

FSBM HOLDINGS BERHAD
Company No.: 115609-U

**INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2010**

Condensed Consolidated Income Statements

For the Nine-Month Period Ended 30 September 2010

	3 months ended		9 months ended	
	30.09.2010 RM'000	30.09.2009 RM'000	30.09.2010 RM'000	30.09.2009 RM'000
Revenue	1,371	10,419	8,802	23,916
Cost of sales	(643)	(9,109)	(5,362)	(18,556)
Gross Profit	728	1,310	3,440	5,360
Other income	168	1,668	918	5,274
Administrative expense	(1,419)	(1,818)	(4,140)	(5,027)
Selling and marketing expenses	(98)	(210)	(336)	(599)
Other expenses	(4,343)	(2,459)	(5,930)	(7,048)
Operating loss	(4,964)	(1,509)	(6,048)	(2,040)
Finance costs	(797)	(468)	(2,299)	(1,897)
Loss before tax	(5,761)	(1,977)	(8,347)	(3,937)
Income tax expense	89	(244)	(17)	(354)
Loss for the period	(5,672)	(2,221)	(8,364)	(4,291)
Attributable to:				
Equity holders of the parent	(5,672)	(2,221)	(8,364)	(4,291)
Minority Interest	-	-	-	-
	(5,672)	(2,221)	(8,364)	(4,291)
Loss per share attributable to equity holders of the parent: (sen)				
- basic	(10.55)	(4.13)	(15.56)	(7.98)
- diluted	(10.55)	(4.13)	(15.56)	(7.98)

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31st December 2009 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Comprehensive Income

For the Nine-Month Period Ended 30 September 2010

	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	RM'000	RM'000	RM'000	RM'000
Loss for the period	(5,672)	(2,221)	(8,364)	(4,291)
Other comprehensive income :				
Fair value changes on available-for-sale financial assets	394	-	(492)	-
Foreign currency translation differences	333	74	617	(4)
Total comprehensive loss	(4,945)	(2,147)	(8,239)	(4,295)
Total comprehensive loss attributable to:				
Equity holders of the parent	(4,945)	(2,147)	(8,239)	(4,295)
Minority Interest	-	-	-	-
	(4,945)	(2,147)	(8,239)	(4,295)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31st December 2009 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Financial Position

As at 30 September 2010

	As at 30.09.2010 RM'000	As at 31.12.2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,468	2,101
Investment properties	2,535	2,535
Intangible assets	3,943	4,165
Other investments	335	435
Available-for-sale financial asset	2,190	2,174
	<u>10,471</u>	<u>11,410</u>
Current assets		
Inventories	19,447	19,447
Trade and other receivables	37,742	37,728
Financial asset held for trading	-	212
Tax recoverable	86	219
Deposits with licensed banks	-	326
Cash and bank balance	487	1,199
	<u>57,762</u>	<u>59,131</u>
Non-current asset held for sale	51,250	54,000
	<u>109,012</u>	<u>113,131</u>
TOTAL ASSETS	<u>119,483</u>	<u>124,541</u>
EQUITY AND LIABILITIES		
Current liabilities		
Borrowings	41,042	37,651
Trade and other payables	14,845	13,089
Current tax payable	-	-
	<u>55,887</u>	<u>50,740</u>
NET CURRENT ASSETS	53,125	62,391

Condensed Consolidated Statements of Financial Position

As at 30 September 2010 (Cont'd)

	As at 30.09.2010 RM'000	As at 31.12.2009 RM'000
Non-current liabilities		
Borrowings	4,776	7,539
Deferred taxation	3,164	3,164
	<u>7,940</u>	<u>10,703</u>
TOTAL LIABILITIES	63,827	61,443
NET ASSETS	55,656	63,098
Equity attributable to equity holders of the parent		
Share capital	54,833	54,833
Share premium	8,454	8,454
Treasury shares	(712)	(712)
Other reserves	1,113	235
Retained earnings	(8,033)	288
	<u>55,656</u>	<u>63,098</u>
Minority interests	<u>-</u>	<u>-</u>
TOTAL EQUITY	55,656	63,098
TOTAL EQUITY AND LIABILITIES	119,483	124,541

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31st December 2009 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the Nine-Month Period Ended 30 September 2010

