ECS ICT BERHAD
(Company No. 351038-H)

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ECS ICT BERHAD (Company No. 351038-H)

annual report 2010

ECS ICT BERHAD
(Company No. 351038-H)
(Incorporated in Malaysia under the Companies Act, 1965)

MSC MALAYSIA Status Company

ANNUAL REPORT 2010

DRIVING UP THE VALUE CHAIN

Contents

VISION

- To be the leading provider of Information & Communications Technology products and value-added services.
- We strive for sustainable growth to achieve optimum returns to shareholders.

MISSION

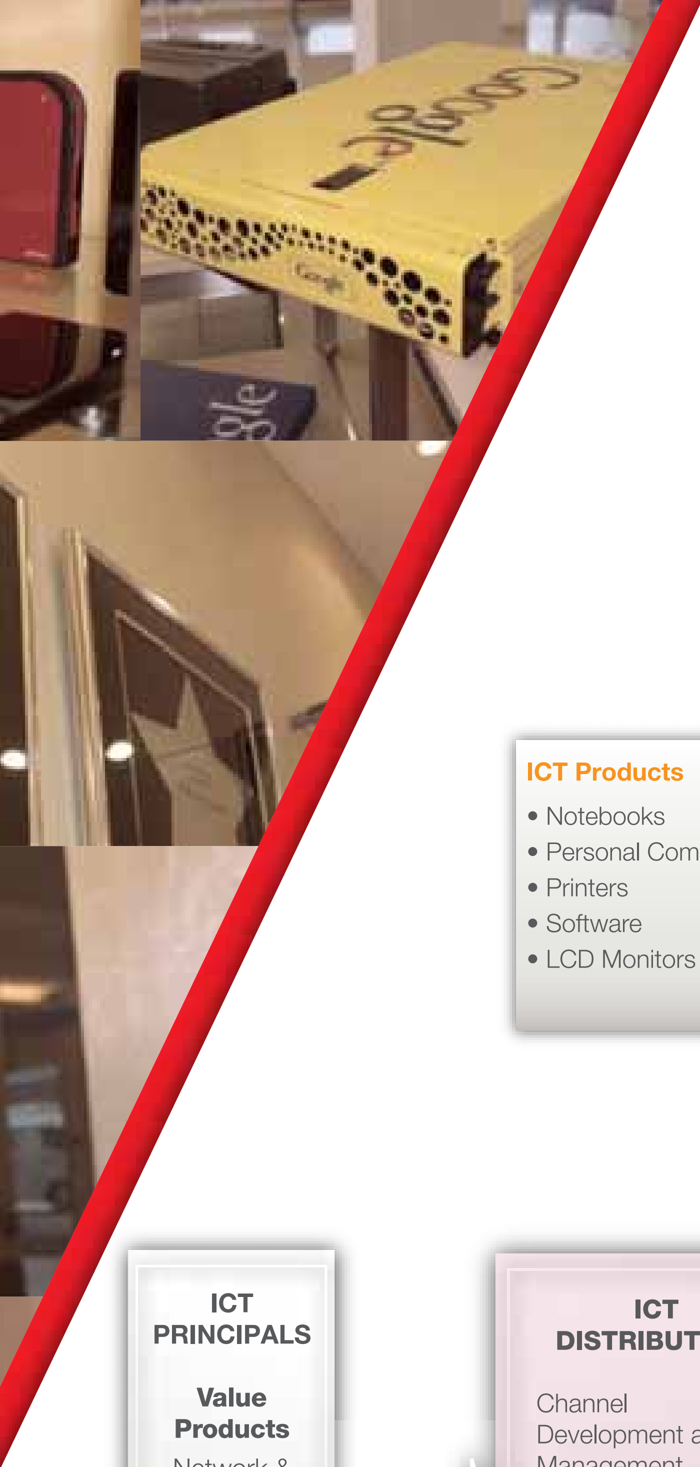
- We shall strive to be a leading provider within Malaysia of reputable, quality computer systems, hardware, software, services and support for our customers.
- We shall conduct business with our valued customers and suppliers with professionalism and integrity.
- We shall have an environment to develop, motivate and reward our staff by providing training and incentives for productivity.
- We shall achieve the profitability for future growth and to give an adequate return to shareholders.
- We shall be good corporate citizens with social responsibilities to our communities.

