



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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31/03/2016 RM'000	As At 31/12/2015 RM'000
ASSETS		
Plant and equipment	3,180	3,413
Intangible asset	571	571
Investment in club membership	62	62
Deferred tax assets	2,114	1,676
Total non-current assets	<u>5,927</u>	<u>5,722</u>
Inventories	134,900	110,835
Receivables, deposits and prepayments	190,832	197,308
Cash and cash equivalents	92,632	116,237
Total current assets	<u>418,364</u>	<u>424,380</u>
TOTAL ASSETS	<u>424,291</u>	<u>430,102</u>
EQUITY		
Share capital	90,000	90,000
Reserves	151,904	146,782
Total equity attributable to owners of the Company	<u>241,904</u>	<u>236,782</u>
LIABILITIES		
Payables and accruals	179,257	190,022
Tax payable	3,130	3,298
Total current liabilities	<u>182,387</u>	<u>193,320</u>
Total liabilities	182,387	193,320
TOTAL EQUITY AND LIABILITIES	<u>424,291</u>	<u>430,102</u>
Net assets per share attributable to owners of the Company (RM)	1.34	1.32

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2016
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Three Months Ended		Three Months Ended	
		31/03/2016 RM'000	31/03/2015 RM'000 Restated	31/03/2016 RM'000	31/03/2015 RM'000 Restated
Revenue		434,715	522,855	434,715	522,855
Cost of sales	27	(413,629)	(496,935)	(413,629)	(496,935)
Gross profit		<u>21,086</u>	<u>25,920</u>	<u>21,086</u>	<u>25,920</u>
Distribution expenses		(10,952)	(9,567)	(10,952)	(9,567)
Administrative expenses		(4,850)	(4,395)	(4,850)	(4,395)
Other income	27	1,101	354	1,101	354
Results from operating activities	26	<u>6,385</u>	<u>12,312</u>	<u>6,385</u>	<u>12,312</u>
Finance income		599	397	599	397
Finance costs		-	-	-	-
Net finance income		599	397	599	397
Profit before tax		<u>6,984</u>	<u>12,709</u>	<u>6,984</u>	<u>12,709</u>
Tax expense	19	(1,862)	(3,320)	(1,862)	(3,320)
Profit for the period / Total comprehensive income for the period		<u>5,122</u>	<u>9,389</u>	<u>5,122</u>	<u>9,389</u>
Profit for the period / Total comprehensive income for the period attributable to:					
Owners of the Company		5,122	9,389	5,122	9,389
Non-controlling interest		-	-	-	-
		<u>5,122</u>	<u>9,389</u>	<u>5,122</u>	<u>9,389</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	24	2.8	5.2	2.8	5.2
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 2015 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 2016
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 2015	90,000	134,094	224,094	-	224,094
Profit for the period / Total comprehensive income for the period	-	9,389	9,389	-	9,389
At 31 March 2015	<u>90,000</u>	<u>143,483</u>	<u>233,483</u>	<u>-</u>	<u>233,483</u>
At 1 January 2016	90,000	146,782	236,782	-	236,782
Profit for the period / Total comprehensive income for the period	-	5,122	5,122	-	5,122
At 31 March 2016	<u>90,000</u>	<u>151,904</u>	<u>241,904</u>	<u>-</u>	<u>241,904</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 2015 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 2016
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended	
	31/03/2016	31/03/2015
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	6,984	12,709
<i>Adjustments for:</i>		
Non-cash items	(99)	200
Non-operating items	(599)	(397)
Operating profit before changes in working capital	<u>6,286</u>	<u>12,512</u>
Change in inventories	(24,065)	17,808
Change in receivables, deposits and prepayment	7,362	(34,140)
Change in payables and accruals	(11,173)	15,302
Cash (used in)/generated from operations	<u>(21,590)</u>	<u>11,482</u>
Tax paid	(2,468)	(2,128)
Net cash (used in)/from operating activities	<u>(24,058)</u>	<u>9,354</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(146)	(159)
Net cash used in investing activities	<u>(146)</u>	<u>(159)</u>
Cash Flows from Financing Activities		
Interest received	599	397
Interest paid	-	-
Net cash from financing activities	<u>599</u>	<u>397</u>
Net (decrease)/increase in cash and cash equivalents	(23,605)	9,592
Cash and cash equivalents at beginning of period	<u>116,237</u>	<u>89,749</u>
Cash and cash equivalents at end of period	<u>92,632</u>	<u>99,341</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	<u>92,632</u>	<u>99,341</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 2015 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 2016

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 2015.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2015 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 2015, 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 2016:

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

MFRS 14, Amendments to MFRS 5, Amendments to MFRS 11 and Amendments to MFRS 141 are 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 months financial period ended 31 March 2016</u>				
External revenue	338,009	88,033	8,673	434,715
Inter-segment revenue	2,274	824	1,066	4,164
Total revenue	<u>340,283</u>	<u>88,857</u>	<u>9,739</u>	<u>438,879</u>
Reportable segment profit before tax	<u>4,599</u>	<u>1,566</u>	<u>253</u>	<u>6,418</u>
<u>3 months financial period ended 31 March 2015</u>				
External revenue	372,834	137,123	12,898	522,855
Inter-segment revenue	875	801	978	2,654
Total revenue	<u>373,709</u>	<u>137,924</u>	<u>13,876</u>	<u>525,509</u>
Reportable segment profit before tax	<u>8,092</u>	<u>3,874</u>	<u>297</u>	<u>12,263</u>



