

FSBM Holdings Berhad ----- NOT RATED

Information, Communications & Technology (ICT) group expanding into Asia

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- FSBM is a small USD20m ICT group listed on the Second Board with an established track record in government-related projects.
- It is providing ICT-based teacher training in Malaysia and has been working closely with the Vietnam and Indonesian education ministries to rollout similar programmes.
- Its systems and solutions are focused on key growth sectors like healthcare and telecommunications (broadband networks), and it also provides IP-broadband content in Malaysia, Singapore, Japan, US and China. A potential joint venture in China holds promise.
- The stock trades on PE of 5.1x based on its annualised FY06 EPS, and at discount to NTA which excludes a paper surplus of 43 sen per share from its shares in Amaru Inc (AMRU US, US\$0.70, not rated) (Amaru).

FSBM is an ICT group

FSBM Holdings Bhd (FSBM KL, RM1.28, Not rated) (FSBM) is a small USD20m ICT group listed on the Second Board. It has four divisions: (a) systems & solutions – distribution of computer hardware, software and systems integration (b) education – ICT-based teacher training (c) communications & multimedia – VOIP and broadband content (d) smart community – providing smart community solutions for intelligent cities and building solutions.

Established track record in government-related projects

In Malaysia, FSBM led a consortium to develop the Project Monitoring System which supports and monitors projects in the five-year Malaysian Government Development Plans, completed in 2002. It was also engaged in developing, integrating and implementing the intelligent city solution in Cyberjaya, completed in 2003. In the UK, FSBM was the lead technology member of one of four major consortia granted "Approved ICT Training Provider Status" by the UK Government to train over 400,000 teachers across England between Sep'99-Sep'02.

ICT-based teacher training going regional

Malaysia - having developed a special teacher training courseware for the UK, FSBM developed the equivalent of this programme for implementation in other countries. In 2004, the Malaysian Government awarded FSBM a RM114m contract to train 100,000 teachers in the application of ICT in teaching over a three year period to be completed by mid-2007. With the Ninth Malaysia Plan (2006-2010) mentioning that 'Program Pembestarian Sekolah' will be implemented in all primary and secondary schools to enable teachers to integrate ICT in teaching, FSBM is hopeful its contract will be extended to the remaining 200,000 teachers.

Vietnam - in 2004, FSBM was invited by the Ministry of Education and Training of Vietnam (MOETV) to develop the said programme. FSBM has since been working closely with MOETV and developed and submitted the initial designs and plans to deploy a nationwide network linking targeted schools, installing the necessary ICT facilities in schools, and training and equipping the teachers with ICT skills. There are over 280,000 secondary school teachers in Vietnam.

Indonesia – FSBM has been cooperating with the Ministry of National Education in Indonesia (MONEI) to design and implement a smart learning and smart school program to fulfil MONEI's aspirations of raising and sustaining the level of quality education in Indonesia. There are some 2.1m teachers in Indonesia.

Systems & solutions focused on key growth sectors

Healthcare - in 2005, FSBM beat 21 tenderers from North America, UK, Europe and Asia to win a two-year contract to provide a total hospital information system to University Malaya Medical Centre (UMMC), the largest teaching hospital in Malaysia. With this demonstrated capability to provide integrated healthcare information systems to upgrade healthcare services in Malaysia, FSBM plans to extend its solutions to ASEAN countries.

Telecommunications – FSBM supplies and installs equipment for broadband networks, and provides solutions to telecommunication providers that are upgrading their network infrastructure to cater for higher internet-protocol (IP) traffic from the convergence of voice, video and data services, and the national drive for higher broadband penetration.

Multimedia potential in China

Besides being a VOIP service provider, FSBM syndicates, aggregates and distributes IP-broadband content like movies, music and documentaries, complete with digital programming, post-production and video streaming services. It is an early entrant in anticipation of the surge in demand when IP-broadband enabled devices become more prevalent. It currently supplies IP-broadband content to various operators in Malaysia, Singapore, Japan, US and China. A potential joint venture in China holds promise.

Financials

Losses were incurred from FY01-03 due to curtailment of ICT spending, project delays and impairment in value of project development expenditure. Since then, earnings have recovered and the stock trades on a PE of 5.1x based on its annualised 1HFY06 EPS of 25 sen. NTA/share is RM1.38 and net gearing is 8% as at 30th June 2006. It owns 9.8m Amaru shares with market value of RM25m against its book cost of RM2.7m, which is an unrealised surplus of 43 sen per share.

Figure 1: FSBM historical financials

| RM'm (yr-end Dec) | FY01 | FY02 | FY03 | FY04 | FY05 | 1HFY06 |
|-------------------|-------|-------|-------|------|------|--------|
| Revenue | 44.0 | 56.1 | 48.9 | 64.8 | 72.7 | 52.9 |
| PBT | -6.7 | -5.3 | -19.3 | 5.7 | 9.5 | 6.4 |
| Net profit | -6.9 | -6.5 | -19.2 | 3.1 | 9.4 | 6.5 |
| EPS (sen) | -13.5 | -12.7 | -37.5 | 6.1 | 18.4 | 12.5 |
| Net DPS (sen) | 3.6 | 3.6 | 0.0 | 0.0 | 2.2 | 2.2 |
| Shrholders funds | 69.4 | 61.6 | 42.4 | 59.1 | 67.4 | 74.1 |

Source: Company data

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Companies Mentioned (Price as of 20 Sep 06)
 FSBM Holdings Bhd (fuji.kl, RM1.28, NOT RATED)
 Amaru Inc (amru.pk, \$0.70, NOT RATED)

Disclosure Appendix

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