from subsidiary companies are non-trade in nature which are unsecured, interest free and have no fixed terms of repayment.

The amount due to subsidiary companies are non-trade in nature which are unsecured, interest free and have no fixed terms of repayment.

13. AMOUNT DUE FROM / (TO) ASSOCIATED COMPANIES

The amount due from associated companies are unsecured, interest free and have no fixed terms of repayment and consist of:

| Group | 2007 RM | 2006 RM |
|-----------|------------|------------|
| Non-trade | 267,609 | - |

The amount due to associated companies are unsecured, interest free and have no fixed terms of repayment and consist of:

| | 2007 RM | 2006 RM |
|-----------|------------|------------|
| Trade | 15,784 | - |
| Non Trade | 118,494 | - |
| | 134,278 | - |

14. DEPOSITS WITH LICENSED BANKS

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Short-term deposits (REPO) with licensed bank | 775,000 | 1,500,000 | 775,000 | 1,500,000 |
| Fixed deposits with licensed bank | 1,285,502 | 1,229,009 | - | - |
| | 2,060,502 | 2,729,009 | 775,000 | 1,500,000 |

The range of interest rates and maturities of deposits as at 31 July 2007 were as follow:

| | Range of interest rates | | Range of maturities | |
|---|-------------------------|-------------|---------------------|--------------|
| | 2007 % | 2006 % | 2007 Days | 2006 Days |
| Group | | | | |
| Short-term deposits (REPO) with licensed bank | 2.65 | 2.65 | 7 | 11 - 10 |
| Fixed deposits with licensed bank | 3.30 - 3.70 | 2.55 - 3.70 | 180 - 365 | 365 |
| Company | | | | |
| Short-term deposits (REPO) with licensed bank | 2.65 | 2.65 | 7 | 11 - 10 |

The fixed deposits of the Group are pledged to licensed banks for credit facilities granted to the subsidiary companies (Note 19).

15. CASH IN HAND AND AT BANKS

| | Group | | Company | |
|---------------|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Cash in hand | 2,700 | 1,504 | - | 2 |
| Cash at banks | 1,204,640 | 664,477 | 11,638 | 13,324 |
| | 1,207,340 | 665,981 | 11,638 | 13,326 |

16. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|------------------|---------------|------------|------------|
| | 2007 Units | 2006 Units | 2007 RM | 2006 RM |
| Authorised ordinary shares of RM0.10 each | | | | |
| As at beginning of the year | 100,000,000 | 100,000,000 | 10,000,000 | 10,000,000 |
| Created during the year | 150,000,000 | - | 15,000,000 | - |
| As at end of the year | 250,000,000 | 100,000,000 | 25,000,000 | 10,000,000 |
| Issued and fully paid ordinary shares of RM0.10 each | | | | |
| As at beginning of the year | 75,597,780 | 26,298,890 | 7,559,778 | 2,629,889 |
| Issued during the year | - | 11,500,000 | - | 1,150,000 |
| Bonus issue | 18,899,445 | 37,798,890 | 1,889,945 | 3,779,889 |
| As at end of the year | 94,497,225 | 75,597,780 | 9,449,723 | 7,559,778 |

17. RESERVES

| | Group 2007 RM | 2006 RM | Company 2007 RM | 2006 RM |
|--------------------------------------|--|--------------------------|--|--------------------------|
| Non-distributable reserve: | | | | |
| Share premium | 123,093 | 1,550,862 | 123,093 | 1,550,862 |
| Distributable reserve: | | | | |
| Retained profit / (Accumulated loss) | 2,601,953 | 2,291,042 | 577,012 | (98,791) |
| | 2,725,046 | 3,841,904 | 700,105 | 1,452,071 |

Share premium

Share premium arose from the public issue of 1,150,000 ordinary shares of RM0.10 each at premium of RM0.72 per ordinary share less share issue expenses of RM1,799,249 during the previous financial year.

18. NEGATIVE GOODWILL

| Group | 2007 RM | 2006 RM |
|-------------------------------|--------------------------|--------------------------|
| Net book value as at 1 August | 516,932 | 789,591 |
| Addition | - | (272,659) |
| Effect of adopting FRS 3 | (516,932) | - |
| Net book value as at 31 July | - | 516,932 |
| Net book value as at 31 July | | |
| Cost | - | 817,977 |
| Accumulated amortisation | - | (301,045) |
| Net book value | - | 516,932 |

As a result of the adoption of FRS 3 - Business Combinations, under the transitional provisions of FRS 3, the carrying amount of the negative goodwill amounting to RM516,932 which arose from the acquisition of subsidiaries before FRS 3 became effective is derecognised with a corresponding adjustment to accumulated losses as at 1 August 2006.

19. BORROWINGS

| | Group 2007 RM | 2006 RM |
|-------------------------------------|--|--------------------------|
| CURRENT | | |
| Secured | | |
| Bank overdraft | 14,362 | - |
| Bills payable - Trust receipts (TR) | 319,498 | 653,061 |
| Export Credit Refinancing (ECR) | 947,000 | 844,000 |
| Bankers' acceptance (BA) | 2,157,000 | 1,118,000 |
| Unsecured | | |
| Hire purchase | 83,845 | 64,061 |
| | 3,521,705 | 2,679,122 |
| NON-CURRENT | | |
| Unsecured | | |
| Hire purchase | 261,008 | 227,463 |
| | 3,782,713 | 2,906,585 |

19. BORROWINGS (cont'd)

The bank overdrafts bear interest at rates ranging from 8.5% - 9.25% (2006: 8.5%).

The Trust receipts (TR) bear interest at rates ranging from 5.0% to 8.5% (2006: 5.0% to 8.5%).

The Export Credit Refinancing (ECR) bear interest at a rate of 3.5% (2006: 3.5%).

The bankers' acceptance (BA) bear interest at rates ranging from 4.77% to 5.7% (2006: 3.90% to 5.55%).

The bank overdraft, TR, ECR and bankers' acceptance are secured by the followings:

- a) first and second debenture on the Group's fixed and floating assets;
- b) "On-Lien" fixed deposits of the Group (Note 14); and
- c) a Corporate Guarantee amount to RM4,400,000 from the Company.

