



ECS ICT BERHAD
(351038-H)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31/03/2014 RM'000	As At 31/12/2013 RM'000
ASSETS		
Plant and equipment	3,746	4,036
Intangible asset	571	571
Investment in club membership	62	62
Deferred tax assets	1,359	1,450
Total non-current assets	<u>5,738</u>	<u>6,119</u>
Inventories	91,474	85,569
Receivables, deposits and prepayments	183,662	173,327
Cash and cash equivalents	91,256	83,700
Total current assets	<u>366,392</u>	<u>342,596</u>
TOTAL ASSETS	<u>372,130</u>	<u>348,715</u>
EQUITY		
Share capital	90,000	90,000
Reserves	119,347	114,562
Total equity attributable to owners of the Company	<u>209,347</u>	<u>204,562</u>
LIABILITIES		
Payables and accruals	161,109	142,093
Tax payable	1,674	2,060
Total current liabilities	<u>162,783</u>	<u>144,153</u>
Total liabilities	162,783	144,153
TOTAL EQUITY AND LIABILITIES	<u>372,130</u>	<u>348,715</u>
Net assets per share attributable to owners of the Company (RM)	1.16	1.14

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Three Months Ended		Three Months Ended	
		31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Revenue		357,719	320,335	357,719	320,335
Cost of sales		(338,450)	(300,738)	(338,450)	(300,738)
Gross profit		<u>19,269</u>	<u>19,597</u>	<u>19,269</u>	<u>19,597</u>
Distribution expenses		(8,532)	(7,253)	(8,532)	(7,253)
Administrative expenses		(3,768)	(3,789)	(3,768)	(3,789)
Other expense		(706)	(107)	(706)	(107)
Results from operating activities	26	<u>6,263</u>	<u>8,448</u>	<u>6,263</u>	<u>8,448</u>
Finance income		413	357	413	357
Finance costs		-	(1)	-	(1)
Net finance income		<u>413</u>	<u>356</u>	<u>413</u>	<u>356</u>
Profit before tax		<u>6,676</u>	<u>8,804</u>	<u>6,676</u>	<u>8,804</u>
Tax expense	19	(1,891)	(2,423)	(1,891)	(2,423)
Profit for the period /		<u>4,785</u>	<u>6,381</u>	<u>4,785</u>	<u>6,381</u>
Total comprehensive income for the period		<u>4,785</u>	<u>6,381</u>	<u>4,785</u>	<u>6,381</u>
Profit for the period /					
Total comprehensive income for the period attributable to:					
Owners of the Company		4,785	6,381	4,785	6,381
Non-controlling interest		-	-	-	-
		<u>4,785</u>	<u>6,381</u>	<u>4,785</u>	<u>6,381</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	24	2.7	3.5	2.7	3.5
Diluted (sen)		N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<- Attributable to owners of the Company - >				
	Share Capital RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
At 1 January 2013	90,000	97,574	187,574	-	187,574
Profit for the period / Total comprehensive income for the period	-	6,381	6,381	-	6,381
At 31 March 2013	<u>90,000</u>	<u>103,955</u>	<u>193,955</u>	<u>-</u>	<u>193,955</u>
At 1 January 2014	90,000	114,562	204,562	-	204,562
Profit for the period / Total comprehensive income for the period	-	4,785	4,785	-	4,785
At 31 March 2014	<u>90,000</u>	<u>119,347</u>	<u>209,347</u>	<u>-</u>	<u>209,347</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended	
	31/03/2014	31/03/2013
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	6,676	8,804
<i>Adjustments for:</i>		
Non-cash items	1,287	514
Non-operating items	(413)	(356)
Operating profit before changes in working capital	<u>7,550</u>	<u>8,962</u>
Change in inventories	(5,905)	(286)
Change in receivables, deposits and prepayment	(10,686)	13,207
Change in payables and accruals	18,464	(25,650)
Cash generated from/(used in) operations	<u>9,423</u>	<u>(3,767)</u>
Tax paid	(2,187)	(2,027)
Net cash generated from/(used in) operating activities	<u>7,236</u>	<u>(5,794)</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(93)	(510)
Proceeds from disposal of plant and equipment	-	93
Net cash used in investing activities	<u>(93)</u>	<u>(417)</u>
Cash Flows from Financing Activities		
Interest received	413	357
Interest paid	-	(1)
Net cash generated from financing activities	<u>413</u>	<u>356</u>
Net increase/(decrease) in cash and cash equivalents	7,556	(5,855)
Cash and cash equivalents at beginning of period	<u>83,700</u>	<u>72,989</u>
Cash and cash equivalents at end of period	<u>91,256</u>	<u>67,134</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	<u>91,256</u>	<u>67,134</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2013.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2013 are available upon request from the Company's registered office at: Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with the audited financial statements for the financial year ended 31 December 2013, except with the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), Issues Committee ("IC") Interpretations and Amendments to MFRS for financial period beginning on or after 1 January 2014:

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interest in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

IC Interpretation 21, Levies is not applicable to the Group.

