

**ECS ICT BERHAD**

(351038-H)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As At 30/06/2016 RM'000	As At 31/12/2015 RM'000
ASSETS		
Plant and equipment	3,573	3,413
Intangible asset	571	571
Investment in club membership	62	62
Deferred tax assets	2,314	1,676
Total non-current assets	<u>6,520</u>	<u>5,722</u>
Inventories	127,738	110,835
Receivables, deposits and prepayments	202,232	197,308
Cash and cash equivalents	76,873	116,237
Total current assets	<u>406,843</u>	<u>424,380</u>
TOTAL ASSETS	<u>413,363</u>	<u>430,102</u>
EQUITY		
Share capital	90,000	90,000
Reserves	152,801	146,782
Total equity attributable to owners of the Company	<u>242,801</u>	<u>236,782</u>
LIABILITIES		
Payables and accruals	167,202	190,022
Tax payable	3,360	3,298
Total current liabilities	<u>170,562</u>	<u>193,320</u>
Total liabilities	170,562	193,320
TOTAL EQUITY AND LIABILITIES	<u>413,363</u>	<u>430,102</u>
Net assets per share attributable to owners of the Company (RM)	1.35	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 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Three Months Ended		Six Months Ended	
		30/06/2016 RM'000	30/06/2015 RM'000 Restated	30/06/2016 RM'000	30/06/2015 RM'000 Restated
Revenue		400,181	418,790	834,896	941,645
Cost of sales	27	(378,319)	(395,284)	(791,948)	(892,219)
Gross profit		<u>21,862</u>	<u>23,506</u>	<u>42,948</u>	<u>49,426</u>
Distribution expenses	27	(9,179)	(8,868)	(19,726)	(18,033)
Administrative expenses	27	(4,965)	(4,992)	(10,220)	(9,789)
Other income	27	171	617	1,272	971
Results from operating activities	26	<u>7,889</u>	<u>10,263</u>	<u>14,274</u>	<u>22,575</u>
Finance income		438	405	1,037	802
Finance costs		-	(1)	-	(1)
Net finance income		438	404	1,037	801
Profit before tax		<u>8,327</u>	<u>10,667</u>	<u>15,311</u>	<u>23,376</u>
Tax expense	19	(2,030)	(2,666)	(3,892)	(5,986)
Profit for the period / Total comprehensive income for the period		<u>6,297</u>	<u>8,001</u>	<u>11,419</u>	<u>17,390</u>
Profit for the period / Total comprehensive income for the period attributable to:					
Owners of the Company		6,297	8,001	11,419	17,390
Non-controlling interest		-	-	-	-
		<u>6,297</u>	<u>8,001</u>	<u>11,419</u>	<u>17,390</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	24	3.5	4.4	6.3	9.7
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 30 JUNE 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	-	17,390	17,390	-	17,390
Dividend	-	(5,400)	(5,400)	-	(5,400)
At 30 June 2015	<u>90,000</u>	<u>146,084</u>	<u>236,084</u>	<u>-</u>	<u>236,084</u>
At 1 January 2016	90,000	146,782	236,782	-	236,782
Profit for the period / Total comprehensive income for the period	-	11,419	11,419	-	11,419
Dividend	-	(5,400)	(5,400)	-	(5,400)
At 30 June 2016	<u>90,000</u>	<u>152,801</u>	<u>242,801</u>	<u>-</u>	<u>242,801</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 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended	
	30/06/2016	30/06/2015
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	15,311	23,376
<i>Adjustments for:</i>		
Non-cash items	738	1,058
Non-operating items	(1,037)	(801)
Operating profit before changes in working capital	15,012	23,633
Change in inventories	(16,903)	(10,127)
Change in receivables, deposits and prepayment	(5,049)	(10,144)
Change in payables and accruals	(22,677)	(23,187)
Cash used in operations	(29,617)	(19,825)
Tax paid	(4,468)	(3,952)
Net cash used in operating activities	(34,085)	(23,777)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(919)	(807)
Proceeds from disposal of plant and equipment	3	-
Net cash used in investing activities	(916)	(807)
Cash Flows from Financing Activities		
Interest received	1,037	802
Interest paid	-	(1)
Dividend paid	(5,400)	(5,400)
Net cash used in financing activities	(4,363)	(4,599)
Net decrease in cash and cash equivalents	(39,364)	(29,183)
Cash and cash equivalents at beginning of period	116,237	89,749
Cash and cash equivalents at end of period	76,873	60,566
Cash and cash equivalents comprise the following:		
Cash and bank balances	76,873	60,566

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 30 JUNE 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.

