

FSBM HOLDINGS BERHAD
Company No.: 115609-U

Quarterly report on consolidated results for the second quarter ended 30 June 2005.
The figures have not been audited.

Unaudited Condensed Consolidated Income Statement

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/6/2005 RM '000	Preceding Year Correspondin g Quarter 30/6/2004 RM '000	Current Year To Date 30/6/2005 RM '000	Preceding Year Correspondin g Period 30/6/2004 RM '000
Revenue	22,300	13,271	37,663	31,603
Operating expenses	(19,527)	(12,351)	(33,058)	(30,386)
Other operating income	24	41	47	151
Profit from operations	2,797	961	4,652	1,368
Finance costs	(160)	(334)	(347)	(805)
Share of (losses)/profit of associated companies	(36)	(121)	(50)	153
Profit from ordinary activities before tax	2,601	506	4,255	716
Taxation	(33)	(1)	(33)	(1)
Profit from ordinary activities after tax	2,568	505	4,222	715
Minority interest	26	(294)	117	(1,690)
Net profit/(loss) for the period	2,594	211	4,339	(975)
Earnings per share:				
- basic	5.07	0.41	8.48	(1.91)
- diluted	5.04	0.41	8.43	(1.89)

(The unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2004 and the accompanying explanatory notes attached to the interim financial report)

Unaudited Condensed Consolidated Balance Sheet

	AS AT END OF CURRENT QUARTER 30/6/2005 <u>RM '000</u>	AS AT PRECEDING FINANCIAL YEAR END 31/12/2004 <u>RM '000</u>
Non current assets		
Property, plant and equipment	55,495	57,523
Intangible assets	45	485
Investment in associated companies	2,420	2,395
Other investments	3,094	1,486
Current assets		
Inventories	162	163
Receivables	35,843	36,319
Tax recoverable	345	338
Deposits with licensed banks	2,715	2,093
Cash and bank balance	5,063	3,015
	<u>44,128</u>	<u>41,928</u>
Current liabilities		
Payables	23,272	23,070
Hire Purchase Creditor	277	277
Short term borrowings	4,190	5,835
Provision for tax	0	0
	<u>27,739</u>	<u>29,182</u>
Net current assets	<u>16,389</u>	<u>12,746</u>
Less: Non current liabilities		
Deferred tax liabilities	4,971	4,971
Long term borrowings	6,000	5,672
Hire Purchase Creditor	112	276
	<u>11,083</u>	<u>10,919</u>
	<u>66,360</u>	<u>63,716</u>
Capital and reserves		
Share Capital	51,150	51,150
Reserves	12,323	7,990
Shareholders' equity	<u>63,473</u>	<u>59,140</u>
Minority interest	2,887	4,576
	<u>66,360</u>	<u>63,716</u>
Net tangible assets per share (RM)	1.24	1.16

(The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2004 and the accompanying explanatory notes attached to the interim financial report)

Unaudited Condensed Consolidated Statement of Changes in Equity

	<u>Non-distributable</u>			<u>Distributable</u>		
	Share capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange difference RM'000	Retained earnings RM'000	Total RM'000
Balance as at 1 January 2005	51,150	8,369	13,534	673	(14,586)	59,140
Currency translation differences	-	-	-	(6)	-	(6)
Surplus arising from revaluation of land & building, net of tax	-	-	-	-	-	-
Net profit for the financial period	-	-	-	-	4,339	4,339
Balance as at 30 June 2005	51,150	8,369	13,534	667	(10,247)	63,473
Balance as at 1 January 2004	51,150	8,369	-	609	(17,684)	42,444
Currency translation differences	-	-	-	26	-	26
Surplus arising from revaluation of land & building, net of tax	-	-	13,534	-	-	13,534
Net loss for the financial period	-	-	-	-	(975)	(975)
Balance as at 30 June 2004	51,150	8,369	13,534	635	(18,659)	55,029

(The unaudited Condensed Consolidated Statement Of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2004 and the accompanying explanatory notes attached to the interim financial report)

