

**ECS ICT BERHAD**

(351038-H)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As At 30/06/2017 RM'000</b>	<b>As At 31/12/2016 RM'000</b>
<b>ASSETS</b>		
Plant and equipment	3,225	3,158
Intangible asset	571	571
Investment in club membership	62	62
Deferred tax assets	1,386	1,385
Trade receivables	4,740	4,613
<b>Total non-current assets</b>	<b>9,984</b>	<b>9,789</b>
Inventories	113,203	113,447
Receivables, deposits and prepayments	231,713	265,030
Cash and cash equivalents	82,870	110,215
<b>Total current assets</b>	<b>427,786</b>	<b>488,692</b>
<b>TOTAL ASSETS</b>	<b>437,770</b>	<b>498,481</b>
<b>EQUITY</b>		
Share capital	90,000	90,000
Reserves	170,555	166,124
<b>Total equity attributable to owners of the Company</b>	<b>260,555</b>	<b>256,124</b>
<b>LIABILITIES</b>		
Payables and accruals	176,316	240,639
Tax payable	899	1,718
<b>Total current liabilities</b>	<b>177,215</b>	<b>242,357</b>
<b>Total liabilities</b>	<b>177,215</b>	<b>242,357</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>437,770</b>	<b>498,481</b>
Net assets per share attributable to owners of the Company (RM)	1.45	1.42

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
<b>Revenue</b>		447,559	400,181	907,647	834,896
Cost of sales		(427,511)	(378,319)	(867,654)	(791,948)
<b>Gross profit</b>		<u>20,048</u>	<u>21,862</u>	<u>39,993</u>	<u>42,948</u>
Distribution expenses		(9,033)	(9,179)	(18,197)	(19,726)
Administrative expenses		(4,856)	(4,965)	(9,977)	(10,220)
Other (expense)/income		(32)	171	404	1,272
<b>Results from operating activities</b>	26	<u>6,127</u>	<u>7,889</u>	<u>12,223</u>	<u>14,274</u>
Finance income		579	438	1,033	1,037
Finance costs		-	-	-	-
Net finance income		579	438	1,033	1,037
<b>Profit before tax</b>		<u>6,706</u>	<u>8,327</u>	<u>13,256</u>	<u>15,311</u>
Tax expense	19	(1,696)	(2,030)	(3,425)	(3,892)
<b>Profit for the period / Total comprehensive income for the period</b>		<u>5,010</u>	<u>6,297</u>	<u>9,831</u>	<u>11,419</u>
<b>Profit for the period / Total comprehensive income for the period attributable to:</b>					
Owners of the Company		5,010	6,297	9,831	11,419
Non-controlling interest		-	-	-	-
		<u>5,010</u>	<u>6,297</u>	<u>9,831</u>	<u>11,419</u>
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	24	2.8	3.5	5.5	6.3
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 2016 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 2017**  
**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 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>
At 1 January 2017	90,000	166,124	256,124	-	256,124
Profit for the period / Total comprehensive income for the period	-	9,831	9,831	-	9,831
Dividend	-	(5,400)	(5,400)	-	(5,400)
At 30 June 2017	<u>90,000</u>	<u>170,555</u>	<u>260,555</u>	<u>-</u>	<u>260,555</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 2016 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 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six Months Ended</b>	
	<b>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	13,256	15,311
<i>Adjustments for:</i>		
Non-cash items	516	738
Non-operating items	(1,033)	(1,037)
Operating profit before changes in working capital	<u>12,739</u>	<u>15,012</u>
Change in inventories	244	(16,903)
Change in receivables, deposits and prepayment	31,098	(5,049)
Change in payables and accruals	(61,947)	(22,677)
Cash used in operations	<u>(17,866)</u>	<u>(29,617)</u>
Tax paid	(4,244)	(4,468)
Net cash used in operating activities	<u>(22,110)</u>	<u>(34,085)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of plant and equipment	(735)	(919)
Proceeds from disposal of plant and equipment	114	3
Net cash used in investing activities	<u>(621)</u>	<u>(916)</u>
<b>Cash Flows from Financing Activities</b>		
Interest received	786	1,037
Dividend paid	(5,400)	(5,400)
Net cash used in financing activities	<u>(4,614)</u>	<u>(4,363)</u>
<b>Net decrease in cash and cash equivalents</b>	(27,345)	(39,364)
Cash and cash equivalents at beginning of period	<u>110,215</u>	<u>116,237</u>
<b>Cash and cash equivalents at end of period</b>	<u>82,870</u>	<u>76,873</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	<u>82,870</u>	<u>76,873</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 2016 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 2017**