Hire purchase creditors are payable as follows:

| | Group 2007 RM | 2006 RM |
|--|------------------------------|--------------------|
| Hire purchase liabilities | | |
| Minimum hire-purchase payments: | | |
| Not later than 1 year | 90,288 | 74,160 |
| Later than 1 year and not later than 5 years | 314,762 | 229,472 |
| Later than 5 years | - | 40,095 |
| | 405,050 | 343,727 |
| Future finance charges on hire purchase | (60,197) | (52,203) |
| Present value of hire purchase liabilities | 344,853 | 291,524 |
| Present value of hire purchase liabilities: | | |
| Not later than 1 year | 83,845 | 64,061 |
| Later than 1 year and not later than 5 years | 261,008 | 193,843 |
| Later than 5 years | - | 33,620 |
| | 344,853 | 291,524 |

Hire purchase liabilities of the Group are subject to interest rates ranging from 2.5% to 7.6% (2006: 2.7% to 3.4%) per annum.

20. DEFERRED TAXATION

(a) The deferred tax assets and liabilities are made up of the following:

| | Group 2007 RM | 2006 RM |
|---|------------------------------|--------------------|
| As at 1 August | (25,586) | 22,500 |
| Recognised in the income statements (Note 29) | 72,978 | (48,086) |
| As at 31 July | 47,392 | (25,586) |

Presented after appropriate offsetting as follows:

| | Group 2007 RM | 2006 RM |
|--------------------------|------------------------------|--------------------|
| Deferred tax assets | (4,087) | (30,155) |
| Deferred tax liabilities | 51,479 | 4,569 |
| | 47,392 | (25,586) |

20. DEFERRED TAXATION (cont'd)

(b) The movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

| | 2007 RM | 2006 RM |
|--|--------------------|--------------------|
| Deferred tax assets: | | |
| As at 1 August | (30,155) | - |
| Amount recognised in the income statements (Note 29) | 26,068 | (30,155) |
| As at 31 July | (4,087) | (30,155) |
| Deferred tax liabilities: | | |
| As at 1 August | 4,569 | 22,500 |
| Amount recognised in the income statements (Note 29) | 46,910 | (17,931) |
| As at 31 July | 51,479 | 4,569 |

(c) The components of deferred tax liabilities / (assets) as at the end of the financial year comprise tax effect of:

| | 2007 RM | 2006 RM |
|--|--------------------|--------------------|
| Temporary difference of carrying amount and tax base | - | 4,569 |
| Excess of depreciation over corresponding capital allowances | (4,087) | - |
| Excess of capital allowances over corresponding depreciation | 51,479 | - |
| Tax loss and unabsorbed capital allowances | - | (30,155) |
| | 47,392 | (25,586) |

21. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Trade payables | 2,653,942 | 837,698 | - | - |
| Other payables and accruals | 1,898,041 | 716,949 | 767,636 | 41,832 |
| | 4,551,983 | 1,554,647 | 767,636 | 41,832 |

The normal credit period granted to the Group ranges from 30 days to 90 days (2006: 30 days to 90 days).

22. PROVISIONS FOR WARRANTY AND MAINTENANCE COSTS

| Group | 2007 RM | 2006 RM |
|-----------------------------|--------------------|--------------------|
| As at 1 August | - | - |
| Charge to income statements | 15,430 | - |
| As at 31 July | 15,430 | - |

The Group gives warranties on certain products and undertakes to replace defective items. A provision has been recognised at the period end for expected warranty claims based on past experience of the level of returns.

23. AMOUNT DUE TO DIRECTORS

The amount due to directors are unsecured, interest-free and have no fixed terms of repayment.

24. REVENUE

| | Group | | Company | |
|--------------------------|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Dividend income | - | - | 2,230,000 | - |
| Energy efficiency system | 6,007,839 | 5,798,892 | - | - |
| Manufacturing | 1,319,969 | 1,935,168 | - | - |
| Project | 1,092,769 | - | - | - |
| Trading | 6,445,941 | 1,638,208 | - | - |
| | 14,866,518 | 9,372,268 | 2,230,000 | - |

25. COST OF SALES

| Group | 2007 RM | 2006 RM |
|---|------------|------------|
| Included in the above are the following expenses: | | |
| Amortisation of development expenditure | 229,508 | 114,512 |
| Depreciation of plant and equipment | 32,790 | 29,332 |
| Factory rental | 5,715 | 4,800 |
| Hire of machinery and equipment | 470 | - |

26. OTHER INCOME

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Amortisation of negative goodwill | - | 272,659 | - | - |
| Deposit forfeited | - | 20,290 | - | - |
| Dividend income | 8,603 | - | - | - |
| Fixed deposit interest received | 44,493 | 42,920 | - | - |
| Gain on disposal of plant and equipment | 1,198 | 5,200 | - | - |
| Gain on foreign exchange - realised | 84 | 399 | - | - |
| Gain on foreign exchange - unrealised | 841 | - | - | - |
| Insurance claim | 5,138 | 37,901 | - | - |
| Interest income | - | 23,446 | - | 23,446 |
| Miscellaneous income | - | 15,268 | - | - |
| Reduction in allowance for doubtful debts | 20,090 | 57,991 | - | - |
| REPO interest | 6,048 | 12,928 | 6,048 | 12,928 |
| Sales of scrap | 6,574 | - | - | - |
| | 93,069 | 489,002 | 6,048 | 36,374 |

27. ADMINISTRATIVE AND OPERATING EXPENSES

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Included in the above are the following expenses: | | | | |
| Auditors' remuneration | | | | |
| - Current year's provision | 21,600 | 16,000 | 3,000 | 3,000 |
| - Undertaken up in previous year | - | 3,825 | - | 3,825 |
| Depreciation of plant and equipment | 168,521 | 108,150 | - | - |
| Directors' remuneration | | | | |
| - EPF | 32,700 | - | - | - |
| - Socso | 310 | - | - | - |
| - Allowance | 11,700 | 6,200 | 11,700 | 6,200 |
| - Fee | 99,600 | 36,000 | 78,000 | 36,000 |
| - Salary | 302,500 | - | - | - |
| Hire of equipment | 189 | - | - | - |
| Realised foreign exchange loss | 19,503 | 10,363 | - | - |
| Plant and equipment written off | 1,973 | - | - | - |
| Preliminary expenses | 2,500 | - | - | - |
| Rental of premises | 74,385 | 96,900 | - | - |
| Research expenditure | 40,306 | 8,899 | - | - |

