

**ECS ICT BERHAD**

(351038-H)

(Incorporated in Malaysia)

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

	<b>As At 30/09/2016 RM'000</b>	<b>As At 31/12/2015 RM'000</b>
<b>ASSETS</b>		
Plant and equipment	3,327	3,413
Intangible asset	571	571
Investment in club membership	62	62
Deferred tax assets	2,549	1,676
<b>Total non-current assets</b>	<b>6,509</b>	<b>5,722</b>
Inventories	109,469	110,835
Receivables, deposits and prepayments	223,874	197,308
Cash and cash equivalents	89,772	116,237
<b>Total current assets</b>	<b>423,115</b>	<b>424,380</b>
<b>TOTAL ASSETS</b>	<b>429,624</b>	<b>430,102</b>
<b>EQUITY</b>		
Share capital	90,000	90,000
Reserves	158,947	146,782
<b>Total equity attributable to owners of the Company</b>	<b>248,947</b>	<b>236,782</b>
<b>LIABILITIES</b>		
Payables and accruals	178,916	190,022
Tax payable	1,761	3,298
<b>Total current liabilities</b>	<b>180,677</b>	<b>193,320</b>
<b>Total liabilities</b>	<b>180,677</b>	<b>193,320</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>429,624</b>	<b>430,102</b>
Net assets per share attributable to owners of the Company (RM)	1.38	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 SEPTEMBER 2016**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Three Months Ended		Nine Months Ended	
		30/09/2016 RM'000	30/09/2015 RM'000 Restated	30/09/2016 RM'000	30/09/2015 RM'000 Restated
<b>Revenue</b>		436,908	465,105	1,271,804	1,406,750
Cost of sales	27	(415,211)	(444,483)	(1,207,159)	(1,336,702)
<b>Gross profit</b>		<u>21,697</u>	<u>20,622</u>	<u>64,645</u>	<u>70,048</u>
Distribution expenses	27	(9,482)	(9,164)	(29,208)	(27,197)
Administrative expenses	27	(5,316)	(4,978)	(15,536)	(14,767)
Other income/(expense)	27	994	(513)	2,266	458
<b>Results from operating activities</b>	26	<u>7,893</u>	<u>5,967</u>	<u>22,167</u>	<u>28,542</u>
Finance income		449	526	1,486	1,328
Finance costs		(1)	-	(1)	(1)
Net finance income		<u>448</u>	<u>526</u>	<u>1,485</u>	<u>1,327</u>
<b>Profit before tax</b>		<u>8,341</u>	<u>6,493</u>	<u>23,652</u>	<u>29,869</u>
Tax expense	19	(2,195)	(1,738)	(6,087)	(7,724)
<b>Profit for the period /</b>		<u>6,146</u>	<u>4,755</u>	<u>17,565</u>	<u>22,145</u>
<b>Total comprehensive income for the period</b>		<u>6,146</u>	<u>4,755</u>	<u>17,565</u>	<u>22,145</u>
<b>Profit for the period /</b>					
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Company		6,146	4,755	17,565	22,145
Non-controlling interest		-	-	-	-
		<u>6,146</u>	<u>4,755</u>	<u>17,565</u>	<u>22,145</u>
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	24	3.4	2.6	9.8	12.3
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 SEPTEMBER 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	-	22,145	22,145	-	22,145
Dividend	-	(5,400)	(5,400)	-	(5,400)
At 30 September 2015	<u>90,000</u>	<u>150,839</u>	<u>240,839</u>	<u>-</u>	<u>240,839</u>
At 1 January 2016	90,000	146,782	236,782	-	236,782
Profit for the period / Total comprehensive income for the period	-	17,565	17,565	-	17,565
Dividend	-	(5,400)	(5,400)	-	(5,400)
At 30 September 2016	<u>90,000</u>	<u>158,947</u>	<u>248,947</u>	<u>-</u>	<u>248,947</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 SEPTEMBER 2016**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Nine Months Ended</b>	
	<b>30/09/2016</b>	<b>30/09/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	23,652	29,869
<i>Adjustments for:</i>		
Non-cash items	856	2,018
Non-operating items	(1,485)	(1,327)
Operating profit before changes in working capital	<u>23,023</u>	<u>30,560</u>
Change in inventories	1,366	17,424
Change in receivables, deposits and prepayment	(25,463)	(18,675)
Change in payables and accruals	(11,930)	17,502
Cash used in operations	<u>(13,004)</u>	<u>46,811</u>
Tax paid	(8,497)	(7,260)
Net cash (used in)/generated from operating activities	<u>(21,501)</u>	<u>39,551</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of plant and equipment	(1,052)	(1,218)
Proceeds from disposal of plant and equipment	3	14
Net cash used in investing activities	<u>(1,049)</u>	<u>(1,204)</u>
<b>Cash Flows from Financing Activities</b>		
Interest received	1,486	1,328
Interest paid	(1)	(1)
Dividend paid	(5,400)	(5,400)
Net cash used in financing activities	<u>(3,915)</u>	<u>(4,073)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(26,465)</u>	<u>34,274</u>
Cash and cash equivalents at beginning of period	<u>116,237</u>	<u>89,749</u>
<b>Cash and cash equivalents at end of period</b>	<u>89,772</u>	<u>124,023</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	<u>89,772</u>	<u>124,023</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 30 SEPTEMBER 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 Damanela, 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 SEPTEMBER 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**