CORPORATE PROFILE

ECS ICT Berhad ("ECSB"), an MSC-status company, and its subsidiaries ("the Group") started in 1985 with the establishment of ECS KU Sdn. Bhd. ("ECS Ku"). Today, the Group is a leading distribution hub for Information & Communications Technology ("ICT") products in Malaysia via ECS ASTAR Sdn. Bhd. ("ECS Astar") and ECS PERICOMP Sdn. Bhd. ("ECS Pericomp"). Listed on the Main Market of Bursa Malaysia Securities Berhad on 15 April 2010, ECSB is an associate company of ECS Holdings Limited ("ECSH"), a Singapore Exchange mainboard company which is one of the leading ICT distributors in Asia Pacific, accessing to a network of more than 23,000 channel partners across China, Thailand, Malaysia, Singapore, Indonesia and Philippines.

ECSB distributes a comprehensive range of ICT products comprising notebooks, personal computers, printers, software, network and communication infrastructure, servers, and enterprise software from more than 30 leading principals like Hewlett Packard, IBM, Cisco, Microsoft, Apple, Dell, Oracle, Epson, Samsung, Buffalo, Adobe, Juniper, Blue Coat, VMWare and Google.

With a nationwide channel network of more than 2,500 resellers comprising retailers, system integrators and corporate dealers, ECSB also provides value-added product support and technical services.



