



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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30/06/2014 RM'000	As At 31/12/2013 RM'000
ASSETS		
Plant and equipment	3,615	4,036
Intangible asset	571	571
Investment in club membership	62	62
Deferred tax assets	1,388	1,450
Total non-current assets	5,636	6,119
Inventories	146,717	85,569
Receivables, deposits and prepayments	166,617	173,327
Cash and cash equivalents	44,149	83,700
Total current assets	357,483	342,596
TOTAL ASSETS	363,119	348,715
EQUITY		
Share capital	90,000	90,000
Reserves	122,362	114,562
Total equity attributable to owners of the Company	212,362	204,562
LIABILITIES		
Payables and accruals	148,097	142,093
Tax payable	2,660	2,060
Total current liabilities	150,757	144,153
Total liabilities	150,757	144,153
TOTAL EQUITY AND LIABILITIES	363,119	348,715
Net assets per share attributable to owners of the Company (RM)	1.18	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 30 JUNE 2014
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Three Months Ended		Six Months Ended	
		30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Revenue		389,916	300,463	747,635	620,798
Cost of sales		(367,230)	(282,656)	(705,680)	(583,394)
Gross profit		<u>22,686</u>	<u>17,807</u>	<u>41,955</u>	<u>37,404</u>
Distribution expenses		(8,871)	(7,322)	(17,403)	(14,575)
Administrative expenses		(3,828)	(3,861)	(7,596)	(7,650)
Other (expense)/income		(32)	619	(738)	512
Results from operating activities	26	<u>9,955</u>	<u>7,243</u>	<u>16,218</u>	<u>15,691</u>
Finance income		370	321	783	678
Finance costs		(1)	(29)	(1)	(30)
Net finance income		<u>369</u>	<u>292</u>	<u>782</u>	<u>648</u>
Profit before tax		<u>10,324</u>	<u>7,535</u>	<u>17,000</u>	<u>16,339</u>
Tax expense	19	(2,809)	(2,037)	(4,700)	(4,460)
Profit for the period /		<u>7,515</u>	<u>5,498</u>	<u>12,300</u>	<u>11,879</u>
Total comprehensive income for the period		<u>7,515</u>	<u>5,498</u>	<u>12,300</u>	<u>11,879</u>
Profit for the period /					
Total comprehensive income for the period attributable to:					
Owners of the Company		7,515	5,498	12,300	11,879
Non-controlling interest		-	-	-	-
		<u>7,515</u>	<u>5,498</u>	<u>12,300</u>	<u>11,879</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	24	4.2	3.1	6.8	6.6
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 30 JUNE 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	-	11,879	11,879	-	11,879
Dividend	-	(4,500)	(4,500)	-	(4,500)
At 30 June 2013	<u>90,000</u>	<u>104,953</u>	<u>194,953</u>	<u>-</u>	<u>194,953</u>
At 1 January 2014	90,000	114,562	204,562	-	204,562
Profit for the period / Total comprehensive income for the period	-	12,300	12,300	-	12,300
Dividend	-	(4,500)	(4,500)	-	(4,500)
At 30 June 2014	<u>90,000</u>	<u>122,362</u>	<u>212,362</u>	<u>-</u>	<u>212,362</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 30 JUNE 2014
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended	
	30/06/2014	30/06/2013
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	17,000	16,339
<i>Adjustments for:</i>		
Non-cash items	1,741	234
Non-operating items	(782)	(648)
Operating profit before changes in working capital	<u>17,959</u>	<u>15,925</u>
Change in inventories	(61,147)	(2,187)
Change in receivables, deposits and prepayment	6,358	29,533
Change in payables and accruals	5,377	(31,456)
Cash (used in)/generated from operations	<u>(31,453)</u>	<u>11,815</u>
Tax paid	(4,039)	(3,865)
Net cash (used in)/generated from operating activities	<u>(35,492)</u>	<u>7,950</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(341)	(618)
Proceeds from disposal of plant and equipment	-	199
Net cash used in investing activities	<u>(341)</u>	<u>(419)</u>
Cash Flows from Financing Activities		
Interest received	783	678
Interest paid	(1)	(30)
Dividend paid	(4,500)	(4,500)
Net cash used in financing activities	<u>(3,718)</u>	<u>(3,852)</u>
Net (decrease)/increase in cash and cash equivalents	(39,551)	3,679
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>44,149</u>	<u>76,668</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	<u>44,149</u>	<u>76,668</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 30 JUNE 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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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

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

A single tier final dividend of 2.5 sen per share, totalling RM4,500,000 in respect of the financial year ended 31 December 2013 was paid on 19 June 2014.

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>6 months financial period ended 30 June 2014</u>				
External revenue	513,582	213,011	21,042	747,635
Inter-segment revenue	2,009	3,365	2,704	8,078
Total revenue	<u>515,591</u>	<u>216,376</u>	<u>23,746</u>	<u>755,713</u>
Reportable segment profit before tax	<u>9,532</u>	<u>5,536</u>	<u>846</u>	<u>15,914</u>
<u>6 months financial period ended 30 June 2013</u>				
External revenue	397,531	216,616	6,651	620,798
Inter-segment revenue	3,078	1,563	2,327	6,968
Total revenue	<u>400,609</u>	<u>218,179</u>	<u>8,978</u>	<u>627,766</u>
Reportable segment profit before tax	<u>7,368</u>	<u>7,587</u>	<u>405</u>	<u>15,360</u>



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

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

8. Segmental reporting (continued)

(b) Reconciliation of reportable segment profit and loss:

	Six Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000
Total profit for reportable segments before tax	15,914	15,360
Other non-reportable segments profit	1,084	963
Eliminate of inter-segments profit and loss	2	16
Consolidated profit before tax	17,000	16,339

(c) Segment assets

	As at 30/06/2014 RM'000	As at 31/12/2013 RM'000
	ICT Distribution	261,287
Enterprise Systems	91,206	103,435
ICT Services	3,780	3,490
Total reportable segment assets	356,273	297,978
<u>Reconciliation of reportable segment:</u>		
Total reportable segment assets	356,273	297,978
Other non-reportable segments assets	129,504	133,842
Elimination of inter-segment balances	(122,658)	(83,105)
Consolidated total	363,119	348,715

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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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

**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 30/06/2014 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	194,219	195,856

(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 RM187,000.