	<b>ICT Distribution RM'000</b>	<b>Enterprise Systems RM'000</b>	<b>ICT Services RM'000</b>	<b>Total RM'000</b>
<b><u>9 months financial period ended 30 September 2016</u></b>				
External revenue	977,051	265,328	29,425	1,271,804
Inter-segment revenue	7,195	3,297	3,009	13,501
Total revenue	<u>984,246</u>	<u>268,625</u>	<u>32,434</u>	<u>1,285,305</u>
Reportable segment profit before tax	<u>12,119</u>	<u>8,684</u>	<u>894</u>	<u>21,697</u>
<b><u>9 months financial period ended 30 September 2015</u></b>				
External revenue	1,049,141	320,920	36,689	1,406,750
Inter-segment revenue	5,554	2,464	3,071	11,089
Total revenue	<u>1,054,695</u>	<u>323,384</u>	<u>39,760</u>	<u>1,417,839</u>
Reportable segment profit before tax	<u>19,215</u>	<u>8,778</u>	<u>769</u>	<u>28,762</u>

**(b) Reconciliation of reportable segment profit and loss:**

	<b>Nine Months Ended</b>	
	<b>30/09/2016 RM'000</b>	<b>30/09/2015 RM'000</b>
Total profit for reportable segments before tax	21,697	28,762
Other non-reportable segments profit	12,047	11,503
Eliminate of inter-segments profit and loss	(10,092)	(10,396)
Consolidated profit before tax	<u>23,652</u>	<u>29,869</u>



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INTERIM FINANCIAL REPORTING**

**8. Segmental reporting (continued)**

**(c) Segment assets**

	<b>As at 30/09/2016 RM'000</b>	<b>As at 31/12/2015 RM'000</b>
ICT Distribution	261,763	270,581
Enterprise Systems	126,094	118,831
ICT Services	5,155	4,428
Total reportable segment assets	<u>393,012</u>	<u>393,840</u>
<b>Reconciliation of reportable segment:</b>		
Total reportable segment assets	393,012	393,840
Other non-reportable segments assets	130,710	125,610
Elimination of inter-segment balances	(94,098)	(89,348)
Consolidated total	<u>429,624</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**

	<b>As At 30/09/2016 RM'000</b>	<b>As At 31/12/2015 RM'000</b>
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	<u>146,939</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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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**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 RM179,000.

**13. Capital expenditure**

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

	<b>Three Months Ended 30/09/2016 RM'000</b>	<b>Nine Months Ended 30/09/2016 RM'000</b>
Plant and equipment: Additions	<u>133</u>	<u>1,052</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.

	<b>Nine Months Ended 30/09/2016 RM'000</b>	<b>Balance Due From/(To) As at 30/09/2016 RM'000</b>
Transactions with VST Holdings Limited Group:		
<u>Purchases</u> VST Computers (H.K.) Ltd	200	-
<u>Sales</u> PT ECS Indo Jaya	<u>207</u>	<u>207</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>1,440</u>	-





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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 Q3 FY2016, the Group recorded lower revenue of RM436.9 million, a decrease of 6.1% compared with RM465.1 million in the corresponding quarter last year due to the weak market conditions. However Profit Before Tax (PBT) increased by 28.5% to RM8.3 million compared with the corresponding quarter last year of RM6.5 million due to higher GP margin mainly from Enterprise Systems.

