

FSBM HOLDINGS BERHAD
Company No.: 115609-U

Quarterly report on consolidated results for the second quarter ended 30 June 2006.
The figures have not been audited.

Unaudited Condensed Consolidated Income Statement

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30/06/2006 RM '000	30/06/2005 RM '000	30/06/2006 RM '000	30/06/2005 RM '000
Revenue	17,104	22,300	52,876	37,663
Operating expenses	(13,499)	(19,527)	(46,176)	(33,058)
Other operating income	7	24	25	47
Profit from operations	3,612	2,797	6,725	4,652
Finance costs	(234)	(160)	(294)	(347)
Share of (losses)/profit of associated companies	0	(36)	0	(50)
Profit before tax	3,378	2,601	6,431	4,255
Taxation	0	(33)	0	(33)
Profit after tax	3,378	2,568	6,431	4,222
Attributable to:				
Equity holders of the parent	3,401	2,594	6,458	4,339
Minority Interest	(23)	(26)	(27)	(117)
Profit after tax	3,378	2,568	6,431	4,222
Earnings per share:				
- basic	6.60	5.07	12.54	8.48
- diluted	6.05	4.63	11.64	7.74

(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 2005 and the accompanying explanatory notes attached to the interim financial report)

Unaudited Condensed Consolidated Balance Sheet

	AS AT END OF CURRENT QUARTER 30/06/2006 <u>RM '000</u>	AS AT PRECEDING FINANCIAL PERIOD END 30/06/2005 <u>RM '000</u>
Non current assets		
Property, plant and equipment	51,973	54,791
Intangible assets	3,181	45
Investment in associated companies	2,717	2,420
Investment properties-Freehold	541	556
Investment properties-Prepaid lease	143	148
Other investments	3,047	3,094
Current assets		
Inventories	80	162
Receivables	55,270	35,843
Tax recoverable	174	345
Deposits with licensed banks	412	2,715
Cash and bank balance	1,592	5,063
	<u>57,528</u>	<u>44,128</u>
Current liabilities		
Payables	28,588	23,272
Hire Purchase Creditor	178	277
Short term borrowings	4,054	4,190
Bank overdraft	1,957	0
	<u>34,777</u>	<u>27,739</u>
Net current assets	<u>22,751</u>	<u>16,389</u>
Less: Non current liabilities		
Deferred tax liabilities	4,965	4,971
Long term borrowings	3,290	6,000
Hire Purchase Creditor	208	112
	<u>8,463</u>	<u>11,083</u>
	<u>75,890</u>	<u>66,360</u>
Capital and reserves		
Share Capital	51,509	51,150
Reserves	22,559	12,323
Shareholders' equity	<u>74,068</u>	<u>63,473</u>
Minority interest	1,822	2,887
Total equity	<u>75,890</u>	<u>66,360</u>
Net assets per share (RM)	1.44	1.24

(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 2005 and the accompanying explanatory notes attached to the interim financial report)

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to Equity Holders of the Parent						Minority Interest	Total Equity
	Share capital RM'000	Non-Distributable			Retained earnings RM'000	Sub Total RM'000		
Share Premium RM'000		Revaluation Reserve RM'000	Exchange difference RM'000					RM'000
Balance as at 1 January 2006	51,150	8,369	13,534	637	(6,325)	67,365	1,840	69,205
Currency translation differences	-	-	-	(114)	-	(114)		(114)
Profit for the period	-	-	-	-	6,458	6,458	(27)	6,317
Total recognized income and expense for the period				(114)	6,458	6,344	(27)	6,344
Issue of Ordinary Shares pursuant to ESOS	359	-	-	-	-	359	-	359
Acquisition of new subsidiary	-	-	-	-	-	-	9	9
Balance as at 30 June 2006	51,509	8,369	13,534	523	133	74,068	1,822	75,890
Balance as at 1 January 2005	51,150	8,369	13,534	673	(14,586)	59,140	4,576	63,716
Currency translation differences	-	-	-	(6)	-	(6)		(6)
Profit for the period	-	-	-	-	4,339	4,339	(117)	4,222
Total recognized income and expense for the period	-	-	-	(6)	4,339	4,333	(117)	4,216
Dividend	-	-	-	-	-	-	(1,572)	(1,572)
Balance as at 30 June 2005	51,150	8,369	13,534	667	(10,247)	63,473	2,887	66,360