**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 2016.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2016 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 2016, 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 2017:

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to MFRS 12 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.

**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 2017**

**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 2016 was paid on 15 June 2017.

**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>6 months financial period ended 30 June 2017</u></b>				
External revenue	729,466	161,467	16,714	907,647
Inter-segment revenue	9,471	1,229	1,499	12,199
Total revenue	<u>738,937</u>	<u>162,696</u>	<u>18,213</u>	<u>919,846</u>
Reportable segment profit before tax	<u>7,845</u>	<u>3,716</u>	<u>252</u>	<u>11,813</u>
<b><u>6 months financial period ended 30 June 2016</u></b>				
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>



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**8. Segmental reporting (continued)**

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

	Six Months Ended	
	30/06/2017 RM'000	30/06/2016 RM'000
Total profit for reportable segments before tax	11,813	13,967
Other non-reportable segments profit	1,443	1,338
Eliminate of inter-segments profit and loss	-	6
Consolidated profit before tax	<u>13,256</u>	<u>15,311</u>

**(c) Segment assets**

	As at	As at
	30/06/2017 RM'000	31/12/2016 RM'000
ICT Distribution	295,469	333,042
Enterprise Systems	122,859	135,188
ICT Services	7,575	4,037
Total reportable segment assets	<u>425,903</u>	<u>472,267</u>
<u>Reconciliation of reportable segment:</u>		
Total reportable segment assets	425,903	472,267
Other non-reportable segments assets	121,252	126,680
Elimination of inter-segment balances	(109,385)	(100,466)
Consolidated total	<u>437,770</u>	<u>498,481</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**

On 26 July 2017, the Company entered into a Share Sale Agreement dated 26 July 2017 with Dato' Teo Chiang Quan to acquire 1,000,000 ordinary shares in Enrich Platinum Sdn Bhd ("EP"), representing 50% of the total issued share capital of EP, for a total purchase consideration of RM12,170,000.

Upon completion of the Proposed Acquisition of EP, EP will become a 50% owned associate company.

**10. Changes in the composition of the Group**

There were no changes in the composition of the Group.



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**11. Contingent liabilities and contingent assets**

**(a) Contingent liabilities**

	As At 30/06/2017 RM'000	As At 31/12/2016 RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	147,094	147,288

**(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 RM203,000.

**13. Capital expenditure**

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

	Individual Quarter Three Months Ended 30/06/2017 RM'000	Cumulative Quarter Six Months Ended 30/06/2017 RM'000
Plant and equipment: Additions	571	735

**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 30/06/2017 RM'000	Balance Due From/(To) As at 30/06/2017 RM'000
Transactions with companies in which certain Directors have substantial interests:		
<u>Professional fee</u>		
Iza Ng Yeoh & Kit	1	-
<u>Rental expense</u>		
Enrich Platinum Sdn Bhd	960	-





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## UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

### **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 FY2017, the Group recorded higher revenue of RM447.6 million, an increase of 11.8% compared with RM400.2 million in the corresponding quarter last year contributed by all three segments. However, Profit Before Tax (PBT) decreased by 19.5% to RM6.7 million compared with the corresponding quarter last year of RM8.3 million mainly due to lower gross profit (GP) margin of 4.5% compared with 5.5% last year as a result of lower GP from Enterprise Systems.