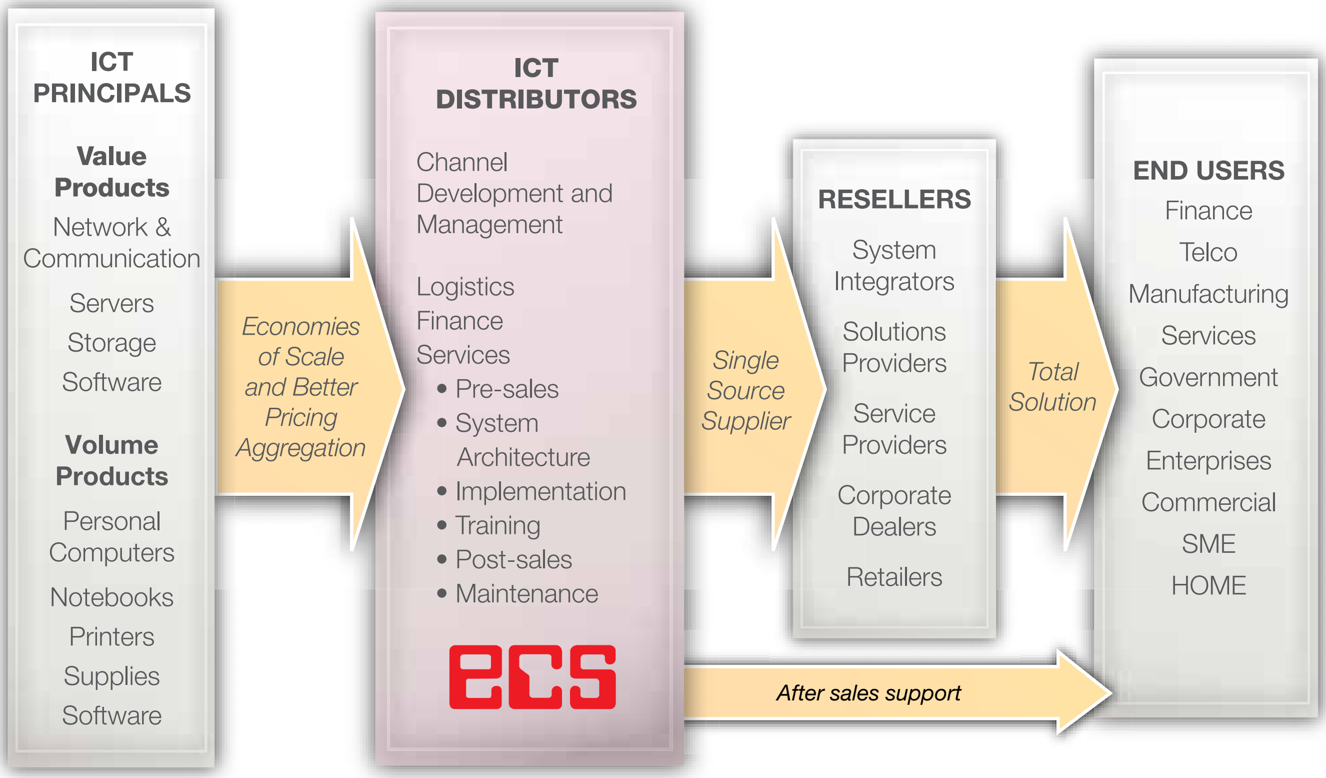
Our Business Segments

ICT Products
- Notebooks
- Personal Computers
- Printers
- Software
- LCD Monitors

Enterprise Systems
- Servers
- Network Systems
- Data Centers
- Enterprise Software

ICT Services
- More than 30 engineering personnel providing support for ICT products
- Over 150 certifications from 15 principals

Business Model



Adobe
APC
ARUBA networks
ASUS
attachmate
Autodesk
BakBone The Power of Simplicity
BELKIN
Blue Coat
BUFFALO
Canon
CISCO
DELL
EMC² where information lives
EPSON
extreme networks
FORCE10
FUJITSU
Google
hp
Huawei Symantec
IBM
Intermec
JUNIPER NETWORKS
LEXMARK
LINKSYS A Division of Cisco Systems, Inc.
Microsoft
ORACLE
PANDUIT
PHILIPS
PRINTRONIX GLOBAL PRINTING ...ENABLED.
redhat
SAMSUNG
symantec.
TREND MICRO
vmware
YTL COMMUNICATIONS

ADVANCING OBJECTIVES

We partner with more than 30 international ICT companies to deliver their products to our local consumers and corporate markets. Our thorough understanding of the business objectives of our principals enables us to fulfil their requirements, be it achieving sales targets, expanding market share or raising brand awareness.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the inaugural Annual Report of ECSB and the Group for the financial year ended 31 December 2010 ("FY2010").

FY2010 was a momentous year for the Group; the most significant accomplishment being our successful listing on the Main Market of Bursa Malaysia Securities Berhad on 15 April 2010. Without a doubt, our joining the ranks of listed corporations is a major milestone after building our business in the ICT sector over the last 25 years.

To date, we have developed a comprehensive product range from more than 30 global ICT principals, and established a strong ICT distribution channel comprising more than 2,500 retailers, systems integrators and dealers throughout Malaysia.

FINANCIAL PERFORMANCE

The Group continued to show an improvement in profits with group net profits rising 19.9% to RM28.9 million compared to group net profits of RM24.1 million in FY2009. This was on the back of FY2010 group revenues of RM1,271.5 million versus RM1,345.6 million previously, due to slower sales of volume products in the Group's ICT distribution segment.

The improved profitability in FY2010 was attributed to higher sales of enterprise systems, as indicated in our gross margins improving to 6.1% from 5.1% previously. Furthermore, the Group maintained a lean operating structure in FY2010, despite expanding the number of principals and resellers in the year under review.

Earnings per share decreased to 25.70 sen in FY2010, from 26.20 sen in FY2009, based on the enlarged share capital of 120 million shares of RM0.50 par value.