Unaudited Condensed Consolidated Cash Flow Statement

	30 June 2005 RM'000	30 June 2004 RM'000
Net profit/(loss) attributable to shareholders	4,339	(975)
Adjustments for : -		
Non-cash items	2,643	3,386
Non-operating items	(33)	1,537
Operating loss before changes in working capital	<u>6,949</u>	<u>3,948</u>
Changes in working capital		
Net change in current assets	(2,324)	6,278
Net change in current liabilities	2,992	(8,479)
Cash generated from operations	<u>7,617</u>	<u>1,747</u>
Tax refund/(paid)	(7)	(9)
Interest paid	(201)	(476)
Interest received	15	25
Development assets expenses	<u>0</u>	<u>0</u>
Net cash flows from operating activities	<u>7,424</u>	<u>1,287</u>
Investing Activities		
- Purchase of property, plant & equipment	(90)	(164)
- Proceeds from disposal of property, plant & equipment	121	13
- Other investments	(1,739)	4
Net cash flows from investing activities	<u>(1,708)</u>	<u>(147)</u>
Financing Activities		
- Dividend paid	(1,572)	0
- (Repayment)/Draw down of term loan	(1,481)	(8,767)
- Deposit held as security	0	(250)
- Others	0	(138)
Net cash flows from financing activities	<u>(3,053)</u>	<u>(9,155)</u>
Net Change in Cash & Cash Equivalents	2,663	(8,015)
Currency Translation Differences	<u>7</u>	<u>18</u>
	2,670	(7,997)
Cash & Cash Equivalents at beginning of the period	<u>5,108</u>	<u>12,565</u>
Cash & Cash Equivalents at end of the period	Note (a) <u>7,778</u>	(b) <u>4,568</u>

(a) Consists of deposits with licensed banks (RM2,715,000) and cash and bank balance (RM5,063,000) less deposits pledged as security (RM Nil).

(b) Consists of deposits with licensed banks (RM1,379,000) and cash and bank balance (RM3,439,000) less deposits pledged as security (RM250,000).

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the year ended 31st December 2004 and the accompanying explanatory notes attached to the interim financial report)

Notes to Interim Financial Report.

1. Accounting Policies

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2004 .

2. Audit Report

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2004 was not subject to any qualification.

3. Seasonal or Cyclical Factors

Overall, the business operations of the Group were not affected by any seasonal or cyclical factors.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review because of their nature, size, or incidence.

5. Changes in Estimates

There were no changes in estimates of amounts reported in prior quarters of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

6. Debt and Equity Securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 June 2005.

7. Dividends Paid

No dividend has been declared for the current financial period under review.

8. Reclassification of Comparative Information

With effect from the current financial year, the Directors of the Group reclassified Rental Income as Revenue (instead of Other Operating Income) to better reflect the increasing material nature of these income. The comparative information has been restated accordingly.

9. Segmental Reporting

Segment analysis for the current year quarter and financial period ended 30 June 2005 are set out below:

	Solution RM'000	Smart Community RM'000	Communication & Multimedia RM'000	Education RM'000	Investment Holding & Others RM'000	Elimination RM'000	Group RM'000
Quarter Ended 30/6/05							
External Sales	2,460	-	7,476	11,741	623	-	22,300
Internal Sales	6,592	-	2	5,774	-	(12,368)	-
Total Sales	9,052	-	7,478	17,515	623	(12,368)	22,300
(Loss)/ Profit From Operations	1,271	38	(395)	2,189	1,929	(2,235)	2,797
Financial Period Ended 30/6/05							
External Sales	4,765	29	14,246	17,400	1,223	-	37,663
Internal Sales	9,082	-	5	8,556	-	(17,643)	-
Total Sales	13,847	29	14,251	25,956	1,223	(17,643)	37,663
(Loss)/ Profit From Operations	5,872	28	(1,138)	3,830	4,050	(7,990)	4,652