The adoption of the above standards and amendments are not expected to have material financial impacts to the financial statements of the Group.

3. Seasonal or cyclical factors

The Group's operations were not significantly affected by seasonal or cyclical factors.

4. Unusual items

There were no significant unusual items affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter.



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PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING

5. Material changes in estimates

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

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and the financial year-to-date.

7. Dividends paid

There was no dividend paid during the quarter.

8. Segmental reporting

Segment information is presented in respect of the Group's business segments.

The Group business segments comprise the following:

- (i) ICT Distribution Distribution of volume ICT products to resellers, comprising mainly retailers
- (ii) Enterprise Systems Distribution of value ICT products to resellers, comprising mainly system integrators and corporate dealers
- (iii) ICT Services Provision of ICT services

Other non-reportable segments comprise management services and investment holding.

(a) Information about reportable segments

	ICT Distribution RM'000	Enterprise Systems RM'000	ICT Services RM'000	Total RM'000
<u>3 month financial period ended 31 March 2014</u>				
External revenue	251,603	95,534	10,582	357,719
Inter-segment revenue	575	2,109	1,451	4,135
Total revenue	<u>252,178</u>	<u>97,643</u>	<u>12,033</u>	<u>361,854</u>
Reportable segment profit before tax	<u>3,949</u>	<u>1,903</u>	<u>320</u>	<u>6,172</u>
<u>3 month financial period ended 31 March 2013</u>				
External revenue	207,911	108,560	3,864	320,335
Inter-segment revenue	1,569	870	1,144	3,583
Total revenue	<u>209,480</u>	<u>109,430</u>	<u>5,008</u>	<u>323,918</u>
Reportable segment profit before tax	<u>4,252</u>	<u>3,818</u>	<u>218</u>	<u>8,288</u>



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INTERIM FINANCIAL REPORTING**

8. Segmental reporting (continued)

(b) Reconciliation of reportable segment profit and loss:

	Three Months Ended	
	31/03/2014	31/03/2013
	RM'000	RM'000
Total profit for reportable segments before tax	6,172	8,288
Other non-reportable segments profit	503	508
Eliminate of inter-segments profit and loss	1	8
Consolidated profit before tax	<u>6,676</u>	<u>8,804</u>

(c) Segment assets

	As at	
	31/03/2014	31/12/2013
	RM'000	RM'000
ICT Distribution	219,380	191,053
Enterprise Systems	94,095	103,435
ICT Services	3,556	3,490
Total reportable segment assets	<u>317,031</u>	<u>297,978</u>
<u>Reconciliation of reportable segment:</u>		
Total reportable segment assets	317,031	297,978
Other non-reportable segments assets	134,299	133,842
Elimination of inter-segment balances	(79,200)	(83,105)
Consolidated total	<u>372,130</u>	<u>348,715</u>

There were no major changes in segment assets during the period.

(d) Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Office. Hence no disclosure is made on segment liabilities.

9. Material events subsequent to the end of the financial period

There were no material events subsequent to the end of the financial period under review that have not been reflected in the quarterly financial statements.

10. Changes in the composition of the Group

There were no changes in the composition of the Group.



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**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134:
INTERIM FINANCIAL REPORTING**

11. Contingent liabilities and contingent assets

(a) Contingent liabilities

	As At 31/03/2014 RM'000	As At 31/12/2013 RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	<u>194,328</u>	<u>195,856</u>

(b) Contingent assets

There were no contingent assets as at the end of the current financial period.

12. Capital commitments

The capital expenditure contracted but not provided for as at the end of the current financial period amounted to RM180,000.

13. Capital expenditure

The major additions and disposals to plant and equipment during the current quarter and financial year-to-date were as follows:

	Three Months Ended 31/03/2014 RM'000	Three Months Ended 31/03/2014 RM'000
Plant and equipment: Additions	<u>93</u>	<u>93</u>



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**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134:
INTERIM FINANCIAL REPORTING**

14. Related party transactions

Related parties are those defined under MFRS 124: Related Party Disclosures. The Directors are of the opinion that the related party transactions and balances described below were carried out in the ordinary course of business and had been established on negotiated terms.