Group borrowings stood at RM12.7 million in the year under review while cash and cash equivalents amounted to RM30.7 million as at end FY2010. Therefore, the Group stood in net cash position as at end FY2010, versus net gearing of 0.31x as at FY2009.

The Group also achieved commendable returns on equity of 25.6% and returns on assets of 10.8% in FY2010.

DIVIDEND

In view of the improved results, the Board is pleased to recommend for shareholders' approval a final tax-exempt dividend of 4.0 sen per share in respect of FY2010. Together with the interim dividend of 4.0 sen per share paid on 15 June 2010 to commemorate the successful listing of the Company, total dividend payout for FY2010 would amount to 8.0 sen per share, or RM9.6 million. This constitutes 33% of group net profits, which is above our dividend policy of paying 30% of group net profits to shareholders.

PROSPECTS

International Data Corporation ("IDC") has projected IT spending to grow at 9% to RM19.9 billion in Malaysia in 2011, driven by improved consumer confidence alongside the economic recovery, and the Malaysian Government's continued efforts to raise the level of broadband penetration.

Hence, with the encouraging outlook on the ICT industry, our strategies this year are to continue increasing our product range by adding more principals, expanding our ICT distribution channel and enhancing overall operational efficiency.

With these continued initiatives, we believe that the Group's prospects are bright in FY2011 and beyond.

ACKNOWLEDGEMENTS AND APPRECIATION

On 26 August 2010, the Board welcomed Narong Intanate, as a Non-Independent Non-Executive Director. Narong's strong entrepreneurial skills and in-depth knowledge in the ICT industry will be invaluable to the Board.

On behalf of the Board,I would like to convey my thanks to our fellow Directors for their wise counsel in helping ECS through our listing exercise and to our employees for their dedication and diligence in the past year. I am confident that as the whole team continues to work together towards our vision, we will propel ECSB to even greater heights.

Last but not least, I would also like to take this opportunity to thank our valued shareholders, principals, and resellers for your confidence and unwavering support to the Group.

Thank you.

Dato' Teo Chiang Quan
Non-Executive Chairman

Review of Operations by MANAGING DIRECTOR

ECS made major strides in strengthening our business operations with larger contribution from the Enterprise System segment in FY2010. The year under review saw the Group securing a total of 4 new distributorships, thus widening our range of products to be offered through our ICT channel.

REVIEW BY BUSINESS SEGMENT

ICT Distribution

The Group's ICT distribution segment comprising the distribution of a comprehensive range of ICT products to our resellers, such as personal computers, notebooks, printers, scanners and other peripherals was the largest revenue contributor in FY2010, accounting for 67% of group revenue.

Although sales for the segment declined to RM855.3 million in FY2010 from RM937.9 million previously, gross margins improved to 4.5% in the year compared to 4.1% in FY2009, due to better sales mix within the ICT distribution segment.

The year under review also saw the Group adding two highly reputable principals to our existing portfolio in this segment.

On 23 March 2010, ECS Astar signed a distribution agreement with ASUS Malaysia to distribute the full range of ASUS notebooks and Eee PCs in Malaysia. ECS Astar was pleased to play a pivotal role in assisting ASUS to grow its market presence in Malaysia.

Thereafter, on 26 October 2010, ECS Astar was appointed by YTL Communications Sdn. Bhd. as the exclusive distributor for the 4G devices to enable the public tap into YTL's 'Yes' broaderband network. The exclusive distributorship not only speaks volumes of YTL's confidence in our track record in delivering technology to the masses through our efficient logistics infrastructure, but also enables ECS Astar to do its part in further increasing the broadband penetration in Malaysia.

Enterprise Systems

The Group's Enterprise System segment entails the distribution of value ICT products, namely network and communication, server and software products.

The Enterprise System segment performed well in the year under review with revenue improving to RM404.8 million in FY2010 from RM388.4 million previously, while gross margin also rose to 10.0% in FY2010 up from 7.9% previously. As a result, gross profit increased substantially by RM9.8 million to RM40.6 million from RM30.8 million in FY2009.