28. FINANCE COSTS

| Group | 2007 RM | 2006 RM |
|--|------------|------------|
| Bank overdraft interest | 7,484 | 11,189 |
| Bankers' acceptance (BA) interest | 94,877 | 76,599 |
| Bills payable (TR) interest | 29,012 | 28,296 |
| Export credit refinancing (ECR) interest | 49,868 | 35,247 |
| Hire purchase interest | 15,984 | 9,001 |
| Letter of credit (LC) charges | 5,736 | 3,847 |
| Term loan interest | - | 13,624 |
| | 202,961 | 177,803 |

29. TAXATION

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Tax expense for the financial year | | | | |
| Provision for the financial year | 297,402 | 247,500 | 413,100 | 10,000 |
| Overprovision of tax in previous financial year | (28,812) | (13,640) | - | - |
| Transfer from deferred taxation (Note 20) | 72,978 | (48,086) | - | - |
| | 341,568 | 185,774 | 413,100 | 10,000 |

29. TAXATION (cont'd)

A reconciliation of income tax expense applicable to profit / (loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

| | Group | 2006 | Company | 2006 |
|--|----------------|----------------|----------------|---------------|
| | 2007 | RM | 2007 | RM |
| | RM | | RM | RM |
| Profit / (Loss) before taxation | 844,492 | 1,657,088 | 1,797,848 | (84,359) |
| Tax at Malaysian statutory income tax rate of 27% (2006: 28%) | 228,013 | 463,985 | 485,419 | (23,621) |
| Effect of: | | | | |
| Income not subject to tax | (323) | (77,801) | (189,000) | - |
| Expenses not deductible for tax | 235,500 | 46,728 | 116,681 | 33,296 |
| Effect of different tax rate for small and medium scale companies of 20% | (57,266) | (63,068) | - | - |
| Tax exempt income under pioneer status | (27,684) | (174,449) | - | - |
| Utilisation of capital allowance | (47,092) | - | - | - |
| Utilisation of previously unabsorbed tax losses and capital allowances | (5,801) | - | - | - |
| Underprovision of deferred taxation in previous financial years | 45,033 | - | - | - |
| Overprovision of tax in prior year | (28,812) | (13,640) | - | - |
| Other items | - | 4,019 | - | 325 |
| Tax expense for the financial year | 341,568 | 185,774 | 413,100 | 10,000 |

Tax savings of the Group is as follows:

| | Group | 2006 |
|--|--------------|-------------|
| | 2007 | RM |
| | RM | RM |
| Arising from utilisation of previously unrecognised: | | |
| - capital allowances | 5,801 | - |

The wholly owned subsidiary, Focus Dynamics Drives Sdn. Bhd. has been granted Pioneer Status in principle under the Promotion of Investments Act, 1986 and the application for the Pioneer Certificate was approved on 9 November 2002 by the Ministry of International Trade and Industry. The approved Pioneer status is granted for the period from 1 February 2002 to 31 January 2007.

30. EARNINGS PER ORDINARY SHARE - GROUP

a) Basic Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the financial year. The weighted average number of shares outstanding for the previous financial year has been adjusted to take into account the effect of the bonus issue.

| | 2007 | Restated |
|---|-------------|-----------------|
| | RM | 2006 |
| | RM | RM |
| Profit attributable to ordinary equity holders of the Company | 502,924 | 1,471,314 |
| Weighted average number of ordinary shares in issue | 94,497,230 | 94,497,230 |
| Basic earnings per share | 0.01 | 0.02 |

30. EARNINGS PER ORDINARY SHARE - GROUP (cont'd)**b) Diluted Earnings per Ordinary Share**

The diluted earnings per share for the Group were not presented as there were no dilutive potential ordinary shares during the financial year.

31. ACQUISITION OF SUBSIDIARY COMPANIES

During the financial year, the Company acquired 100% issued and paid up share capital of DPC Industrial Systems Sdn. Bhd. and Oxy Deluxe Sdn. Bhd. respectively.

- (a) The fair values of the assets acquired and liabilities assumed and the cash flow effects from the acquisition are as follows:

| | 2007 RM |
|--|--------------------|
| Plant and equipment | 196,522 |
| Inventories | 1,013,000 |
| Trade and other receivables | 1,213,721 |
| Deposit, cash and bank balances | 76,861 |
| Trade and other payables | (1,277,655) |
| Borrowings | (124,884) |
| Tax payable | (107,358) |
| Fair value of total net assets acquired | 990,207 |
| Goodwill on acquisition | 2,209,793 |
| Total purchase consideration | 3,200,000 |
| Less: Cash and cash equivalents of subsidiary companies acquired | (76,861) |
| Net cash outflow arising on acquisition | 3,123,139 |

- (b) The effect of these acquisitions on the financial results of the Group during the financial year are as follows:

| | 2007 RM |
|--------------------------------|--------------------|
| Revenue | 3,789,661 |
| Cost of sales | (2,584,958) |
| Gross profit | 1,204,703 |
| Administrative expenses | (369,566) |
| Profit from operations | 835,137 |
| Finance costs | (5,050) |
| Profit before taxation | 830,087 |
| Taxation | (235,033) |
| Increase in Group's net profit | 595,054 |

31. ACQUISITION OF SUBSIDIARY COMPANIES (cont'd)

- (c) The effect of these acquisitions on the financial position of the Group at the end of the financial year are as follows:

| | 2007 RM |
|---------------------------------|--------------------|
| Plant and equipment | 231,122 |
| Inventories | 1,339,160 |
| Trade and other receivables | 2,790,793 |
| Deposit, cash and bank balances | 96,482 |
| Trade and other payables | (2,417,123) |
| Borrowings | (117,390) |
| Tax payable | (297,358) |
| Deferred tax liability | (45,033) |
| | 1,580,653 |

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Cash in hand and at banks | 1,207,340 | 665,981 | 11,638 | 13,326 |
| Short-term deposit | 28,603 | - | - | - |
| Deposits with licensed banks | 2,060,502 | 2,729,009 | 775,000 | 1,500,000 |
| Bank overdraft | (14,362) | - | - | - |
| | 3,282,083 | 3,394,990 | 786,638 | 1,513,326 |
| Less: Deposits with licensed banks - pledged | (1,285,502) | (1,229,009) | - | - |
| | 1,996,581 | 2,165,981 | 786,638 | 1,513,326 |