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.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2016

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

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 3.0 sen per share, totalling RM5,400,000 in respect of the financial year ended 31 December 2015 was paid on 15 June 2016.

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 2016</u>				
External revenue	650,314	167,935	16,647	834,896
Inter-segment revenue	4,628	1,111	2,072	7,811
Total revenue	<u>654,942</u>	<u>169,046</u>	<u>18,719</u>	<u>842,707</u>
Reportable segment profit before tax	<u>8,513</u>	<u>4,905</u>	<u>549</u>	<u>13,967</u>
<u>6 months financial period ended 30 June 2015</u>				
External revenue	691,114	226,796	23,735	941,645
Inter-segment revenue	3,477	2,054	2,023	7,554
Total revenue	<u>694,591</u>	<u>228,850</u>	<u>25,758</u>	<u>949,199</u>
Reportable segment profit before tax	<u>15,332</u>	<u>6,846</u>	<u>612</u>	<u>22,790</u>

(b) Reconciliation of reportable segment profit and loss:

	Six Months Ended 30/06/2016 RM'000	30/06/2015 RM'000
Total profit for reportable segments before tax	13,967	22,790
Other non-reportable segments profit	1,338	585
Eliminate of inter-segments profit and loss	6	1
Consolidated profit before tax	<u>15,311</u>	<u>23,376</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)

(c) Segment assets

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
ICT Distribution	287,795	270,581
Enterprise Systems	109,792	118,831
ICT Services	3,150	4,428
Total reportable segment assets	<u>400,737</u>	<u>393,840</u>
<u>Reconciliation of reportable segment:</u>		
Total reportable segment assets	400,737	393,840
Other non-reportable segments assets	120,796	125,610
Elimination of inter-segment balances	(108,170)	(89,348)
Consolidated total	<u>413,363</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.

11. Contingent liabilities and contingent assets

(a) Contingent liabilities

	As At 30/06/2016 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	<u>146,836</u>	<u>145,097</u>

(b) Contingent assets

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



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

12. Capital commitments

The capital expenditure contracted but not provided for as at the end of the current financial period amounted to RM202,000.

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 30/06/2016 RM'000	Six Months Ended 30/06/2016 RM'000
Plant and equipment: Additions	<u>773</u>	<u>919</u>

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 30/06/2016 RM'000	Balance Due From/(To) As at 30/06/2016 RM'000
Transactions with VST Holdings Limited Group:		
<u>Purchases</u> VST Computers (H.K.) Ltd	<u>101</u>	<u>-</u>
Transactions with companies in which certain Directors have substantial interests:		
<u>Professional fee</u> Iza Ng Yeoh & Kit	2	-
<u>Rental expense</u> Enrich Platinum Sdn Bhd	<u>960</u>	<u>-</u>



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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 FY2016, the Group recorded lower revenue of RM400.2 million, a decrease of 4.4% compared with RM418.8 million in the corresponding quarter last year due to the soften market conditions. Profit Before Tax (PBT) decreased by 21.9% to RM8.3 million compared with the corresponding quarter last year of RM10.7 million.

The performance of the three business segments for Q2 FY2016 compared with Q2 FY2015 were as follows:

a) ICT Distribution

Revenue decreased by 1.9% with lower sales from mobility products, namely tablets and smartphones. With lower sales and higher operating costs, the PBT decreased by 45.9% to RM3.9 million compared with last year's corresponding period of RM7.2 million.

b) Enterprise Systems

Revenue decreased by 10.9% with lower sales of servers, storage products and software. However with higher GP margin, PBT increased by 12.4% to RM3.3 million.

c) ICT Services

Revenue decreased by RM2.9 million. With lower sales, the PBT decreased by RM19,000.

