

FSBM HOLDINGS BERHAD
Company No.: 115609-U

Quarterly report on consolidated results for the third quarter ended 30 September 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
	30/09/2006 RM '000	30/09/2005 RM '000	30/09/2006 RM '000	30/09/2005 RM '000
Revenue	17,178	16,412	70,054	54,075
Operating expenses	(14,646)	(13,565)	(60,822)	(46,623)
Other operating income	194	39	219	86
Profit from operations	2,726	2,886	9,451	7,538
Finance costs	(304)	(229)	(598)	(576)
Share of (losses)/profit of associated companies	0	(16)	0	(66)
Profit before tax	2,422	2,641	8,853	6,896
Taxation	(1)	0	(1)	(33)
Profit after tax	2,421	2,641	8,852	6,863
Attributable to:				
Equity holders of the parent	2,428	2,631	8,886	6,970
Minority Interest	(7)	10	(34)	(107)
Profit after tax	2,421	2,641	8,852	6,863
Earnings per share:				
- basic	4.43	5.14	16.20	13.63
- diluted	4.43	4.68	16.20	12.39

(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 30/09/2006 <u>RM '000</u>	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2005 <u>RM '000</u>
Non current assets		
Property, plant and equipment	50,952	53,005
Intangible assets	3,221	3,571
Investment in associated companies	2,613	2,367
Investment properties-Freehold	6,364	549
Investment properties-Prepaid lease	143	146
Other investments	3,067	3,019
Current assets		
Inventories	81	84
Receivables	59,962	33,192
Tax recoverable	191	126
Deposits with licensed banks	933	3,560
Cash and bank balance	3,711	5,492
	<u>64,878</u>	<u>42,454</u>
Current liabilities		
Payables	29,840	16,107
Hire Purchase Creditor	109	298
Short term borrowings	10,222	8,428
Bank overdraft	4,125	0
	<u>44,296</u>	<u>24,833</u>
Net current assets	<u>20,582</u>	<u>17,621</u>
Less: Non current liabilities		
Deferred tax liabilities	4,965	4,965
Deferred income	951	1,246
Long term borrowings	3,005	4,820
Hire Purchase Creditor	192	42
	<u>9,113</u>	<u>11,073</u>
	<u>78,829</u>	<u>69,205</u>
Capital and reserves		
Share Capital	54,833	51,150
Reserves	22,906	16,215
Shareholders' equity	<u>77,739</u>	<u>67,365</u>
Minority interest	90	1,840
Total equity	<u>77,829</u>	<u>69,205</u>
Net assets per share (RM)	1.42	1.32

(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
	Non-Distributable				Retained earnings	Sub Total		
	Share capital	Share Premium	Revaluation Reserve	Exchange difference				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	(95)	-	(95)	-	(95)
Profit for the period	-	-	-	-	8,886	8,886	(34)	8,852
Total recognized income and expense for the period				(95)	8,886	8,791	(34)	8,757
Issue of Ordinary Shares pursuant to ESOS	3,683	85	-	-	-	3,768	-	3,768
Dividend	-	-	-	-	(2,335)	(2,335)	-	(2,335)
Changes in composition of the Group	-	-	-	-	-	-	(1,575)	(1,575)
Acquisition/disposal of share in subsidiary	-	-	-	-	-	-	9	9
Balance as at 30 September 2006	54,833	8,454	13,534	542	226	77,589	240	77,829
Balance as at 1 January 2005	51,150	8,369	13,534	673	(14,586)	59,140	4,576	63,716
Currency translation differences	-	-	-	(40)	-	(40)	-	(40)
Profit for the period	-	-	-	-	6,970	6,970	(107)	6,863
Total recognized income and expense for the period	-	-	-	(40)	6,970	6,930	(107)	6,823
Dividend	-	-	-	-	(1,105)	(1,105)	(1,572)	(2,677)
Changes in composition of the Group	-	-	-	-	-	-	(345)	(345)
Balance as at 30 September 2005	51,150	8,369	13,534	633	(8,721)	64,965	2,552	67,517

(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 September 2006 RM'000	30 September 2005 RM'000
Net profit/(loss) attributable to shareholders	8,852	6,970
Adjustments for : -		
Non-cash items	4,292	4,103
Non-operating items	(1)	(8)
Operating profit before changes in working capital	<u>13,143</u>	<u>11,065</u>
Changes in working capital		
Net change in current assets	(26,892)	(438)
Net change in current liabilities	12,437	649
Cash generated from operations	<u>(1,312)</u>	<u>11,276</u>
Tax refund/(paid)	(64)	(30)
Interest paid	(613)	(569)
Interest received	20	41
Net cash flows from operating activities	<u>(1,969)</u>	<u>10,718</u>
Investing Activities		
- Purchase of property, plant & equipment	(6,988)	(202)
- Proceeds from disposal of property, plant & equipment	5	127
- Acquisition of share in subsidiary	(1,565)	-
- Other investments	(357)	(2,042)
Net cash flows from investing activities	<u>(8,905)</u>	<u>(2,117)</u>
Financing Activities		
- Dividend paid	(1,151)	(2,677)
- (Repayment)/Draw down of term loan	(285)	(1,532)
- Proceed from issuance of Ordinary Shares for ESOS	3,768	0
Net cash flows from financing activities	<u>2,332</u>	<u>(4,209)</u>
Net Change in Cash & Cash Equivalents	(8,542)	4,392
Currency Translation Differences	9	(23)
	<u>(8,533)</u>	<u>4,369</u>
Cash & Cash Equivalents at beginning of the period	9,052	5,108
Cash & Cash Equivalents at end of the period	Note (a) <u>519</u>	(b) <u>9,477</u>