(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 2005 and the accompanying explanatory notes attached to the interim financial report)

Unaudited Condensed Consolidated Cash Flow Statement

	30 June 2006 RM'000	30 June 2005 RM'000
Net profit/(loss) attributable to shareholders	6,458	4,339
Adjustments for : -		
Non-cash items	2,614	2,643
Non-operating items	(27)	(33)
Operating profit before changes in working capital	<u>9,045</u>	<u>6,949</u>
Changes in working capital		
Net change in current assets	(23,732)	(2,324)
Net change in current liabilities	12,955	2,992
Cash generated from operations	<u>(1,732)</u>	<u>7,617</u>
Tax refund/(paid)	(47)	(7)
Interest paid	(309)	(201)
Interest received	15	15
Development assets expenses	0	0
Net cash flows from operating activities	<u>(2,073)</u>	<u>7,424</u>
Investing Activities		
- Purchase of property, plant & equipment	(864)	(90)
- Proceeds from disposal of property, plant & equipment	0	121
- Other investments	(348)	(1,739)
Net cash flows from investing activities	<u>(1,212)</u>	<u>(1,708)</u>
Financing Activities		
- Dividend paid	0	(1,572)
- (Repayment)/Draw down of term loan	(6,082)	(1,481)
- Proceed from issuance of Ordinary Shares for ESOS	359	0
Net cash flows from financing activities	<u>(5,723)</u>	<u>(3,053)</u>
Net Change in Cash & Cash Equivalents	(9,008)	2,663
Currency Translation Differences	<u>3</u>	<u>7</u>
	(9,005)	2,670
Cash & Cash Equivalents at beginning of the period	9,052	5,108
Cash & Cash Equivalents at end of the period	Note (a) <u>47</u>	(b) <u>7,778</u>

(a) Consists of deposits with licensed banks (RM412,000), cash and bank balance (RM 1,592,000) and bank overdraft (RM1,957,000)

(b) Consists of deposits with licensed banks (RM2,715,000) and cash and bank balance (RM5,063,000)
(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 2005 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 accordance with the requirements of FRS 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2005.

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 2005 except for the adoption of the following new/revised FRS:-.

FRS 101-Presentation of Financial statements

The adoption of the revised FRS101 has affected the presentation of minority interest at the consolidated income statement and the statement of changes in equity for the consolidated balance sheet.

FRS 117- Leases

The adoption of the revised FRS 117 has resulted in retrospective change in the accounting policy relating to the classification of leasehold land.

FRS 140- Investment Properties

The adoption of this new FRS has resulted in reclassification of properties previously lumped in Property, Plant and Equipment now classified as investment properties.

2. Audit Report

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2005 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 year ended 31 December 2005.

7. Dividends Paid

No dividend was paid during the quarter under review.

8. Segmental Reporting

Segment analysis for the current year quarter and financial period ended 30 June 2006 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 30/06/06							
External Sales	2,154	-	4,110	10,080	758	-	17,103
Internal Sales	6,545	-	6	3,564	-	(10,114)	-
Total Sales	8,699	-	4,116	13,644	758	(10,114)	17,103
(Loss)/ Profit From Operations	4,467	(9)	(148)	945	(1,354)	(290)	3,612
Financial Period Ended 30/06/06							
External Sales	25,342	-	8,011	17,983	1,539	-	52,876
Internal Sales	11,093	-	7	6,920	-	(18,019)	-
Total Sales	36,435	-	8,018	24,903	1,539	(18,019)	52,876
(Loss)/ Profit From Operations	8,301	(9)	(444)	1,679	(2,646)	(155)	6,725

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 30/06/05							
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 30/06/05							
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

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 some changes in the composition of the Company and of the Group with the following details:-

On 10 February 2006, the company's wholly owned subsidiary, Infotalent Sdn Bhd (Infotalent) subscribed for 50,000 ordinary shares in Prestige Strategies Concept Sdn Bhd (PSC) of RM1.00 representing 20% of the enlarged issued and paid-up capital in PSC at issue price of RM 1.00 per share.