The performance of the three business segments for Q2 FY2017 compared with Q2 FY2016 were as follows:

a) ICT Distribution

Revenue increased by 12.8% with higher sales mainly from mobility products. However, with lower GP margin mainly from the product mix, the PBT decreased by 5.4% to RM3.7 million compared with last year's corresponding period of RM3.9 million.

b) Enterprise Systems

Revenue increased by 8.6% with higher sales from software and storage equipment. However, with lower GP margin, the PBT decreased by 37.9% to RM2.1 million compared with last year's corresponding period of RM3.3 million.

c) ICT Services

Revenue increased by RM621,000. However, with lower GP margin, the PBT decreased to RM137,000 compared with last year's corresponding period of RM296,000.

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

For 6 months period ended 30 June 2017, the Group recorded revenue of RM907.6 million, an increase of 8.7% compared with the previous year's corresponding period of RM834.9 million with higher revenue from ICT Distribution Segment. However, with lower GP margin of 4.4% compared with 5.1% last year mainly due to lower GP from Enterprise Systems, the PBT decreased by 13.4% to RM13.3 million.

The performance of the three business segments for 6 months period ended 30 June 2017 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue increased by 12.2% with higher sales mainly from Desktop PC, Notebook and mobility products. However, with lower GP margin mainly from the product mix, the PBT decreased by 7.9% to RM7.8 million compared with last year's corresponding period of RM8.5 million.

b) Enterprise Systems

Revenue decreased by 3.9% mainly due to lower sales from server and networking equipment. With lower sales and GP margin, PBT decreased by 24.2% to RM3.7 million compared with last year corresponding period of RM4.9 million.

c) ICT Services

Revenue increased by RM67,000. However, with lower GP margin, the PBT decreased to RM252,000 compared with last year corresponding period of RM549,000.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017**

**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 in the profit before tax for the current quarter as compared with the immediate preceding quarter.

**17. Prospects**

For 2017, International Data Corporation has reported that the Desktop PC and Notebook's consumer segment continued to slow down due to weak consumer spending. Similarly, the enterprise segment posted a significant drop with the subdued spending on ICT projects in the public and commercial sectors.

With the growth of our mobility devices, we shall continue to work closely with our resellers in the telecommunication sector and to expand our mobility channel.

For our Enterprise Systems segment, we are focusing on high value-added products for the networking, cyber-security and hyper-converged projects to improve on our gross profit margin.

In view of the challenging market conditions, we are cautious on the outlook for the second half of FY 2017.

**18. Profit forecast or profit guarantee**

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

**19. Tax expense**

	Individual Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Current income tax:				
Current year	1,430	2,230	3,425	4,530
Prior year	-	-	-	-
	<u>1,430</u>	<u>2,230</u>	<u>3,425</u>	<u>4,530</u>
Deferred tax	266	(200)	-	(638)
	<u>1,696</u>	<u>2,030</u>	<u>3,425</u>	<u>3,892</u>
Effective tax rate	25.3%	24.4%	25.8%	25.4%

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.



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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017**

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

**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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>30/06/2017</b>	<b>30/06/2016</b>
Profit attributable to equity holders of the Company (RM'000)	5,010	6,297	9,831	11,419
Weighted average number of ordinary shares in issue ('000)	180,000	180,000	180,000	180,000
Basic earnings per share (sen)	2.8	3.5	5.5	6.3
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 2016.

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation	331	378	658	752
Impairment loss on trade receivables	128	544	202	2,221
Inventories written down	423	1,113	512	2,250
Foreign exchange loss/(gain)	30	5,014	(3,377)	(1,675)
Loss/(Gain) on derivatives financial instruments	14	(4,845)	3,083	908

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 2017**

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

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

	<b>As at 30/06/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Total retained earnings of the Company and its subsidiaries		
- Realised profits	220,516	216,124
- Unrealised profits	1,404	1,366
	<u>221,920</u>	<u>217,490</u>
Less: Consolidation adjustments	(51,365)	(51,366)
Total group retained earnings	<u>170,555</u>	<u>166,124</u>

**By order of the Board**

**Chua Siew Chuan**  
**Cheng Chia Ping**  
Company Secretaries

10 August 2017  
Selangor