(a) Consists of deposits with licensed banks (RM933,000), cash and bank balance (RM3,061,000) and bank overdraft (RM3,475,000)

(b) Consists of deposits with licensed banks (RM3,507,000) and cash and bank balance (RM5,970,000)

(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 current financial period.

7. Dividends Paid

In respect of financial year ended 31 December 2005, a final dividend of 3% less 28% taxation on 54,833,000 shares was declared on 1 June 2006 and paid on 21 July 2006 which amounted to RM1,150,655.60.

8. Segmental Reporting

Segment analysis for the current year quarter and financial period ended 30 September 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 30/09/06							
External Sales	2,095	-	4,265	10,058	760	-	17,178
Internal Sales	6,498	-	4	3,571	-	(10,073)	-
Total Sales	8,593	-	4,269	13,629	760	(10,073)	17,178
(Loss)/ Profit From Operations	4,669	9	(621)	689	(1,892)	(128)	2,726
Financial Period Ended 30/09/06							
External Sales	27,437	-	12,277	28,041	2,299	-	70,054
Internal Sales	17,591	-	10	10,491	-	(28,092)	-
Total Sales	45,028	-	12,287	38,532	2,299	(28,092)	70,054
(Loss)/ Profit From Operations	12,970	-	(1,065)	2,368	(4,538)	(284)	9,451

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 30/09/05							
External Sales	1,202	(30)	4,172	10,395	673	-	16,412
Internal Sales	5,283	-	1	5,112	-	(10,396)	-
Total Sales	6,485	(30)	4,173	15,507	673	(10,396)	16,412
(Loss)/ Profit From Operations	3,197	35	4	1,919	(1,532)	(737)	2,886
Financial Period Ended 30/09/05							
External Sales	5,967	-	18,418	27,794	1,896	-	54,075
Internal Sales	14,365	-	6	13,668	-	(28,039)	-
Total Sales	20,332	-	18,424	41,462	1,896	(28,039)	54,075
(Loss)/ Profit From Operations	9,069	63	(1,134)	5,749	2,518	(8,727)	7,538

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 its 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 RM1.00 per share.

On 1 June 2006, the Company's wholly-owned subsidiary, Infotalent subscribed for 300,000 ordinary shares of RM1.00 each representing 30% of the enlarged issued and paid-up share capital of AiNB Solutions (Malaysia) Sdn.Bhd. (AS) at an issue price of RM1.00 per share.

On the 7 September 2006, the Company had acquired an additional 200,000 shares of RM1.00 each representing 20% in FSBM Smart Comm Sdn Bhd (FSC) at a consideration of RM1,753,651.00. With the acquisition of the aforesaid shares, FSC became a 100% owned subsidiary of FSBM.

The aforesaid changes 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 RM17.2 million for the current quarter ended 30 September, 2006 as compared to RM16.4 million in the corresponding quarter of the preceding year. The Group's profit before tax for the current year's quarter was RM2.4 million compared to the profit before tax of RM2.6 million in the corresponding quarter of the preceding year. The lower profit before tax for the current year's quarter arose from the write off of RM550,000 of development costs of broadband content, which was held for sale, following the Group's decision that the sale to certain buyers were no longer probable.

15. Review of Quarterly Results

The Group's revenue for the 3rd quarter of RM17.2 million was marginally higher than the RM 17.1 million reported in the preceding quarter. The Group's net profit for the period was lower at RM2.4 million compared to RM3.4 million reported for the preceding quarter. The higher net profit of the previous quarter arose from the billing of courseware development which had a higher profit margin.

16. Current Year Prospects

The Group's financial performance will continue to hinge significantly on the ICT business in the near term given that a major portion of the revenue is derived from the teacher training program using ICT. As such, the Group will continue to focus on efforts and opportunities particularly in the education and healthcare sectors.

With the growing opportunities in the telecommunications sector, the Group will pursue aggressively for opportunities in this sector and it expects this sector to be also a dominant contributor to the operations of the Group in future.

The Group has begun the delivery of the Total Hospital Information System (THIS) for University Malaya Medical Center, and is confident of achieving its goal for the completion of the delivery of THIS over a 2-year period ahead of the contracted 3-year period.