The aforesaid change will not have any significant effect on the earnings of the Company and Group for the financial year ending 31 December 2006.

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 balance sheet date.

14. Review of Performance

The Group reported revenue of RM 17.1 million for the current quarter ended 30 June 2006 as compared to RM 22.3 million in the corresponding quarter of the preceding year. The Group's profit for the current year's quarter was RM3.4 million compared to a profit of RM 2.6 million in the corresponding quarter of the preceding year. The revenue for the current year's quarter is lower than the previous year's quarter as the previous year's quarter reflected higher billings in the Education Division and the billing for block sale of movies in the Communication & Multimedia Division. On the other hand, the net profit for the current year's quarter benefited from billings for courseware development to a client and this has resulted in a higher net profit as compared to the net profit reported for the corresponding quarter of the preceding year.

15. Review of Quarterly Results

The Group's revenue for the 2nd Quarter of RM 17.1 million was lower than the RM35.8 million reported in the preceding quarter as the previous quarter accounted for a significant sale of hardware in the Solutions Division. The Group's net profit for the period was marginally higher at RM3.4 million compared to RM 3.1 million reported for the preceding quarter.

16. Current Year Prospects

The Group has seen its traditional ICT business continue unabated. The Group's focus on the opportunities in telecommunications has also seen it securing a number of significant contracts and the Group envisages further growth from this sector.

The Group is confident that Education and Healthcare would grow as 2 key sectors that would receive special attention in the Government's development plan for the country.

The Group managed the steady implementation of the teachers training program for the Government and, based on its success, it sees the opportunity to extend its services beyond the present contract through its associate company. Further, it has seen the opportunities for such business in Viet Nam and Indonesia which has gained momentum with the respective Governments giving positive review of the products that the Group is offering.

The Group, after having secured the project to provide Total Hospital Information System for University Malaya Medical Center, has begun the implementation and delivery of the project over the next 2 years.

Based on the results achieved to date and the positive prospects, the Group is confident that it would deliver a better result this year.

17. Variance from Forecast Profit and Profit Guarantee

Not applicable.

18. Taxation

Taxation comprises:

	Current Year Quarter	Preceding Year Correspon- ding Quarter	Current Year To Date	Preceding Year Correspon- ding Period
	30/06/2006 (RM'000)	30/06/2005 (RM'000)	30/06/2006 (RM'000)	30/06/2005 (RM'000)
Taxation – current				
- Company and subsidiaries	-	(33)	-	(33)
Deferred taxation	-	-	-	-
	-	(33)	-	(33)

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

	Current Year Quarter	Preceding Year Correspon- ding Quarter	Current Year To Date	Preceding Year Correspon- ding Period
	30/06/2006 (RM'000)	30/06/2005 (RM'000)	30/06/2006 (RM'000)	30/06/2005 (RM'000)
Profit/(loss) from ordinary activities before tax	3,378	2,601	6,431	4,255
Tax calculated at the Malaysian tax rate of 28%	946	728	1,801	1,191
Tax effects of:				
- expenses not deductible for tax purposes	155	(753)	699	(503)
- pioneer (income)/loss	(376)	185	(579)	194
- income not subject to tax	-	(1)	-	(1,027)
- current year tax loss not recognized	60	23	125	2
- deductible temporary differences not recognized	13	(1,062)	14	401
- benefit from previously unrecognized tax losses	(798)	913	(2,060)	(225)
Tax (credit)/expense	0	33	0	33

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 2006 are as set out below: -

	RM '000
Quoted shares in Malaysia:	
At Cost	1,239
Provision for diminution in value	<u>(880)</u>
	<u>359</u>
At market value	<u>359</u>
Shares listed outside Malaysia	
At Cost	<u>2,689</u>
At price of last placement of shares issued by the investee up to 30 June, 2006	<u>61,599</u>

21. Corporate Proposals

We have no corporate proposal announced but not yet completed at the date of this report.