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**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:

	Three Months Ended	
	31/03/2016	31/03/2015
	RM'000	RM'000
Total profit for reportable segments before tax	6,418	12,263
Other non-reportable segments profit	563	443
Eliminate of inter-segments profit and loss	3	3
Consolidated profit before tax	<u>6,984</u>	<u>12,709</u>

(c) Segment assets

	As at	
	31/03/2016	31/12/2015
	RM'000	RM'000
ICT Distribution	306,731	270,581
Enterprise Systems	102,212	118,831
ICT Services	3,957	4,428
Total reportable segment assets	<u>412,900</u>	<u>393,840</u>
<u>Reconciliation of reportable segment:</u>		
Total reportable segment assets	412,900	393,840
Other non-reportable segments assets	126,679	125,610
Elimination of inter-segment balances	(115,288)	(89,348)
Consolidated total	<u>424,291</u>	<u>430,102</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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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

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 31/03/2016 RM'000	As At 31/12/2015 RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	146,708	145,097

(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 RM450,000.

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 31/03/2016 RM'000	Three Months Ended 31/03/2016 RM'000
Plant and equipment: Additions	146	146

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 31/03/2016 RM'000	Balance Due From/(To) As at 31/03/2016 RM'000
Transactions with companies in which certain Directors have substantial interests:		
Professional fee Iza Ng Yeoh & Kit		-
Rental expense Enrich Platinum Sdn Bhd	480	-



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

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 FY2016, the Group recorded lower revenue of RM434.7 million, an decrease of 16.9% compared with RM522.9 million in the corresponding quarter last year. Sales in corresponding quarter last year was higher due to pre-GST implementation. Profit Before Tax (PBT) decreased by 45.0% to RM7.0 million compared with corresponding quarter last year of RM12.7 million.

The performance of the three business segments for Q1 FY2016 compared with Q1 FY2015 were as follows:

a) ICT Distribution

Revenue decreased by 9.3% with lower sales from desktop PC and notebooks. With lower sales and higher operating cost, the PBT decreased by 43.2% to RM4.6 million compared with last year corresponding period of RM8.1 million.

b) Enterprise Systems

Revenue decreased by 35.8% with lower sales of servers and software. With lower sales, PBT decreased by 59.6% to RM1.6 million.

c) ICT Services

Revenue decreased by RM4.2 million. With lower sales, the PBT decreased by RM44,000.

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

PBT for Q1 FY2016 of RM7.0 million was lower compared with Q4 FY2015 of RM13.7 million with lower profits from all three segments.

17. Prospects

Although the Malaysian Ringgit has strengthened against the US Dollar in Q1 2016, the overall economic uncertainty continues to dampen market sentiments on spending for consumer ICT products and Enterprise Systems.

The International Data Corporation's report on ICT spending for Malaysia in 2016 has forecasted the spending on hardware and software to grow at a marginal 3.0% and smartphone to expand by 7.0%.

In the light of the above, we are increasing our focus on mobility products by introducing new products to expand our mobility channel and market reach.

With our expansion plans on mobility and wearable products, we are positive on the outlook for the remainder of FY2016.

18. Profit forecast or profit guarantee

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



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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	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	2,300	3,206	2,300	3,206
Prior year	-	-	-	-
	<u>2,300</u>	<u>3,206</u>	<u>2,300</u>	<u>3,206</u>
Deferred tax	(438)	114	(438)	114
	<u>1,862</u>	<u>3,320</u>	<u>1,862</u>	<u>3,320</u>
Effective tax rate	26.7%	26.1%	26.7%	26.1%

The effective tax rate for current year-to-date was higher than the Malaysian tax rate of 24% 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	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Profit attributable to equity holders of the Company (RM'000)	5,122	9,389	5,122	9,389
Weighted average number of ordinary shares in issue ('000)	180,000	180,000	180,000	180,000
Basic earnings per share (sen)	2.8	5.2	2.8	5.2
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 2015.

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

	Three Months Ended		Three Months Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Depreciation	374	334	374	334
Impairment loss on trade receivables	1,677	126	1,677	126
Inventories written down/(written back)	1,137	(1,964)	1,137	(1,964)
Foreign exchange loss/(gain)	(6,689)	(119)	(6,689)	(119)
Loss/(Gain) on derivatives financial instruments	5,753	(134)	5,753	(134)

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

27. Comparative figures

The following comparative figures have been reclassified to conform to the current year's presentation:

	Three Months Ended	
	31/03/2015	31/03/2015
	RM'000	RM'000
	(As restated)	(As previously stated)
Cost of sales	496,935	496,816
Other income	354	235



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

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

28. Realised and unrealised profits or losses

	As at 31/03/2016 RM'000	As at 31/12/2015 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised profits	200,890	196,686
- Unrealised profits	2,401	1,486
	<u>203,291</u>	<u>198,172</u>
Less: Consolidation adjustments	(51,387)	(51,390)
Total group retained earnings	<u>151,904</u>	<u>146,782</u>

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Lwee Wen Ling
Company Secretaries

5 May 2016
Selangor