33. STAFF COSTS (EXCLUDING DIRECTORS' REMUNERATION)

| Group | 2007 RM | 2006 RM |
|--|--------------------|--------------------|
| Cost of sales | | |
| Production wages | 37,976 | 37,250 |
| Social security costs | 730 | 693 |
| Pension cost - Employees Provident Fund | 4,571 | 4,516 |
| Other staff costs | 4,007 | 2,731 |
| | 47,284 | 45,190 |
| Administrative and operating expenses | | |
| Salaries and wages | 770,927 | 349,838 |
| Social security costs | 7,443 | 3,587 |
| Pension cost - Employees Provident Fund | 93,478 | 41,902 |
| Other staff costs | 131,097 | 105,901 |
| Capitalised in development cost (Note 9) | 292,620 | 282,425 |
| | 1,295,565 | 783,653 |
| Total staff costs | 1,342,849 | 828,843 |

34. DIRECTORS' REMUNERATION

| | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Executive: | | | | |
| Directors' fee | 42,000 | 14,400 | 42,000 | 14,400 |
| Salaries and other emoluments | 335,510 | 350,060 | - | - |
| Benefits-in-kind | 23,950 | 23,950 | - | - |
| Directors' allowance | 7,000 | 2,400 | 7,000 | 2,400 |
| | 408,460 | 390,810 | 49,000 | 16,800 |
| Non-executive: | | | | |
| Directors' fee | 57,600 | 21,600 | 36,000 | 21,600 |
| Directors' allowance | 4,700 | 3,800 | 4,700 | 3,800 |
| | 62,300 | 25,400 | 40,700 | 25,400 |

35. AUDITORS' REMUNERATION

| | Group | | Company | |
|---------------------------------|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Mustapha, Khoo & Co. | | | | |
| Statutory audit | 21,600 | 16,000 | 3,000 | 3,000 |
| Other professional services | 12,000 | - | 12,000 | - |
| | 33,600 | 16,000 | 15,000 | 3,000 |

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

| Group | 2007 RM | 2006 RM |
|---|------------|------------|
| Sales to a company in which a director of the Company has financial interest - DPC Industrial Systems Sdn. Bhd. | - | 704,690 |
| Purchase of materials from companies in which a director of the Company has financial interest - DPC Industrial Systems Sdn. Bhd. | - | 960,987 |
| Rental of office paid to a company in which a director of the Company has financial interest - DPC Industrial Systems Sdn. Bhd. | - | 22,500 |

37. CONTINGENT LIABILITIES

(a) Corporate guarantee

| | Company | |
|---|------------|------------|
| | 2007 RM | 2006 RM |
| Corporate guarantee relating to credit facilities granted to the following subsidiaries: | | |
| - Focus Dynamics Drives Sdn. Bhd. | 2,650,000 | 1,650,000 |
| - Focus Dynamics Centre Sdn. Bhd. | 1,750,000 | - |
| | 4,400,000 | 1,650,000 |

37. CONTINGENT LIABILITIES (cont'd)

(b) Legal suit

Group

In 2005, a customer had made a claim of USD77,098 (equivalent to RM290,620) against Focus Dynamics Drives Sdn. Bhd. ("FDD"), a wholly-owned subsidiary of the Company for defective products sold. However, FDD as the Defendant is of the opinion that the defective products in question were mishandled either by third parties or the Plaintiff, as a result, the warranty given on those products were void. Accordingly, FDD had filed an application against the plaintiff for security for costs and as a result, the Senior Assistant Registrar has ordered the Plaintiff to pay RM50,000 into Court. Subsequently, the Plaintiff had filed an appeal to the decision and the plaintiff's appeal was allowed by the Court. The trial dates for this case have been fixed for 30 and 31 March 2009.

38. CAPITAL COMMITMENTS

Group

A Sales and Purchase Agreement ("SPA") was signed on 5 July 2007 to acquire a piece of land in Mukim Damansara, District of Petaling, State of Selangor for a cash consideration of RM2,120,508. As at 31 July 2007, only 10% of the consideration, i.e. RM212,051 was paid to the vendor. The balance of the purchase consideration shall be paid within 90 days from the date of the SPA.

39. LEASE COMMITMENTS

Total future minimum lease payments under non-cancellable operating lease are as follows:

| | 2007 RM | 2006 RM |
|----------------------------|--------------------|--------------------|
| Less than one year | 144,600 | 57,500 |
| Between one and five years | 112,350 | 8,400 |
| | 256,950 | 65,900 |

The Group leases 6 units (2006: 4 units) of shop lots under operating leases. The leases typically run for an initial two years, with an option to renew the leases after that date at such terms and conditions as may be agreed between the lessee and the lessor. None of the leases include contingent rentals.

40. SEGMENT INFORMATION

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business Segments

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, therefore no segmental information is prepared in respect of business segments.

40. SEGMENT INFORMATION (cont'd)

(c) Geographical Segments

The Group operates in the following geographical areas of the world.

| | Total revenue from external customers | | Segment assets | | Capital expenditure | |
|---------------|---------------------------------------|------------|----------------|------------|---------------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Africa | 125,340 | 33,325 | - | - | - | - |
| Asia | 1,096,564 | 1,960,708 | 5,000 | - | - | - |
| Europe | 107,714 | 81,855 | - | - | - | - |
| Malaysia | 13,536,900 | 7,273,598 | 23,111,226 | 16,594,119 | 346,752 | 92,600 |
| North America | - | 15,383 | - | - | - | - |
| South America | - | 7,399 | - | - | - | - |
| Consolidated | 14,866,518 | 9,372,268 | 23,116,226 | 16,594,119 | 346,752 | 92,600 |