At as the third quarter of 2006, the results of the Group have been very encouraging compared to the corresponding period last year. The Group expects it would surpass the performance of the previous 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
	30/09/2006 (RM'000)	30/09/2005 (RM'000)	30/09/2006 (RM'000)	30/09/2005 (RM'000)
Taxation – current				
- Company and subsidiaries	1	-	1	(33)
Deferred taxation	-	-	-	-
	<u>1</u>	<u>-</u>	<u>1</u>	<u>(33)</u>

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
	30/09/2006 (RM'000)	30/09/2005 (RM'000)	30/09/2006 (RM'000)	30/09/2005 (RM'000)
Profit/(loss) from ordinary activities before tax	2,422	2,641	8,853	6,896
Tax calculated at the Malaysian tax rate of 28%	678	740	2,479	1,931
Tax effects of:				
- expenses not deductible for tax purposes	352	199	1,051	(304)
- pioneer (income)/loss	(66)	(86)	(645)	108
- income not subject to tax	-	(3)	-	(1,030)
- current year tax loss not recognized	96	(14)	221	(12)
- deductible temporary differences not recognized	(6)	(3)	8	398
- benefit from previously unrecognized tax losses	(1,053)	(833)	(3,113)	(1,058)
Tax (credit)/expense	1	-	1	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.

The details of investments in quoted shares as at 30 September 2006 are as set out below: -

	RM '000
Quoted shares in Malaysia:	
At Cost	1,239
Provision for diminution in value	<u>(870)</u>
	<u>369</u>
At market value	<u>369</u>
Shares listed outside Malaysia	
At Cost	<u>2,698</u>
At price of last placement of shares issued by the investee up to 30 September 2006	<u>29,615</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 September 2006 are as set out below: -

	RM'000
Short Term Borrowings	
<u>Unsecured</u>	
Revolving Credits	1,000
Trust Receipts	6,986
	<hr/> 7,986 <hr/>
<u>Secured</u>	
Hire Purchase	109
Term Loans	2,236
Overdraft	4,125
	<hr/> 6,470 <hr/>
Long Term Borrowings	
<u>Secured</u>	
Hire Purchase	192
Term Loans	3,005
	<hr/> 3,197 <hr/>
Total Borrowings	<u>17,653</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 24 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 24 May 2005 at the revised sum of RM15.5 million to minimize its borrowing exposure. The outstanding amount as at 30 September 2006 is at RM1.09 million on the term loan portion and the overdraft portion is at RM4.125 million.

On 16 April 2002 and 25 October 2002, the company was granted with term loans totaling RM8.5 million from Citibank which attracts a monthly repayment of RM128,287 over a 84-month period beginning April 2002. The outstanding amount as at 30 September 2006 stood at RM4.137 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 September 2006, the subsidiary has made repayments amounting to RM787,112 in respect of the said hire purchase facility. The outstanding as at 30 September 2006 amounts to RM42,888.

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 September 2006, the Company has made repayments amounting to RM15,902 in respect of the said hire purchase facility. The outstanding as at September 2006 amounts to RM47,698.

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 September 2006, the Company has made repayments amounting to RM15,000 in respect of the said hire purchase facility. The outstanding as at 30 September 2006 amounts to RM210,000.

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. Dividend payable

On 23 August 2006, the Directors declared an interim dividend of 3% less income tax for the financial year ending 31 December 2006 which was payable on 16 October 2006.

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 30/09/2006	Preceding Year Correspon- ding Quarter 30/09/2005	Current Year To Date 30/09/2006	Preceding Year Correspon- ding Period 30/09/2005
Group's profit/(loss) attributable to ordinary shareholders (RM)	2,428,000	2,631,000	8,886,000	6,970,000
Number of ordinary shares in issue at the beginning of the period	54,833,000	51,150,000	54,833,000	51,150,000
Basic earnings per share (sen)	4.43	5.14	16.20	13.63

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 30/09/2006	Preceding Year Correspon- ding Quarter 30/09/2005	Current Year To Date 30/09/2006	Preceding Year Correspon- ding Period 30/09/2005
Group's profit/(loss) attributable to ordinary shareholders (RM)	2,428,000	2,631,000	8,886,000	6,970,000
Number of ordinary shares in issue at the beginning of the period	54,833,000	51,150,000	54,833,000	51,150,000
ESOS: Potential dilutive shares	Nil	5,115,000	Nil	5,115,000
	<u>54,833,000</u>	<u>56,265,000</u>	<u>54,833,000</u>	<u>56,265,000</u>
Diluted earnings per share (sen)	4.43	4.68	16.20	12.39

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

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

28. Provision of Financial Assistance

The Company has obtained a mandate on 27 June 2006 from its shareholders pursuant to paragraph 10.09 of the Listing Requirements to provide financial assistance to its associate and subsidiary companies.