9. Segmental Reporting (Continued)

	Solution RM'000	Smart Community RM'000	Communication & Multimedia RM'000	Education RM'000	Investment Holding & Others RM'000	Elimination RM'000	Group RM'000
Quarter ended 30/6/04							
External Sales	3,269	(46)	6,858	2,850	340	-	13,271
Internal Sales	7	-	811	-	-	(818)	-
Total Sales	3,276	(46)	7,669	2,850	340	(818)	13,271
(Loss)/ Profit From Operations	(85)	(149)	(60)	2,807	(110)	(1,442)	961
Financial Period Ended 30/6/04							
External Sales	5,370	315	10,125	15,150	643	-	31,603
Internal Sales	49	-	7,213	3,545	-	(10,807)	-
Total Sales	5,419	315	17,338	18,695	643	(10,807)	31,603
(Loss)/ Profit From Operations	(12)	8	(569)	5,129	(2,182)	(1,006)	1,368

10. Property, Plant and Equipment

The carrying value of freehold land and buildings is based on a valuation carried out on 29 March 2004 by independent qualified valuers using the market value basis to reflect fair value.

11. Events Subsequent to the Balance Sheet Date

There are no material events subsequent to the end of the period under review that has not been reflected in the quarterly report.

12. Changes in the Composition of the Group

There were no changes in the composition of the Company and of the Group in the current quarter except for the acquisition by the Company on 13 June 2005, of 741,000 ordinary shares of RM1.00, representing 30% of the total issued and paid up share capital of FSBM Dapannet Sdn.Bhd. ("Dapannet") for a cash consideration of RM 0.3523 per share. After the acquisition, Dapannet became a 90% owned subsidiary of the Company. The acquisition will not have any significant effect on the earnings of the Company and Group for the financial year ended 31 December 2005.

13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent assets or liabilities as at the end of the current quarter and at the last annual balance sheet date.

14. Review of Performance

For the current year quarter ended 30 June 2005, the Group recorded revenue of RM22.3 million against RM13.3 million in the corresponding quarter of the preceding year.

The Group's profit for the period was RM 2.593 million for the current year quarter compared to a profit of RM 0.211 million in the corresponding quarter of the preceding year.

The Group's higher revenue and better results for the current year quarter was contributed by the increase in billings in Solution, C&M and Education Divisions as well as the higher margins earned in the Solution Division.

15. Review of Quarterly Results

The Group's reported revenue of RM22.3 million was higher than that reported in the preceding first quarter of RM15.3 million. The Group's net profit for the period was RM2.593 million compared to RM 1.745 million reported for the preceding first quarter.

The higher turnover and better results in the current quarter was attributable to the higher turnover achieved in the Solution, C&M and Education Divisions.

16. Current Year Prospects

The Group has reported a net profit for the period ended 30 June 2005 of RM 4.339 million an increase of 40% over the profit of RM3.098 million achieved for the whole of the financial year ended 31 December 2004.

Education & Training

The roll out of the Teachers Training Programme has reached its optimal level beginning April 2004 and is expected to continue its smooth progress to the end of the current financial year and onwards to 2007. On the international front, FSBM continues to work hard to secure projects in Vietnam, Indonesia, and Thailand.

Systems & Solutions

The private and public sectors continue to present many ICT opportunities and the Group sees its alliances with its technology principals and manufacturers to further develop the Solution Division as part of its business strategy. The main thrust of this endeavor is in the creation of solutions for the Healthcare industry, Infosecurity and Infostructure. Other projects secured and being implemented are in the banking and telecommunication sectors which are growth sectors and which the Group are endeavoring to further expand opportunities.

Communications & Multimedia

While its VOIP business is facing stiff competition, the Company is putting great effort to increase its revenue while reducing its operation costs. The Group is also putting greater efforts to penetrate the China broadband consumer market with its wide range of entertainment content source from Hollywood movie houses and TV station, as well as event organiser for beauty pageant, fashion etc.

The Group has benefited from having restructured and re-focused its business and in its implementation of appropriate cost-saving measures and will continue these programmes.