22. Group Borrowings

The details of the Group's borrowings as at 30 June 2006 are as set out below: -

	RM'000
Short Term Borrowings	
<u>Unsecured</u>	
Revolving Credits	1,000
Trust Receipts	525
	<u>1,525</u>
<u>Secured</u>	
Hire Purchase	178
Term Loans	2,529
Overdraft	1,957
	<u>4,664</u>
Long Term Borrowings	
<u>Secured</u>	
Hire Purchase	208
Term Loans	3,290
	<u>3,498</u>
Total Borrowings	<u>9,687</u>

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 drew down RM2.5 million which is repayable over 24months 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 24 May 2005 at the revised sum of RM 15.5 million to minimize its borrowing exposure. The outstanding amount as at 30 June 2006 is at RM 1.37 million on the term loan portion and the overdraft portion is at RM 1.957 million.

On 16 April 2002 and 25 October 2002, the company was granted with term loans totaling RM 8.5 million from Citibank which attracts a monthly repayment of RM 128,287 over a 84 month period beginning April 2002. The outstanding amount as at 30 June 2006 stood at RM 4.445 million.

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 2006, the subsidiary has made repayments amounting to RM717,945 in respect of the said hire purchase facility. The outstanding as at 30 June 2006 amounts to RM 112,056.

On 10 December 2005, the Company accepted a Hire Purchase Facility from EON Bank Berhad for the sum of RM63,600 to be repayable with interest at a rate of 2.55% per annum by thirty six (36) monthly installments. Up to 30 June 2006, the Company has made repayments amounting to RM10,601 in respect of the said hire purchase facility. The outstanding as at 30 June 2006 amounts to RM 53,019

On 4 May 2006, the Company accepted a Hire Purchase Facility from Public Bank Berhad for the sum of RM225,000 to be repayable with interest at a rate of 2.57% per annum by sixty (60) monthly installments. Up to 30 June 2006, the Company has made repayments amounting to RM4,232 in respect of the said hire purchase facility. The outstanding as at 30 June 2006 amounts to RM 221,250

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. Dividend payable

The Directors recommended a final dividend of 3% less income tax for the year ended 31st December 2005 which was approved by the shareholders at the Company's Annual General Meeting. The dividend payment was effected on 21st July 2006.

An Interim dividend of 3% less 28% income tax in respect of the financial year ending 31 December 2006 has also been declared by the Board of Directors on 23rd August, 2006.

26. 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 30/06/2006	Preceding Year Correspon- ding Quarter 30/06/2005	Current Year To Date 30/06/2006	Preceding Year Correspon- ding Period 30/06/2005
Group's profit/(loss) attributable to ordinary shareholders (RM)	3,401,000	2,594,000	6,458,000	4,339,000
Number of ordinary shares in issue at the beginning of the period	51,509,000	51,150,000	51,509,000	51,150,000
Basic earnings per share (sen)	6.60	5.07	12.54	8.48

27. 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 30/06/2006	Preceding Year Correspon- ding Quarter 30/06/2005	Current Year To Date 30/06/2006	Preceding Year Correspon- ding Period 30/06/2005
Group's profit/(loss) attributable to ordinary shareholders (RM)	3,401,000	2,594,000	6,548,000	4,339,000
Number of ordinary shares in issue at the beginning of the period	51,509,000	51,150,000	51,509,000	51,150,000
ESOS: Potential dilutive shares	4,756,000	4,901,000	4,756,000	4,901,000
	<u>56,265,000</u>	<u>56,051,000</u>	<u>56,265,000</u>	<u>56,051,000</u>
Diluted earnings per share (sen)	6.05	4.63	11.64	7.74

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

The company is currently not involved in the above mentioned activities.

29. 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.