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 22 August 2006, the Company entered into a Memorandum of Understanding ("MOU") with Wakong International Group Corporation Limited 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).
- (b) On 15 November 2006, the Company entered into a conditional Share Sale Agreement with Mr Wong Mun Leong and Mr Chin Youk Sheong to acquire 300,000 ordinary shares of RM1 each in DPC Industrial Systems Sdn. Bhd. ("DPC") representing 100% equity interest in DPC for a cash consideration of RM3,200,000.
- (c) On 27 December 2006, the Company acquired 100% equity interest in Oxy Deluxe Sdn. Bhd. comprising 2 ordinary shares of RM1 each for a cash consideration of RM2.
- (d) On 26 March 2007, Focus Dynamics Drives Sdn. Bhd., a wholly-owned subsidiary of the Company acquired 35% equity interest in VAW Technology Sdn. Bhd. comprising 35,000 ordinary shares of RM1 each for a cash consideration of RM35,000.
- (e) On 3 April 2007, Focus Dynamics Centre Sdn. Bhd., a wholly-owned subsidiary of the Company acquired 49% equity interest in SPC Sawit Sdn. Bhd. (Formerly known as UTE Power Sdn. Bhd.) comprising 49,000 ordinary shares of RM1 each for a cash consideration of RM49,000.
- (f) On 5 July 2007, Focus Dynamics Drives Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a sales and purchase agreement with Syarikat Rahman Brothers Motor Sdn. Bhd. to acquire a parcel of freehold industrial land held under HSD 79960, PT14272, Mukim Damansara, District of Petaling, State of Selangor for a total cash consideration of RM2,120,508.
- (g) On 16 July 2007, the Company issued a total of 18,899,445 ordinary shares of RM0.10 each pursuant to a bonus issue exercise on the basis of one new ordinary share for every existing four ordinary shares held.
- (h) On 16 July 2007, Focus Dynamics Drives Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed for additional 99,998 ordinary shares of RM1 each in its wholly-owned subsidiary company, Focus Dynamics Distribution Sdn. Bhd. at a total consideration of RM99,998.

42. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 3 August 2007, Focus Dynamics Drives Sdn. Bhd., a wholly-owned subsidiary of the Company accepted new credit facilities with a combined limit of RM5,502,415 granted by Public Bank Berhad subject to the terms and conditions as stipulated in the said Bank's Letter of Offer.
- (b) On 9 August 2007, Focus Dynamics Drives Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a Joint Venture Agreement ("JVA") with Terra Max Sdn. Bhd., to collaborate and form an unincorporated Joint Venture (JV) to team up exclusively for the management, supply and execution of projects from the Malaysian government and/or government bodies.
- (c) On 11 September 2007, the Company had completed the renounceable rights issue of 47,248,612 warrants, at an issue price of RM0.02 per warrant, to the shareholders on the basis of one warrant for every two existing ordinary shares of RM0.10 each held on 8 August 2007.
- (d) On 12 September 2007, Focus Dynamics Centre Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Share Sale Agreement with Serba Sawit Sdn. Bhd. for the disposal of 36,000 ordinary shares of RM1 each in SPC Sawit Sdn. Bhd. (Formerly known as UTE Power Sdn. Bhd.) for a cash consideration of RM36,000. The remaining 13% equity held will have call option to purchase from Serba Sawit Sdn. Bhd. in year 2 at RM3 million and in year 3 at RM3.6 million.
- (e) On 11 October 2007, the Company had entered into a Sale and Purchase Agreement to acquire from Caris Capital Ltd, a company incorporated in British Virgin Islands, 100 ordinary shares of Hong Kong Dollar ("HKD") 1.00 each in Elpower Holdings Limited ("Elpower"), a company incorporated in Hong Kong, representing 100% of the issued and paid up capital of Elpower for a total cash consideration of RM25,000.
- (f) On 6 November 2007, the Company and Wakong International Group Corporation Limited have agreed not to proceed further in relation to the terms and reference of the Memorandum of Understanding (MOU) entered on 22 August 2006.
- (g) On 9 November 2007, the Company had completed the Private Placement exercise with the listing of 9,449,700 ordinary shares of RM0.10 each. All 9,449,700 shares were issued in a single tranche at an issue price of RM0.26 per share.

43. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

(i) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure to transaction risk by matching foreign currency income against foreign currency costs.

The net unhedged financial assets and financial liabilities of the Group that are denominated in foreign currencies are as follows:

| Group | 2007 RM | 2006 RM |
|----------------------|--------------------|--------------------|
| Cash at banks | | |
| GBP | 579 | 579 |
| US Dollar | 83,385 | 139,646 |

43. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial risk management objectives and policies (cont'd)

(i) Foreign currency risk (cont'd)

| Group | 2007 RM | 2006 RM |
|--------------------------|------------|------------|
| Trade receivables | | |
| US Dollar | 32,683 | 235,471 |
| Trade payables | | |
| EURO | 250,437 | 61,187 |
| US Dollar | 358,074 | 250,421 |

(ii) Credit risk

Credit risk is the potential risk of financial loss from the failure of a customer or counterparty to settle their financial and contractual obligations to the Group, as and when they fall due.

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures on an ongoing basis. This is done through reference to published credit ratings by prime financial institutions. In the absence of published ratings, an internal credit review is conducted if the credit risk is material.

In respect of the deposits, cash and bank balances placed with major financial institutions, the Directors are in the opinion that the possibility of non-performance by these financial institutions is remote due to their financial strength.

Other than as mentioned, there were no significant concentration of credit risk as at balance sheet date. The maximum exposure to credit risk for the Group was represented by the carrying amounts of the financial assets in the balance sheet.

(iii) Liquidity and cash flow risks

The Group seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.

(iv) Market risk

The Group is exposed to market risk arising from changes in the market prices of its quoted short-term investments. The risk is monitored closely and managed to an acceptable level.

(v) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings and fixed deposits placed with licensed banks. The Group does not use derivative financial instruments to hedge its risk.

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of upward changes in interest rates while enabling benefits to be enjoyed if interest rates fall.

Surplus funds are placed with licensed financial institutions at the most favourable interest rates.