	Attributable to Equity Holders of the Parent						Minority Interest	Total Equity
	Non-Distributable			Distributable				
	Share Capital RM'000	Share Premium RM'000	Treasury shares RM'000	Fair value reserve RM'000	Exchange difference RM'000	Retained earnings RM'000		
At 1 January 2010								
- as previously stated	54,833	8,454	(712)	-	235	288	63,098	- 63,098
- effects of adopting FRS 139	-	-	-	753	-	44	797	- 797
Balance as at 1 January 2010 restated	54,833	8,454	(712)	753	235	332	63,895	- 63,895
Total comprehensive (loss)/income	-	-	-	(492)	617	(8,364)	(8,239)	- (8,239)
							-	- -
At 30 September 2010	54,833	8,454	(712)	261	852	(8,032)	55,656	- 55,656
At 1 January 2009	54,833	8,454	(712)	-	302	13,282	76,159	- 76,159
Total comprehensive loss	-	-	-	-	(4)	(4,291)	(4,295)	- (4,295)
At 30 September 2009	54,833	8,454	(712)	-	298	8,991	71,864	- 71,864

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31st December 2009 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Cash Flows

For the Nine-Month Period Ended 30 September 2010

	9 months ended	
	30.09.2010	30.09.2009
	RM'000	RM'000
Loss before tax	(8,347)	(3,937)
Adjustments for : -		
Non-cash items	4,693	1,205
Non-operating items	1,421	842
Operating loss before changes in working capital	(2,233)	(1,890)
Changes in working capital		
Net change in current assets	867	2,683
Net change in current liabilities	1,095	(767)
Cash (used in)/generated from operations	(271)	26
Tax paid	(60)	(87)
Tax refunded	177	145
Interest paid	(1,628)	(1,565)
Net cash (used in)/generated from operating activities	(1,781)	(1,481)
Cash flows from investing Activities		
Purchase of property, plant & equipment	(170)	(45)
Purchase of development assets	(200)	(172)
Subsequent expenditure of investment properties	(13)	-
Proceed from disposal of investment properties	-	4,480
Proceed from disposal of property, plant & equipment	97	65
Proceed from disposal of other investments	457	252
Interest received	-	20
Net cash generated from investing activities	171	4,600
Cash flows from financing activities		
Drawdown of bank borrowings	33,896	38,092
Repayment of bank borrowings	(28,945)	(46,245)
Net cash generated from/(used in) financing activities	4,951	(8,153)
Net Increase/(Decrease) in Cash & Cash Equivalents	3,341	(5,034)
Effects of Exchange Rate Changes	(119)	95
Cash & Cash Equivalents at beginning of financial period	(2,734)	2,658
Cash & Cash Equivalents at end of financial period	487	(2,281)
	As at	As at
	30.09.2010	30.09.2009
	RM'000	RM'000
Deposits with licensed banks	-	455
Cash and bank balances	487	1,710
Bank overdrafts (included within short term borrowings in Note 22)	-	(4,446)
	487	(2,281)

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31st December 2009 and the accompanying explanatory notes attached to the interim financial statements.

Notes to Interim Financial Statements for the Period Ended 30 September 2010

1. Basis Of Preparation

The interim financial statements are unaudited and have 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 statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2009 except for the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs (revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 5	Non-current Assets Held For Sale and Discontinued Operations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 117	Leases
Amendments to FRS 119	Employee Benefits
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidation and Separate Financial Statements
Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 138	Intangible Assets
Amendments to FRS 140	Investment Properties
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11, FRS 2	Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14, FRS 119	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

Other than the application of FRS 7, FRS 8, FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretation did not result in any significant changes in the accounting policies and presentation of the financial results of the Group:

FRS 7: Financial Instruments: Disclosures

Prior to the adoption of FRS 7, the disclosures of financial instruments were based on the requirements of the original FRS 132: Financial Instruments: Disclosures and Presentation. This standard requires disclosure on the nature and extent of risks arising from financial instrument which includes qualitative disclosure. The Group applied this standard prospectively in accordance with the transitional provision. This standard only affects the form and content of the disclosure in the Groups financial statements.

2. Changes in Accounting Policies (Cont'd)

FRS 8: Operating Segments

FRS 8 replaces FRS 114²⁰⁰⁴ Segment Reporting and requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes that are regularly reviewed by the Group’s chief operating decision maker. The Group presents its segment information based on its geographical segments, which is also the basis of presenting its internal management reports. The basis of measurement of operating results, segment assets and segment liabilities are the same as the basis of measurement for external reporting

Revised FRS 101 (2009) Presentation of Financial Statements

The revised FRS 101 requires Statement of Changes in Equity to include only transaction with owners, and all non-owner changes (i.e. other comprehensive income) are presented in a separate statement. This standard also introduces Statement of Comprehensive Income which presents all items of income and expense recognized in profit or loss and all other items of income and expensed recognized directly in equity, either in one single statement or two linked statements. The revised FRS does not have any impact on the financial position and results of the Group.

FRS 139: Financial Instruments: Recognition and Measurement

FRS 139 prescribes the principles for recognizing, derecognizing and measuring financial assets, financial liabilities, including all derivatives and certain embedded derivatives. The Group has applied this standard prospectively on 1 January 2010 in accordance with the transitional provision. The effects arising from the adoption of this standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. The comparative figures have not been restated.