The performance of the three business segments for Q3 FY2016 compared with Q3 FY2015 were as follows:

a) ICT Distribution

Revenue decreased by 8.7% with lower sales from PCs and mobility products, namely tablets and smartphones. With lower sales, the PBT decreased by 7.1% to RM3.6 million compared with last year's corresponding period of RM3.9 million.

b) Enterprise Systems

Revenue increased by 3.5% with higher sales of networking equipment. With higher sales and GP margin, PBT increased by 95.6% to RM3.8 million compared with last year's corresponding period of RM1.9 million.

c) ICT Services

Revenue decreased by RM176,000. However with lower operating cost, the PBT increased to RM345,000 compared with last year's corresponding period of RM157,000.

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

For 9 months period ended 30 September 2016, the Group recorded revenue of RM1,271.8 million, a decrease of 9.6% compared with the previous year's corresponding period of RM1,406.8 million with lower revenue from all three segments. Sales in last year were higher due to pre-GST sales in Q1 2015. With lower sales and lower gross profit, the PBT decreased by 20.8% to RM23.7 million.

The performance of the three business segments for 9 months period ended 30 September 2016 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue decreased by 6.9% with lower sales mainly from PCs and mobility products. With lower sales, the PBT decreased by 36.9% to RM12.1 million compared with last year's corresponding period of RM19.2 million.

b) Enterprise Systems

Revenue decreased by 17.3% mainly due to lower sales from servers, storage products and software. With lower sales, the PBT decreased by 1.1% to RM8.7 million compared with last year corresponding period of RM8.8 million.

c) ICT Services

Revenue decreased by RM7.3 million. However with lower operating cost, the PBT increased to RM894,000 compared with last year corresponding period of RM769,000.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**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**

There were no material changes.

**17. Prospects**

The weak market sentiments continue to dampen consumer spending on PC, notebooks, tablets and smartphones. The year-end festive season and the launching of new mobility & Internet of Things (“IoT”) products are expected to improve our consumer business.

The market for the Enterprise Systems continues to be slow with the private and public sectors delaying their technology refresh.

The outlook for Q4 2016 remains challenging under the current economic environment.

**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		Nine Months Ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	2,653	1,611	7,183	7,865
Prior year	(223)	(157)	(223)	(157)
	<u>2,430</u>	<u>1,454</u>	<u>6,960</u>	<u>7,708</u>
Deferred tax	(235)	284	(873)	16
	<u>2,195</u>	<u>1,738</u>	<u>6,087</u>	<u>7,724</u>
Effective tax rate	26.3%	26.8%	25.7%	25.9%

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 SEPTEMBER 2016**

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

**23. Dividend**

The Board of Directors has declared a single tier interim dividend of 3 sen per ordinary share of 50 sen each for the financial year ending 31 December 2016.

The dividend will be paid on 14 December 2016 in respect of deposited securities as at 28 November 2016.

**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		Nine Months Ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Profit attributable to equity holders of the Company (RM'000)	6,146	4,755	17,565	22,145
Weighted average number of ordinary shares in issue ('000)	180,000	180,000	180,000	180,000
Basic earnings per share (sen)	3.4	2.6	9.8	12.3
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

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		Nine Months Ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Depreciation	378	361	1,130	1,028
Impairment loss on trade receivables	466	295	2,687	1,082
Inventories written down/(written back)	431	122	2,680	(1,049)
Foreign exchange loss/(gain)	1,318	2,337	(357)	2,057
(Gain)/Loss on derivatives financial instruments	(2,165)	(1,807)	(1,257)	(2,397)

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 SEPTEMBER 2016**

**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		Nine Months Ended	
	30/09/2015	30/09/2015	30/09/2015	30/09/2015
	RM'000	RM'000	RM'000	RM'000
	(As restated)	(As previously stated)	(As restated)	(As previously stated)
Cost of sales	444,483	446,820	1,336,702	1,338,759
Distribution expenses	9,164	9,540	27,197	28,370
Administrative expenses	4,978	4,602	14,767	13,594
Other (expense)/income	(513)	1,824	458	2,515

**28. Realised and unrealised profits or losses**

	As at	As at
	30/09/2016	31/12/2015
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised profits	207,692	196,686
- Unrealised profits	2,638	1,486
	<u>210,330</u>	<u>198,172</u>
Less: Consolidation adjustments	(51,383)	(51,390)
Total group retained earnings	<u>158,947</u>	<u>146,782</u>

**By order of the Board**

**Chua Siew Chuan**  
**Cheng Chia Ping**  
**Lwee Wen Ling**  
Company Secretaries

3 November 2016  
Selangor