The following tables set out the carrying amounts, the effective interest rates as at the balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

43. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial risk management objectives and policies (cont'd)

(v) Interest rate risk (cont'd)

| Note | Effective interest rate per annum % | Within 1 Year RM | 1 - 2 Years RM | 2 - 3 Years RM | 3 - 4 Years RM | 4 - 5 Years RM | More than 5 Years RM | Total RM |
|---------------------------|-------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------------|-----------|
| | | | | | | | | |
| AS AT 31 JULY 2007 | | | | | | | | |
| Group | | | | | | | | |
| Fixed rate: | | | | | | | | |
| 14 | 2.65% | 775,000 | - | - | - | - | - | 775,000 |
| | | 1,285,502 | - | - | - | - | - | 1,285,502 |
| 19 | 2.5%-7.6% | 83,845 | 69,445 | 69,445 | 52,673 | - | - | 344,853 |
| Floating rate: | | | | | | | | |
| 19 | 8.50%-9.25% | 14,362 | - | - | - | - | - | 14,362 |
| 19 | 5.0%-8.5% | 319,498 | - | - | - | - | - | 319,498 |
| 19 | 3.5% | 947,000 | - | - | - | - | - | 947,000 |
| 19 | 4.77%-5.7% | 2,157,000 | - | - | - | - | - | 2,157,000 |
| Company | | | | | | | | |
| Fixed rate: | | | | | | | | |
| 14 | 2.65% | 775,000 | - | - | - | - | - | 775,000 |
| AS AT 31 JULY 2006 | | | | | | | | |
| Group | | | | | | | | |
| Fixed rate: | | | | | | | | |
| 14 | 2.65% | 1,500,000 | - | - | - | - | - | 1,500,000 |
| | | 1,229,009 | - | - | - | - | - | 1,229,009 |
| 19 | 2.7%-3.4% | 64,061 | 59,260 | 44,861 | 44,861 | 44,861 | 33,620 | 291,524 |
| Floating rate: | | | | | | | | |
| 19 | 5.0%-8.5% | 653,061 | - | - | - | - | - | 653,061 |
| 19 | 3.5% | 844,000 | - | - | - | - | - | 844,000 |
| 19 | 3.9%-5.55% | 1,118,000 | - | - | - | - | - | 1,118,000 |
| Company | | | | | | | | |
| Fixed rate: | | | | | | | | |
| 14 | 2.65% | 1,500,000 | - | - | - | - | - | 1,500,000 |

43. FINANCIAL INSTRUMENTS (cont'd)**(b) Fair values of financial instruments**

Fair value is defined as the amount at which the financial instruments can be exchanged between knowledgeable willing parties in an arm's length transaction other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities of the Group and the Company:

(i) Deposits, cash and bank balances

The carrying amounts of deposits, cash and bank balances approximate fair value due to the relatively short term maturity of these instruments.

(ii) Receivables and payables

The carrying amounts of receivables and payables are reasonable estimates of fair value because of their short maturity periods.

(iii) Amount owing by/(to) subsidiary companies / associate companies / directors

It is not practicable to estimate the fair values of the amounts owing by/(to) subsidiary companies / associate companies / directors due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually be received or settled.

(iv) Borrowings

The carrying amounts of short term borrowings approximate fair value because of the short period to maturity of those instruments. The fair value of long term borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

(v) Hire purchase and lease payables

The fair value of hire purchase and lease payables is determined by discounting the relevant cash flow using current interest rates for similar instruments at the balance sheet date.

(vi) Contingent liabilities

It is not practicable to estimate the fair value of contingent liabilities of the Group reliably due to uncertainties of timing, costs and eventual outcome.

The details of the contingent liabilities are disclosed in Note 37 to the financial statements.

SHARE CAPITAL

| | |
|--------------------------|--|
| Authorised | : RM25,000,000.00 divided into 250,000,000 shares of RM0.10 each |
| Issued and Fully Paid-up | : RM10,394,692.50 |
| Class of Shares | : Ordinary shares of RM0.10 each |
| Voting Rights | : 1 vote per ordinary share |

ANALYSIS BY SIZE OF HOLDINGS

| Size of Holdings | No. of Holders | % | No of Shares Held | % |
|--------------------------|----------------|---------------|--------------------|---------------|
| Less than 100 | 72 | 3.91 | 3,324 | 0.00 |
| 100 to 1,000 | 61 | 3.31 | 33,450 | 0.03 |
| 1,001 to 10,000 | 862 | 46.82 | 5,583,675 | 5.37 |
| 10,001 to 100,000 | 734 | 39.87 | 25,039,850 | 24.09 |
| 100,001 to 5,197,345 (*) | 110 | 5.98 | 44,028,408 | 42.36 |
| 5,197,346 and above (**) | 2 | 0.11 | 29,258,218 | 28.15 |
| Total | 1,841 | 100.00 | 103,946,925 | 100.00 |

Remark: * - Less than 5% of issued holdings
 ** - 5% and above of issued holdings

DIRECTORS' SHAREHOLDINGS**(as per Register of Directors' Shareholdings)**

| Name | No. of Shares Held | Direct | | Indirect | |
|---------------------------------|--------------------|--------|--------------------|----------|---|
| | | % | No. of Shares Held | % | |
| 1. Dato' Hamzah bin Mohd Salleh | - | - | - | - | - |
| 2. Mr. Kong Kwai Ching | 26,547,190 | 25.54 | 2,511,800# | 2.42 | |
| 3. Mr. Wong Mun Leong | 1,371,099 | 1.32 | - | - | |
| 4. Datuk Lau Beng Wei | 6,062,500 | 5.83 | - | - | |
| 5. Mr. Kee Twuan Tee | - | - | - | - | |
| 6. Mr. Ng Sin Hong | - | - | - | - | |

Note: # shares held by Kenanga Nominee (Tempatan) Sdn Bhd
 (Pledged Securities Accounts for Kong Kwai Ching)

SUBSTANTIAL SHAREHOLDERS**(as per Register of Substantial Shareholders)**

| Name | No. of Shares Held | Direct | | Indirect | |
|------------------------|--------------------|--------|--------------------|----------|--|
| | | % | No. of Shares Held | % | |
| 1. Mr. Kong Kwai Ching | 26,547,190 | 25.54 | 2,511,800 | 2.42 | |
| 2. Datuk Lau Beng Wei | 6,062,500 | 5.83 | - | - | |