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 30/06/2014 RM'000	Six Months Ended 30/06/2014 RM'000
Plant and equipment: Additions	248	341



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

**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.

	Six Months Ended	Balance Due
	30/06/2014	From/(To)
	RM'000	As at
		30/06/2014
		RM'000
Transactions with companies in which certain Directors have substantial interests:		
<u>Sales</u>		
KDU Smart School Sdn Bhd	34	-
KDU University College Sdn Bhd	1	-
Paramount Property Development Sdn Bhd	4	-
Paramount Corporation Berhad	11	8
Paramount Construction Sdn Bhd	9	9
Paramount Property Construction Sdn Bhd	1	1
<u>Professional fee</u>		
Iza Ng Yeoh & Kit	1	-
<u>Rental expense</u>		
Enrich Platinum Sdn Bhd	864	-



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 Q2 FY2014, the Group recorded higher revenue of RM389.9 million, an increase of 29.8% compared with RM300.5 million in the corresponding quarter last year with higher revenue from all three segments. Profit Before Tax (PBT) was higher at RM10.3 million compared with the corresponding quarter last year of RM7.5 million mainly contributed by ICT Distribution Segment.

The performance of the three business segments for Q2 FY2014 compared with Q2 FY2013 were as follows:

a) ICT Distribution

Revenue increased by 38.2% with higher sales from PCs and mobility products namely tablets and smartphones. With higher sales and GP, the PBT increased by 79.2% to RM5.6 million.

b) Enterprise Systems

Revenue increased by 8.7% due to higher sales of servers and software products. However, with lower gross profit margin from the product mix and higher operating costs, PBT decreased by 3.6% to RM3.6 million.

c) ICT Services

Revenue increased by RM7.7 million mainly due to re-classification of extended warranties from Enterprise Systems to ICT Services. With higher revenue, the PBT increased to RM0.5 million.

Comparison results of current year-to-date and previous year-to-date

For 6 months period ended 30 June 2014, the Group recorded revenue of RM747.6 million, an increase of 20.4% compared with the previous year's corresponding period of RM620.8 million, mainly from higher revenue from ICT Distribution Segment and ICT Services Segment. With higher sales, the PBT increased by 4.0% to RM17.0 million.

The performance of the three business segments for 6 months period ended 30 June 2014 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue increased by 29.2% with higher sales mainly from PCs and mobility products namely tablets and smartphones. With higher sales, the PBT increased by 29.4% to RM9.5million.

b) Enterprise Systems

Revenue decreased by 1.7% mainly due to lower sales of storage products. PBT decreased by 27.0% to RM5.5 million due to lower profit margins from the product mix.

c) ICT Services

Revenue increased by RM14.4 million after re-classification of extended warranties which was previously classified under Enterprise Systems. With higher sales, the PBT increased by 108.9% to RM0.8 million.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

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

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

PBT for Q2 FY2014 of RM10.3 million was higher compared with Q1 FY2014 of RM6.7 million due to higher profit contributions from all three segments.

17. Prospects

With steady sales of PCs and tablets, and strong demand for smartphones, revenue of ICT Distribution will continue to grow for 2H FY2014.

The implementation of Goods and Services Tax (GST) projects will increase expenditure on ICT equipment such as servers, storage and network products to drive demand for Enterprise Systems.

With the above positive outlook, we are optimistic of the performance in the 2H FY 2014.

18. Profit forecast or profit guarantee

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

19. Tax expense

	Three Months Ended		Six Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Current income tax:				
Current year	2,838	2,133	4,639	4,740
Prior year	-	-	-	-
	<u>2,838</u>	<u>2,133</u>	<u>4,639</u>	<u>4,740</u>
Deferred tax	(29)	(96)	61	(280)
	<u>2,809</u>	<u>2,037</u>	<u>4,700</u>	<u>4,460</u>
Effective tax rate	27.2%	27.0%	27.6%	27.3%

The effective tax rate for current quarter and current year to date were slightly 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.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

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

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		Six Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Profit attributable to equity holders of the Company (RM'000)	7,515	5,498	12,300	11,879
Weighted average number of ordinary shares in issue ('000)	180,000	180,000	180,000	180,000
Basic earnings per share (sen)	4.2	3.1	6.8	6.6
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.

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		Six Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
Depreciation	380	441	760	873
Impairment loss/(reversal) on trade receivables	1,011	300	1,504	(34)
Inventories written (back)/off	(299)	191	(1,046)	(399)
Foreign exchange (gain)/loss	(447)	502	(1,858)	(163)
Loss/(gain) on derivatives financial instruments	<u>74</u>	<u>(619)</u>	<u>979</u>	<u>(448)</u>

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



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2014

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

27. Realised and unrealised profits or losses

	As at 30/06/2014 RM'000	As at 31/12/2013 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised profits	172,166	164,449
- Unrealised profits	1,564	1,482
	<u>173,730</u>	<u>165,931</u>
Less: Consolidation adjustments	(51,368)	(51,369)
Total group retained earnings	<u>122,362</u>	<u>114,562</u>

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Lwee Wen Ling
Company Secretaries

6 August 2014
Selangor