17. Variance from Forecast Profit and Profit Guarantee

Not applicable.

18. Taxation

Taxation comprises:

	Current Year Quarter 30/6/2005 (RM'000)	Preceding Year Correspon- ding Quarter 30/6/2004 (RM'000)	Current Year To Date 30/6/2005 (RM'000)	Preceding Year Correspon- ding Period 30/6/2004 (RM'000)
Taxation – current				
- Company and subsidiaries	(33)	(1)	(33)	(1)
Deferred taxation	-	-	-	-
	<u>(33)</u>	<u>(1)</u>	<u>(33)</u>	<u>(1)</u>

18. Taxation (Continued)

The explanation of the relationship between tax expense and profit/(loss) from ordinary activities before tax is as follows:

	Current Year Quarter 30/6/2005 (RM'000)	Preceding Year Correspon- ding Quarter 30/6/2004 (RM'000)	Current Year To Date 30/6/2005 (RM'000)	Preceding Year Correspon- ding Period 30/6/2004 (RM'000)
Profit/(loss) from ordinary activities before tax	2,601	506	4,255	716
Tax calculated at the Malaysian tax rate of 28%	728	142	1,191	200
Tax effects of:				
- expenses not deductible for tax purposes	(753)	33	(503)	164
- pioneer (income)/loss	185	58	194	(337)
- income not subject to tax	(1)	-	(1,027)	(2)
- current year tax loss not recognized	23	(35)	2	42
- deductible temporary differences not recognized	(1,062)	63	401	333
- benefit from previously unrecognized tax losses	913	(260)	(225)	(399)
Tax (credit)/expense	33	1	33	1

19. Sale of Investments and Properties

There were no sales of investments and/or properties for the financial period under review.

20. Purchase/Disposal of Quoted Securities

There were no dealings in quoted securities for the financial period under review except for the acceptance of 145,000 shares of Amaru, Inc (which is listed outside Malaysia) at the price of US\$3.00 per share in satisfaction of debt due from a related party.

The details of investments in quoted shares as at 30 June 2005 are as set out below: -

	RM '000
Quoted shares in Malaysia:	
At Cost	1,239
Provision for diminution in value	<u>(944)</u>
	<u>295</u>
At market value	<u>295</u>
Shares listed outside Malaysia	
At Cost	<u>2,799</u>
At price of last placement of shares issued by the investee up to 30 June, 2005	<u>32,562</u>

21. Corporate Proposals

We have no corporate proposal announced but not yet completed at the date of this report except as listed below:

As previously announced, the Company's two (2) subsidiary companies, namely, FSBM Net Media Sdn Bhd and FSBM M2B Sdn Bhd had submitted an application on 10 October 2003 and an appeal on 28 December 2004 respectively to the Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Securities Commission, for admission to the MESDAQ Market of the Bursa Malaysia via a holding company, FSBM Broadband Systems Berhad. Subsequently, on 12 August 2005, the Securities Commission had rejected the appeal for reconsideration of our application to MESDAQ market of Bursa Malaysia Securities Berhad.

22. Group Borrowings

The details of the Group's borrowings as at 30 June 2005 are as set out below: -

	Secured/ Unsecured	RM'000
Short term borrowings	Secured	4,190
Long term borrowings	Secured	6,000
		<u>10,190</u>

On 17 June 2003, the Company has drawn-down a Time Loan for the sum of RM5.0 million under credit facilities with Citibank Berhad. On 1 March 2004, the Company has made repayment amounting to RM1.0 million in respect of the said time loan facility. Subsequently, on 15 March 2004, the said time loan facility has been converted into term loan payable by 24 equal monthly installments plus interest commencing 1 April 2004.

On 11 December 2003, a wholly owned subsidiary of the Company has accepted a Hire Purchase Facility from Alliance Finance Berhad for the sum of RM830,000. Up to 30 June 2005, the subsidiary has made repayments amounting to RM441,276 in respect of the said hire purchase facility.