Prior to 1 January 2010, the Group classified its investment in quoted securities (both at overseas and in Malaysia) which were held for trading purposes as other investments in current assets. Such investments were carried at cost less allowance for diminution in value. Upon adoption of FRS 139, the investment in overseas were designated at 1 January 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date at RM2,927,000. As at 1 January 2010, an impairment loss of RM44,000 was recognized for investments in quoted shares in Malaysia, which is now designated as financial assets held for trading, as an adjustment to the opening balance of retained earnings.

The following are the effects arising from the changes in the accounting policies as at 1 January 2010 upon the first application of FRS 139:

	As Previously Stated RM'000	Effect of FRS 139 RM'000	As Restated RM'000
Condensed Statement of Financial Position			
Non-current assets			
Available-for-sale financial asset	-	2,927	2,927
Current assets			
Other investments	2,386	(2,386)	-
Financial assets held for trading	-	255	255
Equity			
Fair value reserve	-	753	753
Retained earnings	288	44	332

2. Changes in Accounting Policies (Cont'd)

The Group has not applied in advance the following new and revised FRSs, Amendments to FRSs and IC Interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the current financial year:

FRSs/IC Interpretations	Effective for financial periods beginning on or after
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standard	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 31 December 2009 was not subject to any qualification.

4. Segmental Information

	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	RM’000	RM’000	RM’000	RM’000
Segment Revenue				
Solution	256	8,937	4,616	18,983
Communication & Multimedia	10	488	1,040	1,845
Education	-	-	-	-
Investment Holdings & Others	1,127	1,025	3,237	3,180
Total revenue including inter-segment sales	1,393	10,450	8,893	24,008
Elimination of inter-segment sales	(22)	(31)	(91)	(92)
Total	<u>1,371</u>	<u>10,419</u>	<u>8,802</u>	<u>23,916</u>
Segment Results				
Solution	(1,297)	(1,006)	(2,276)	(887)
Communication & Multimedia	(1,236)	(1,025)	(2,288)	(2,994)
Education	(62)	(79)	(136)	(245)
Investment Holdings & Others	(2,358)	686	(1,339)	2,084
	(4,953)	(1,424)	(6,039)	(2,042)
Elimination	(11)	(85)	(9)	2
Total	<u>(4,964)</u>	<u>(1,509)</u>	<u>(6,048)</u>	<u>(2,040)</u>

5. Unusual Items due to their Nature, Size or Incidence

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 except for the reclassification of investments mentioned in note 2 above.

6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter results.

7. Comments about Seasonal or Cyclical Factors

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

8. Dividends Paid

No dividend was paid during the quarter under review.

9. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayments of debts and equity securities during the quarter under review.

10. Share buybacks

In the financial year ended 31 December 2008, the Company purchased 1,090,700 of its own ordinary shares from the open market. All the shares purchased were retained as treasury shares and none of the treasury shares held were resold nor cancelled by the Company. As at 31 December 2009, the total number of treasury shares was 1,090,700 ordinary shares. Subsequent to 31 December 2008, the Company did not purchase any further shares from the open market.

11. Changes in Composition of the Group

The changes in the composition of the Company and of the Group for the current quarter and up to the date of issue of this report were as follows:

- (a) On 2 April 2010, the Company disposed its entire shareholdings in Unos Sdn Bhd (“UNOSSB”) consisting of 100 ordinary shares of RM1.00 each, to its 55% owned subsidiary, Asialink Technology Development Limited, Hong Kong for a total cash consideration of RM58.00.

12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in other contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2009.

13. Subsequent Events

There were no material events subsequent to the end of the current quarter except for the following:

- a) The Company has initiated legal proceedings against Technitium Sdn Bhd (TSB) for the debt recovery of RM8,563,213, and its application for summary judgment has been stayed pending arbitration. FSBM CTech Sdn Bhd (CTECH), a wholly owned subsidiary of the Company, has also initiated legal proceedings against TSB for the debt recovery of RM32,409,435. CTECH has applied for summary judgment while TSB has applied to stay proceedings pending arbitration. Both cases fixed for hearing on 23/11/2010;
- b) The Company had on 02 Sept-2010 announced the proposed disposal of its entire interest in a property known as FSBM Plaza to AMFirst Real Estate Investment Trust for a total cash consideration of RM51.5 million (“Proposed Disposal”). The Proposed Disposal was however aborted on 09 Nov-2010, as both parties had not been able to reach an agreement on the terms and conditions of the definitive documents (refer to announcement);

- c) On 05 Oct-2010, the Company announced the proposed acquisition of 1 ordinary share and the subscription of 1,999 ordinary shares of RM1.00 each representing 20% of the issued and paid-up capital of Idaman Dotcom Sdn Bhd (IDSB). Upon completion of the proposed acquisition and subscription, IDSB shall be a 20% owned associate of the Company.