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

For 6 months period ended 30 June 2016, the Group recorded revenue of RM834.9 million, a decrease of 11.3% compared with the previous year's corresponding period of RM941.6 million with lower revenue from all three segments. Sales in last year were higher due to pre-GST implementation. With lower sales, the PBT decreased by 34.5% to RM15.3 million.

The performance of the three business segments for 6 months period ended 30 June 2016 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue decreased by 5.9% with lower sales mainly from PCs, notebooks and smartphones. With lower sales and higher operating costs, the PBT decreased by 44.5% to RM8.5 million.

b) Enterprise Systems

Revenue decreased by 26.0% mainly due to lower sales from servers, storage products and software. With lower sales and higher operating costs, the PBT decreased by 28.4% to RM4.9 million.

c) ICT Services

Revenue decreased by RM7.0 million. With lower sales, the PBT decreased by RM63,000.



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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 FY2016 of RM8.3 million was higher compared with Q1 FY2016 of RM7.0 million mainly due to higher profit margin from Enterprise Systems.

17. Prospects

The overall economic uncertainty continues to dampen the market demand for ICT products in both consumer and commercial segments. The latest International Data Corporation (IDC) report on IT spending in Malaysia for first half of 2016, shows a decline from 2015 in sales of PC, Notebooks, servers and smartphones. The trend is expected to continue for the rest of this year.

We shall endeavor to maintain our market share on our existing products and to expand with more new products like wearables, mainly smartwatches and Internet of Things (IoTs) such as drone.

In view of the current market condition, the outlook for the second half of FY2016 is challenging.

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	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Current income tax:				
Current year	2,230	3,048	4,530	6,254
Prior year	-	-	-	-
	<u>2,230</u>	<u>3,048</u>	<u>4,530</u>	<u>6,254</u>
Deferred tax	<u>(200)</u>	<u>(382)</u>	<u>(638)</u>	<u>(268)</u>
	<u>2,030</u>	<u>2,666</u>	<u>3,892</u>	<u>5,986</u>
Effective tax rate	24.4%	25.0%	25.4%	25.6%

The effective tax rate for current year 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.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2016

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	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit attributable to equity holders of the Company (RM'000)	6,297	8,001	11,419	17,390
Weighted average number of ordinary shares in issue ('000)	180,000	180,000	180,000	180,000
Basic earnings per share (sen)	3.5	4.4	6.3	9.7
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 2015.

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

	Three Months Ended		Six Months Ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Depreciation	378	333	752	667
Impairment loss on trade receivables	544	661	2,221	787
Inventories written down/(written back)	1,113	793	2,250	(1,171)
Foreign exchange loss/(gain)	5,014	(161)	(1,675)	(280)
(Gain)/Loss on derivatives financial instruments	<u>(4,845)</u>	<u>(456)</u>	<u>908</u>	<u>(590)</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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PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS

27. Comparative figures

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

	Three Months Ended		Six Months Ended	
	30/06/2015 RM'000 (As (restated)	30/06/2015 RM'000 (As previously stated)	30/06/2015 RM'000 (As (restated)	30/06/2015 RM'000 (As previously stated)
Cost of sales	395,284	395,123	892,219	891,939
Other income	617	456	971	691
Distribution expenses	8,868	9,263	18,033	18,830
Administrative expenses	4,992	4,597	9,789	8,992

28. Realised and unrealised profits or losses

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised profits	202,043	196,686
- Unrealised profits	2,143	1,486
	<hr/>	<hr/>
	204,186	198,172
Less: Consolidation adjustments	(51,385)	(51,390)
	<hr/>	<hr/>
Total group retained earnings	152,801	146,782

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Lwee Wen Ling
Company Secretaries

3 August 2016
Selangor