On 3 August 2010, ECS Pericomp was appointed the official distributor for Fujitsu's Enterprise Systems in Malaysia; comprising server, storage and scanner product lines. Under the agreement, ECS Pericomp would distribute Fujitsu's PRIMERGY servers, ETERNUS disk storage systems and document scanners. ECS Pericomp would also provide resellers with the necessary skills training, sales support and marketing expertise for Fujitsu products.

Furthermore, on 29 October 2010, ECS Pericomp signed a distribution agreement with Schneider Electric's American Power Conversion Corporation ("APC") to market the latter's power management products in Malaysia. ECS Pericomp's collaboration with APC marks the first uninterrupted power supply and cooling equipment to be distributed through our nationwide channel, and effectively expands our product range even further to meet front-and back-end ICT requirements for the corporate sector such as data centres.

REVIEW OF OPERATIONS BY MANAGING DIRECTOR
cont'd

REVIEW BY BUSINESS SEGMENT *cont'd*

Enterprise Systems *cont'd*

We regard this as opportune collaboration, as Corporate Malaysia is beginning to adopt global standards in green technologies, cloud computing and energy conservation initiatives within their ICT infrastructure.

ICT Services

Our ICT Services business unit complements the other business segments' requirements for last-mile technical support for large corporations and customers. The services rendered include hardware support, maintenance and repair, as well as systems integration.

Although this segment constituted RM11.4 million or only 1% of group revenue in FY2010, it contributed 5% of group gross profits. The ICT Services segment is no less important to the Group, as it affirms our value proposition as an end-to-end ICT distribution hub. We believe that this segment has high potential to expand in the future, in tandem with the growth in the ICT Distribution and Enterprise Systems segments.

AWARDS

In the past 25 years, the Group has gained recognition from various principals for commendable sales performance. The year under review was no different, with ECS winning a total of 12 awards, namely:

- "The C.E.O. Award" from HP Enterprise Storage, Servers and Networking
- "Industry Standard Servers Top Wholesaler" from HP Enterprise Storage, Servers and Networking
- "Storageworks Top Wholesaler" from HP Enterprise Storage, Servers and Networking
- "Top Performing Master Parts Reseller for Asia Pacific, Replacement Parts Business" from HP Technology Solutions Group
- "Significant Contribution-Wholesaler HP Consumer Desktop & Notebook PC" from HP Personal Systems Group
- "Commercial Workstation Top Wholesaler" from HP Personal Systems Group
- "FY10 Highest Over Achievement Distributor" for AutoCAD LT from Autodesk
- "Best Sales Growth Award 2009-2010" from Buffalo
- "Most Significant Business Improvement Q2 vs Q1 FY2011" from Printronix
- "2010 Excellent Achiever IBM Software Group Best Value Added Distributor" from IBM
- "Top Performing Partner Sales Representative HP Attach Services" from HP Technology Solutions Group
- "Top Distributor Award 2010-Single Function Printer" from EPSON

Undoubtedly, these accolades are testament to the Group standing as a partner of choice to ICT principals in enabling them to reach their target markets effectively.

We dedicate these awards to our team for their outstanding contributions to the Group.

BUSINESS OUTLOOK

2011 promises to be a very exciting year, as the Malaysian ICT industry is expected to record healthy growth amidst a thriving business community, and an ever-growing population of technologically-savvy users.

To this end, the Group will undertake a three-pronged strategy to leapfrog into the next phase of growth.

Firstly, we will continue to increase our product range to strengthen our position as a one-stop ICT distributor in Malaysia. In fact, the current year first quarter has witnessed the following corporate developments on this front:

- On 25 January 2011, ECS Astar strengthened its partnership with Samsung Malaysia Electronics Berhad by being appointed distributor for Samsung notebooks and Galaxy Tab. Prior to this, ECS Astar has been appointed as a distributor for Samsung's LCD monitors since 2005, printers and consumables since 2009, and Large Format LCD monitors since 2010.