THIRTY (30) LARGEST SHAREHOLDERS

| No. | Name | No. of Shares Held | % |
|-----|--|--------------------|--------------|
| 1. | Kong Kwai Ching | 23,195,718 | 22.31 |
| 2. | Lau Beng Wei | 6,062,500 | 5.83 |
| 3. | Wong Kim Pau | 4,249,700 | 4.09 |
| 4. | Loo Pang Siong | 4,000,000 | 3.85 |
| 5. | Lean Mun Huat | 3,202,050 | 3.08 |
| 6. | Kenanga Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Kong Kwai Ching] | 2,511,800 | 2.42 |
| 7. | Kong Kwai Ching | 1,881,700 | 1.81 |
| 8. | Wong Mun Leong | 1,371,099 | 1.32 |
| 9. | HDM Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Ong Khung Chin (M01)] | 1,122,750 | 1.08 |
| 10. | Nor Ashikin binti Khamis | 1,121,700 | 1.08 |
| 11. | Kong Kwai Ching | 800,625 | 0.77 |
| 12. | Lim Chin Huat | 750,000 | 0.72 |
| 13. | Kong Kwai Ching | 669,147 | 0.64 |
| 14. | Wong Cheek Wee | 610,000 | 0.59 |
| 15. | Kenanga Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Tan Chiew Yep] | 600,000 | 0.58 |
| 16. | Goh Yun Wah | 559,000 | 0.54 |
| 17. | Public Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Toh Seng Kok (E-TSA)] | 550,000 | 0.53 |
| 18. | Poon Sook Fun | 500,000 | 0.48 |
| 19. | LCH Capital Holding Sdn Bhd | 500,000 | 0.48 |
| 20. | Chia Beng Tat | 500,000 | 0.48 |
| 21. | Cheong Moy Fah | 490,000 | 0.47 |
| 22. | Amanah Raya Berhad [SBB Dana Al-Faiz] | 418,875 | 0.40 |
| 23. | CitiGroup Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Ong Hok Liong (470403)] | 392,500 | 0.38 |
| 24. | AllianceGroup Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Wong Kean Beng @ Ng Kean Beng (100313)] | 362,800 | 0.35 |
| 25. | Toh Tuan Sun | 360,800 | 0.35 |
| 26. | Mayban Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Yap Lip Yuen] | 350,000 | 0.34 |
| 27. | HSBC Nominees (Asing) Sdn Bhd Exempt an for credit suisse (SG-BR-TST-Asing) | 350,000 | 0.34 |
| 28. | Wong Kim Pau | 350,000 | 0.34 |
| 29. | HDM Nominees (Asing) Sdn Bhd [DBS Vickers Secs (S) Pte Ltd for Tay Boon Huat] | 337,500 | 0.32 |
| 30. | Tan Choo Teck | 330,000 | 0.32 |
| | Total | 58,500,264 | 56.29 |

FOCUS WARRANT 2007/2012

| Size of Holdings | No. of Holders | % | No of Warrants Held | % |
|--------------------------|----------------|---------------|---------------------|---------------|
| Less than 100 | 10 | 1.03 | 525 | 0.00 |
| 100 to 1,000 | 68 | 7.02 | 24,225 | 0.05 |
| 1,001 to 10,000 | 394 | 40.7 | 2,340,823 | 4.95 |
| 10,001 to 100,000 | 422 | 43.6 | 15,867,565 | 33.58 |
| 100,001 to 2,362,429 (*) | 72 | 7.44 | 21,364,224 | 45.22 |
| 2,362,430 and above (**) | 2 | 0.21 | 7,651,250 | 16.19 |
| Total | 968 | 100.00 | 47,248,612 | 100.00 |

Remark: * - Less than 5% of issued holdings
 ** - 5% and above of issued holdings

THIRTY (30) LARGEST WARRANT HOLDERS

| No. | Name | No. of Shares Held | % |
|--------------|---|--------------------|--------------|
| 1. | Lee Mun Sang | 4,620,000 | 9.78 |
| 2. | Lau Beng Wei | 3,031,250 | 6.42 |
| 3. | HLG Nominee (Tempatan) Sdn Bhd [Pledged Securities Account for Len Book Learn] | 1,769,100 | 3.74 |
| 4. | RHB Nominee (Tempatan) Sdn Bhd [Pledged Securities Account for Sim Mui Khee (N02718M)] | 1,168,100 | 2.47 |
| 5. | Pak Cheow Koon Jason | 966,000 | 2.04 |
| 6. | Sim Mui Khee | 812,500 | 1.72 |
| 7. | Lim Kit Siong | 794,600 | 1.68 |
| 8. | Lean Mun Huat | 745,600 | 1.58 |
| 9. | Tay Soo Cheng | 740,000 | 1.57 |
| 10. | HDM Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Ong Khung Chin (M01)] | 724,875 | 1.53 |
| 11. | TA Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Lee Chieh Yu Lydia] | 592,100 | 1.25 |
| 12. | Go Set Yun | 530,000 | 1.12 |
| 13. | CIMSEC Nominees (Tempatan) Sdn Bhd [CIMB Bank for Pek Kiam Kek (MM0606)] | 500,000 | 1.06 |
| 14. | Shin Kong Kew @ Chin Kong Kew | 489,200 | 1.04 |
| 15. | Wong Cheek Wee | 460,000 | 0.97 |
| 16. | Chia Beng Tat | 450,000 | 0.95 |
| 17. | Ho Soon Choy | 407,500 | 0.86 |
| 18. | Len Book Learn | 353,300 | 0.75 |
| 19. | Foong Yuen Weng @ Foong Tain Wong | 350,000 | 0.74 |
| 20. | Ong Khung Chin | 302,000 | 0.64 |
| 21. | MERCSEC Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Lee Swee Lian] | 300,000 | 0.63 |
| 22. | Cheng Boon Siang | 300,000 | 0.63 |
| 23. | Lum Yin Mui | 284,000 | 0.60 |
| 24. | Mayban Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Tan Sun Ping] | 260,200 | 0.55 |
| 25. | ECM Libra Aveneu Nominees (Tempatan) Sdn Bhd [AMY Yap Boon Hong (PCS)] | 256,000 | 0.54 |
| 26. | Ting Chek Charng | 250,000 | 0.53 |
| 27. | Mayban Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Lee Moon Siew] | 241,000 | 0.51 |
| 28. | Hooi Foat | 240,000 | 0.51 |
| 29. | Lim Kim Bian | 235,800 | 0.50 |
| 30. | Ooi Huey Ling | 203,900 | 0.43 |
| Total | | 22,377,025 | 47.34 |

NOTICE IS HEREBY GIVEN THAT THE 5TH ANNUAL GENERAL MEETING OF FOCUS DYNAMICS TECHNOLOGIES BERHAD WILL BE HELD AT **TIOMAN ROOM, BUKIT JALIL GOLF & COUNTRY RESORT, JALAN 3/155B, BUKIT JALIL, 57000 KUALA LUMPUR ON FRIDAY, 28 DECEMBER 2007 AT 10.00 A.M.** FOR THE FOLLOWING PURPOSES:

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 July 2007 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees amounting to RM78,000/- in respect of the financial year ended 31 July 2007. **Resolution 2**
3. To re-elect the following Director retiring under Article 127 of the Company's Articles of Association and, being eligible, offer himself for re-election:
 - a) Mr. Kong Kwai Ching **Resolution 3**
4. To re-elect the following Directors retiring under Article 132 of the Company's Articles of Association and, being eligible, offer themselves for re-election:
 - b) Mr. Ng Sin Hong **Resolution 4**
 - c) Mr. Kee Twuan Tee **Resolution 5**
 - d) Datuk Lau Beng Wei **Resolution 6**
5. To re-appoint M/s Mustapha, Khoo & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolution:

6. **Ordinary Resolution**
Allotment of Shares Pursuant to Section 132D of the Companies Act, 1965
"THAT subject always to the Companies Act, 1965 and the approvals of the regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
Resolution 8
7. To transact any other ordinary business of which due notice shall be given. **Resolution 9**

BY ORDER OF THE BOARD

HUANG MIEW WOON (MACS 00036)
TAIBAH BINTI ABDUL RAHMAN @ LING KIONG (MAICSA 7003550)
Company Secretaries

Kuala Lumpur
Date: 6 December 2007

Notes:

1. A Member shall be entitled to appoint not more than three (3) proxies to attend and vote at the meeting and a member who appoints more than 1 proxy shall specify the proportions of his shareholding to be represented by each proxy.
2. A proxy need not be a Member of the company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or under the hand of an officer or its attorney duly authorised.
4. Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power, shall be deposited at the Registered Office situated at 30-3, Jalan 11/116B, Kuchai Entrepreneurs Park, Off Jalan Kuchai Lama, 58200 Kuala Lumpur **not less than forty-eight (48) hours** before the time for holding the meeting or any adjournment thereof, and in default, the instrument of proxy shall not be treated as valid.

Explanatory Notes on Special Business:**1. Section 132D of the Companies Act, 1965**

In accordance with the Companies Act, 1965, the Directors would have to call a general meeting to approve the issue of new shares even though the number of shares involved is less than 10% of the issued capital. In order to avoid any delay and cost involved in convening such a general meeting, it is considered appropriate to seek the shareholders' approval for the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

1. Directors who are standing for re-election at the 5th Annual General Meeting of Focus Dynamics Technologies Berhad are:

| Name of Directors | Retiring pursuant to Article No. |
|--------------------------|---|
| a) Mr. Ng Sin Hong | 132 |
| b) Mr. Kee Twuan Tee | |
| c) Datuk Lau Beng Wei | |
| a) Mr. Kong Kwai Ching | 127 |

The details of the above Directors who are due for re-election are set out in the Section under "Directors' Profile" on pages 4 and 5 of this Annual Report. The Directors' Shareholdings in the Company are disclosed under the Analysis of Shareholdings on page 61.

None of the above Directors seek for re-election have any family relationship with any director and/or major shareholder of the Company, nor in any conflict of interest in any business arrangement involving the Company.

2. Details of attendance of Directors at Board Meetings held during the financial year ended 31 July 2007.

There were a total of 4 Board Meetings held during the financial year ended 31 July 2007 and the details of the attendance of the Directors are set out in the Section entitled "Statement of Corporate Governance" on page 12.

3. Place, date and time of the 5th Annual General Meeting

| Date of Meeting | Time of Meeting | Venue of Meeting |
|--------------------------|------------------------|---|
| Friday, 28 December 2007 | 10.00 a.m. | Tioman Room, Bukit Jalil Golf & Country Resort Jalan 3/155B, Bukit Jalil 57000 Kuala Lumpur |



FOCUS DYNAMICS TECHNOLOGIES BERHAD
 (Company No. 582924-P)
 (Incorporated in Malaysia under the Companies Act, 1965)

I/We,
 (FULL NAME IN CAPITAL LETTERS)

of
 (ADDRESS IN FULL)

being a member/members of the abovenamed Company hereby appoint.....

.....
 (FULL NAME IN CAPITAL LETTERS)

of
 (ADDRESS IN FULL)

or failing whom.....
 (FULL NAME IN CAPITAL LETTERS)

of
 (ADDRESS IN FULL)

or the Chairman of the meeting as my/our proxy on my/our behalf at the 5th Annual General Meeting of the Company to be held at **Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur** on **Friday, 28 December 2007** at **10:00 a.m.**, or at any adjournment thereof.

My/our proxy/proxies is to vote either on a show of hands or on a poll as indicated below with an "X".

| | | FOR | AGAINST |
|--------------|---|-----|---------|
| Resolution 1 | To receive the Audited Financial Statements for the financial year ended 31 July 2007 | | |
| Resolution 2 | Approval of payment of Directors' Fees | | |
| Resolution 3 | Re-election of Mr. Kong Kwai Ching as Director | | |
| Resolution 4 | Re-election of Mr. Ng Sin Hong as Director | | |
| Resolution 5 | Re-election of Mr. Kee Twuan Tee as Director | | |
| Resolution 6 | Re-election of Datuk Lau Beng Wei as Director | | |
| Resolution 7 | Re-appointment of Mustapha, Khoo & Co. as Auditors | | |
| Resolution 8 | Allotment of shares pursuant to Section 132D of the Companies Act, 1965 | | |

(Please indicate with an "X" in the space provided how you wish your proxy to vote. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion).

Dated this day of 2007

| |
|------------------------------|
| Number of shares held |
| |

.....
 Signature / Common Seal of Member

Notes:

1. A Member shall be entitled to appoint not more than three (3) proxies to attend and vote at the meeting and a member who appoints more than 1 proxy shall specify the proportions of his shareholding to be represented by each proxy.
2. A proxy need not be a Member of the company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or under the hand of an officer or its attorney duly authorised.
4. Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power, shall be deposited at the Registered Office situated at 30-3, Jalan 11/116B, Kuchai Entrepreneurs Park, Off Jalan Kuchai Lama, 58200 Kuala Lumpur **not less than forty-eight (48) hours** before the time for holding the meeting or any adjournment thereof, and in default, the instrument of proxy shall not be treated as valid.

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AFFIX
STAMP

THE COMPANY SECRETARY

FOCUS DYNAMICS TECHNOLOGIES BERHAD (582924-P)

30-3, Jalan 11/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur

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www.focusdynamics.net

FOCUS DYNAMICS TECHNOLOGIES BERHAD (582624-P)

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