On 27 December 2004, the Company has drawn-down RM1.0 million which is fully repayable plus interest of RM11,842 within 91 days. Upon maturity on 28 March 2005, the Short Term Revolving Credit of RM1.0 million was rolled over for another 91 days with interest amounting to RM11,842 and has been fully settled upon its maturity on 27 June 2005.

On 30 December 2004, the Company was granted a Contract Financing package of RM24.5 million from Malayan Banking Berhad to finance the Teachers Training Programme. On 29 March 2005, the Company drewdown RM2.5 million which is repayable over 30 months from 1st October 2005 at an interest of Base Lending Rate plus 1.5% per annum. The Company has since formalized the Contract Financing Package on 31 July 2005 at the revised sum of RM 15.5 million to minimize its borrowing exposure.

23. Off Balance Sheet Risk Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of issue of this quarterly report.

24. Material Litigation

KT Technology (M) Sdn Bhd

The Company has filed the Creditor's Petition with the official assignee against the 5th defendant, the judgment debtor on 25 February 2003. At the hearing on 13 November 2003, the court has struck off the proceedings as the official assignee has informed the court that the 5th defendant was adjudicated a

bankrupt on 13 March 2003. The Company has on 17 February 2004 filed the Proof of Debt General Form and General Proxy with the official assignee in respect of the 5th defendant.

In relation to the above litigation, the 2nd and 3rd defendants are bankrupt as confirmed in the recent bankruptcy search. The Company has filed the Proof of Debt General Form and General Proxy with the official assignee for both defendants.

Dataprep Distribution Sdn Bhd

On 4 June 2004, the Company has filed the Proof of Debt General Forms, General Proxy and Special Proxy with the Director General of Insolvency in respect of the defendant.

25. Basic Earnings Per Share

The basic earnings per share for the financial period is calculated based on the Group's net profit for the period attributable to ordinary shareholders and divided by the number of ordinary shares in issue during the financial period.

	Current Year Quarter 30/6/2005	Preceding Year Correspon- ding Quarter 30/6/2004	Current Year To Date 30/6/2005	Preceding Year Correspon- ding Period 30/6/2004
Group's profit/(loss) attributable to ordinary shareholders (RM)	2,594,000	211,000	4,339,000	(975,000)
Number of ordinary shares in issue at the beginning of the period	51,150,000	51,150,000	51,150,000	51,150,000
Basic earnings per share (sen)	5.07	0.41	8.48	(1.91)

26. Diluted Earnings Per Share

The diluted earnings per share is calculated based on the Group's net profit for the period attributable to ordinary shareholders and divided by the number of ordinary shares in issue plus the weighted average number of ordinary shares which would be issued on conversion of all dilutive potential ordinary shares into ordinary shares as follows: -

	Current Year Quarter 30/6/2005	Preceding Year Correspon- ding Quarter 30/6/2004	Current Year To Date 30/6/2005	Preceding Year Correspon- ding Period 30/6/2004
Group's profit/(loss) attributable to ordinary shareholders (RM)	2,594,000	211,000	4,339,000	(975,000)
Number of ordinary shares in issue at the beginning of the period	51,150,000	51,150,000	51,150,000	51,150,000
ESOS: Weighted average number of unissued shares	3,623,405	1,422,462	3,623,405	1,422,462

Weighted average number of shares that would have been issued at fair value	<u>(3,285,335)</u>	<u>(1,085,849)</u>	<u>(3,285,335)</u>	<u>(1,085,849)</u>
	51,488,070	51,486,613	51,488,070	51,486,613
Diluted earnings per share (sen)	5.04	0.41	8.43	(1.89)

27. Disclosure in Relation to Internet-Related Businesses on E-Commerce Activities

FSBM Egate Sdn Bhd remained dormant.

28. Provision of Financial Assistance

The Company has obtained a mandate on 28 June 2005 from its shareholders pursuant to paragraph 10.09 of the Listing Requirements to provide financial assistance to its associate and subsidiary companies.