REVIEW OF OPERATIONS BY MANAGING DIRECTOR
cont'd

BUSINESS OUTLOOK *cont'd*

- On 3 March 2011, ECS Astar signed a partnership agreement with Dell Malaysia to distribute through its ICT channel the full range of Dell personal computers and notebooks, Alienware gaming products, and Dell enterprise solutions.

- On 23 March 2011, ECS Astar was awarded distributorship for the Apple iPad in Malaysia, thus granting Apple deeper penetration into the Malaysian market through ECS' strong IT channel nationwide. ECS Astar has been appointed as a distributor for Apple since 1999 for the distribution of the full range of MacBook notebooks, iMac desktop and iPod.

Secondly, we will further expand our ICT channel and geographical distribution by enhancing our reseller base and employing more sales staff at our branches in Malaysia.

Thirdly, we will continue to enhance our operational efficiency, not only by improving our overall operations and logistics management, but also by enhancing the methods of conducting business transactions with our resellers.

The successful listing of ECSB on the Main Market of Bursa Malaysia Securities Berhad on 15 April 2010 marks only the beginning of our new journey to achieve our vision of being the leading provider of ICT products and value-added services. We strive for sustainable growth to achieve optimum returns for all our stakeholders.

We truly appreciate your continued support for the Group as we embark on this exciting journey.

Foo Sen Chin
Managing Director

CREATING CONNECTIONS

Our strength lies in our relationship with 2,500 resellers across Malaysia. We build the bridge connecting our principals to an extensive network of resellers both large and small. This allows our principals' products to reach the critical mass market of end users in every category, from consumers and SMEs to large enterprises and the government sector. We provide the channel for the products to flow from manufacturers to end users.

1+2
PIXMA
hp
The Computer is Personal Again
Microsoft Hardware
SAMSUNG
EPSON
EXCEED YOUR VISION
EPSON
DELL
Windows 7

PROFILE OF DIRECTORS

Standing from left to right: *Ahmad Subri Bin Abdullah, Quah Chek Tin, Wong Heng Chong, Soong Jan Hsung, Eddie Foo Toon Ee*
Sitting from left to right: *Foo Sen Chin, Tay Eng Hoe, Dato' Teo Chiang Quan, Ho Chee Kit, Narong Intanate*

PROFILE OF DIRECTORS
cont'd

Dato' Teo Chiang Quan
Non-Independent Non-Executive Chairman
62 years of age – Malaysian

Dato' Teo was the co-founder of ECSB. He resigned as a Director in 5 September 2001 and was re-appointed to the Board of ECSB on 2 January 2003. He is a substantial shareholder of ECSB through his substantial shareholdings in Teo Soo Pin Sdn. Bhd. Dato' Teo is a third generation businessman who has been active in the Malaysian corporate arena for more than 30 years. He holds an honorary doctorate from Middlesex University, United Kingdom.

Dato' Teo has provided to ECSB Group valuable advice and guidance on good corporate governance, strategies and direction in ensuring sustainable profitable growth to create shareholders' value.

He is also the Executive Deputy Chairman of the Board of Directors and a substantial shareholder of Paramount Corporation Berhad (Paramount). He is widely acknowledged as the driving force behind the growth and success of the Paramount group in its core businesses of property development and educational services.

Dato' Teo also serves as a member of the Nomination Committee.

Dato' Teo attended all the 3 board meetings.

Foo Sen Chin
Managing Director
63 years of age – Malaysian

Foo is the co-founder of ECSB and assumed the position of Managing Director in 2000. He is a substantial shareholder of ECSB through his substantial shareholdings in Sengin Sdn. Bhd. He is also a Director of ECSH, which is listed on the Singapore Stock Exchange since 2001.