14. Performance Review (Q3 2010 : Q3 2009)

The Group's revenue for 3rd quarter of 2010 was RM1.371 million compared to RM10.419 million in the 3rd quarter of 2009. The Group reported a higher loss before tax of RM5.761 million compared to a loss before tax of RM1.977 million for 3rd quarter of the previous year, due to lower revenue from the Solutions Division, and the loss of RM2.763 million arising from change in the fair value of its building, FSBM Plaza (non-current asset held for sale), from RM54.013 million to RM51.250 million.

15. Comment on Material Change in Profit Before Taxation (Q3 2010 : Q2 2010)

Current quarter revenue of RM1.371 million was lower than RM3.854 million recorded for previous quarter. A higher loss before tax of RM5.761 million was reported compared to a loss of RM1.551 million for previous quarter due to lower revenue, and the loss of RM2.763 million arising from change in the fair value of its building, FSBM Plaza (non-current asset held for sale), from RM54.013 million to RM51.250 million.

16. Commentary on Prospects

We are continuing to market UNOS Mobile Financial Service in the region, and we have conducted Proof of Concepts for a number of financial institutions in the region. To date, the response has been encouraging, and we are confident to receive confirmation on the order in the 4th quarter of this year.

The task to seek an award from the Ministry of Education's "MBMMBI - Memartabatkan Bahasa Malaysia, Memperkukuhkan Bahasa Inggeris (Upholding Bahasa Malaysia, Strengthening English)" program is progressing well. Having successfully completed a proof of concept for some of the schools selected by the Ministry, we are now participating in a close bid to roll out a pilot nationwide implementation for several schools. A successful pilot will position us for the eventual roll out of the program to approximately 10,000 schools in Malaysia from year 2011 until 2013.

The evaluation on our proposal for the implementation of an Emergency Command Centre (ECC) and National Disaster Management System (NDMS) project for National Security Council (NSC) under the Prime Minister's Department was completed in October 2010. Subsequently, NSC issued the letter of award to our consortium led by Pointgate Systems Sdn Bhd. The project had commenced in October and shall be completed within 2 years. Our solution is based on a successful implementation in South Korea and Indonesia. Besides being responsible for the IT infrastructure and applications, we will also be rolling out our UNOS mobile application onto 60 mobile phones, pioneering the mobile emergency command center in the country. Hopefully, this initial implementation will sustain our position as the choice ECC and NDMS provider to NSC's future nationwide roll-out.

17. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

18. Income Tax Expense

Taxation comprises:

	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	RM'000	RM'000	RM'000	RM'000
Taxation				
- Current	(89)	249	17	359
- (Over)/under provision in prior year	-	(5)	-	(5)
Deferred taxation	-	-	-	-
Total income tax expense	<u>(89)</u>	<u>244</u>	<u>17</u>	<u>354</u>

The effective tax rate of the Group for the current quarter was higher than the statutory tax rate principally due to the losses of certain subsidiaries which can not be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

19. Sales of Unquoted Investment and Properties

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

20. Quoted Securities

The details of investments in quoted shares as at 30 September 2010 as set out below: -

	As at 30.09.2010 RM'000	As at 31.12.2009 RM'000
In Malaysia		
At book value	-	212
At market value	-	237
	<u>-</u>	<u>449</u>
Outside Malaysia		
At book value	2,190	2,174
At market value	2,190	2,711
	<u>4,380</u>	<u>4,885</u>

21. Corporate Proposals

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

22. Borrowings

	As at 30.09.2010 RM'000	As at 31.12.2009 RM'000
Short Term Borrowings		
Secured	30,019	21,267
Unsecured	11,023	16,384
	<u>41,042</u>	<u>37,651</u>
Long Term Borrowings		
Secured	4,776	7,539
	<u>45,818</u>	<u>45,190</u>

23. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 30 September 2010.

24. Dividend Payable

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

25. Earning Per Shares**(a) Basic**

The basic earning per share amounts are calculated by dividing profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Group's loss attributable to ordinary shareholders (RM)	(5,672,000)	(2,221,000)	(8,364,000)	(4,291,000)
Weighted average number of ordinary shares in issue, excluding treasury shares	53,742,300	53,742,300	53,742,300	53,742,300
Basic deficit per share (sen)	(10.55)	(4.13)	(15.56)	(7.98)

(b) Diluted

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilution to its basic earnings per share.

26. Authorization for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 23 November, 2010.