	Three Months Ended	Balance Due
	31/03/2014	From/(To)
	RM'000	As at
		31/03/2014
		RM'000
Transactions with companies in which certain Directors have substantial interests:		
<u>Sales</u>		
KDU Smart School Sdn Bhd	31	31
KDU University College Sdn Bhd	1	-
Paramount Property Development Sdn Bhd	1	1
Paramount Corporation Berhad	4	-
<u>Professional fee</u>		
Iza Ng Yeoh & Kit	1	(1)
<u>Rental expense</u>		
Enrich Platinum Sdn Bhd	432	-



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS

15. Review of performance

Comparison results of current quarter and previous year corresponding quarter

For Q1 FY2014, the Group recorded higher revenue of RM357.7 million, an increase of 11.7% compared with RM320.3 million in the corresponding quarter last year with higher revenue from ICT Distribution segment and ICT Services segment. However, Profit Before Tax (PBT) was lower at RM6.7 million compared with the corresponding quarter last year of RM8.8 million mainly due to lower profit contribution from Enterprise Systems.

The performance of the three business segments for Q1 FY2014 compared with Q1 FY2013 were as follows:

a) ICT Distribution

Revenue increased by 21.0% with higher sales from PCs and mobility products namely tablets and smartphones. However, due to higher operating costs, the PBT decreased by 7.1% to RM3.9 million.

b) Enterprise Systems

Revenue decreased by 12.0% due to lower sales of servers, storage and software products. With lower sales and higher operating costs, PBT decreased by 50.2% to RM1.9 million.

c) ICT Services

Revenue increased by RM6.7 million mainly due to re-classification of extended warranties from Enterprise Systems to ICT Services. With higher revenue, the PBT increased to RM0.3 million.

16. Material changes in the profit before tax for the current quarter as compared with the immediate preceding quarter

PBT for Q1 FY2014 of RM6.7 million was lower compared with Q4 FY2013 of RM13.1 million due to lower profit contributions from Enterprise Systems segment and ICT Distribution segment.

17. Prospects

Amid lower public expenditure, the Enterprise Systems segment has been rather slow due to fewer government projects while private sector projects are mostly from the finance and telecommunications companies. Nevertheless, spending on networking and storage products is expected to increase in the second half of 2014 for both the public and private sectors.

With higher spending on ICT projects and the strong consumer demand for mobility products driving sales of smartphones and tablets in the Distribution segment, the Group expects good performance for the remainder of this year.

18. Profit forecast or profit guarantee

Not applicable as the Group did not publish any profit forecast or profit guarantee.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS

19. Tax expense

	Three Months Ended		Three Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	1,801	2,607	1,801	2,607
Prior year	-	-	-	-
	<u>1,801</u>	<u>2,607</u>	<u>1,801</u>	<u>2,607</u>
Deferred tax	90	(184)	90	(184)
	<u>1,891</u>	<u>2,423</u>	<u>1,891</u>	<u>2,423</u>
Effective tax rate	28.3%	27.5%	28.3%	27.5%

The effective tax rate for current quarter and current year to date were higher due to certain expenses which were not deductible for tax purposes.

20. Corporate proposals

There was no corporate proposal during the current quarter.

21. Borrowings and debt securities

There were no borrowings as at the end of the current financial period.

22. Changes in material litigation

There was no material litigation as at the end of the current financial period.

23. Dividend

No dividend was recommended in the current quarter under review.

24. Earnings per share

The basic and diluted earnings per share ("EPS") for the current quarter and current year-to-date were computed as follows:

	Three Months Ended		Three Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
Profit attributable to equity holders of the Company (RM'000)	4,785	6,381	4,785	6,381
Weighted average number of ordinary shares in issue ('000)	180,000	180,000	180,000	180,000
Basic earnings per share (sen)	2.7	3.5	2.7	3.5
Diluted earnings per share (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Diluted EPS is not applicable as there were no potential ordinary shares in issue for the current quarter and cumulative quarter.



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PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS

25. Auditor's report on preceding annual financial statements

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2013.

26. Results from operating activities are arrived at after charging/(crediting):

	Three Months Ended		Three Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
Depreciation	380	432	380	432
Impairment loss/(reversal) on trade receivables	493	(334)	493	(334)
Inventories written back	(748)	(590)	(748)	(590)
Foreign exchange gain	(1,411)	(665)	(1,411)	(665)
Loss on derivatives financial instruments	905	171	905	171

There was no gain or loss on disposal of quoted or unquoted investments or properties; impairment of assets; and exceptional items.

27. Realised and unrealised profits or losses

	As at	As at
	31/03/2014	31/12/2013
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised profits	168,958	164,449
- Unrealised profits	1,757	1,482
	<u>170,715</u>	<u>165,931</u>
Less: Consolidation adjustments	(51,368)	(51,369)
Total group retained earnings	<u>119,347</u>	<u>114,562</u>

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Lwee Wen Ling
Company Secretaries

7 May 2014
Selangor