He began his career as an Engineer in 1972 with a commercial organisation in the electrical industry for 4 years in Ipoh. In 1977, he joined a multinational company in marketing technical products that included office automation and computer products. In 1982, he was appointed the General Manager of a computer bureau services company in Kuala Lumpur.

Foo has been active in the ICT industry in Malaysia for more than 20 years. He has served as a Councillor, Treasurer and Deputy Chairman in the National ICT Association, PIKOM (Association of the Computer & Multimedia Industry of Malaysia) from 1995 to 2005, and was appointed as an Advisor of PIKOM from 2006 onwards.

Foo has played a pivotal role in growing ECSB Group to become one of the largest ICT distributors in Malaysia. As the Managing Director, his vision is to establish ECSB Group to be the leading distribution hub in supplying ICT products for Malaysia's knowledge based economy.

Foo also serves as a member of the Remuneration Committee.

Foo attended all the 3 board meetings.

PROFILE OF DIRECTORS
cont'd

Tay Eng Hoe
Non-Independent Non-Executive Director
59 years of age – Singaporean

Tay joined the Board of ECSB on 17 December 2009. He holds a Bachelor of Science (Honours) Degree from The LaTrobe University, Australia and a MBA from University of Melbourne, Australia. He is currently the Non-Executive Chairman of ECSH.

He is the founder of the ECSH and also ECS Computers (Asia) Pte Ltd, a Singapore-based subsidiary. He brings with him more than 25 years of experience in the ICT business. Tay is also the Vice Chairman and a Non-Executive Director of VST Holdings Limited. In August 2005, he was conferred the Public Service Medal by the President of the Republic of Singapore in recognition for his public services to the country. He is a representative of ECSH on the Board of ECSB.

Tay also serves as a member of the Nomination Committee.

Tay attended all the 3 board meetings.

Soong Jan Hsung
Executive Director
47 years of age – Malaysian

Soong joined the Board of ECSB on 21 February 1997. He is primarily responsible in overseeing ECSB Group's sales and service activities. Soong graduated with a Bachelor of Science (Honours) majoring in Mathematics from the University of Malaya in 1987. He began his career as a Sales Executive with ECS Pericomp in 1987. He was promoted to Product Manager and took charge of a sales team to market a brand of computer hardware. His hard work and dedications led to further promotions as Marketing Manager in 1991, Business Manager in 1992 and General Manager in 1994.

Soong has more than 20 years experience in the ICT distribution market. He is also an Executive Director of the subsidiary companies, namely, ECS Pericomp, ECS Astar, ECS Ku and ECS Kush Sdn. Bhd. ("ECS Kush"), primarily responsible for the development of new sales and marketing strategies as well as the ICT product distribution and enterprise systems operations in ECS Pericomp and ECS Astar.

Soong has contributed significantly to ECSB Group in become the leading ICT hub in Malaysia.

Soong attended all the 3 board meetings.

PROFILE OF DIRECTORS
cont'd

Wong Heng Chong
Non-Independent Non-Executive Director
61 years of age – Malaysian

Wong joined the Board of ECSB on 17 December 2009. He is a Chartered Accountant and a member of the Institute of Chartered Accountants in Australia and the Malaysian Institute of Accountants. He holds a Diploma in Management Studies from University of Chicago Graduate School of Business.

Wong began his working career in Coopers & Lybrand in Australia and in Malaysia. He had previously served as an Executive Director of ECSH, Boustead Singapore Limited, QAF Limited and Sunshine Allied Investments Limited. His working experience during the last 35 years spanned over diverse industries including Information Technology, engineering, food–manufacturing, retail and wholesale, trading and auditing.

Wong also serves as a member of the Audit Committee.

Wong attended all the 3 board meetings.

Eddie Foo Toon Ee
Non-Independent Non-Executive Director
39 years of age – Singaporean

Eddie Foo joined the Board of ECSB on 17 December 2009. He holds a Bachelor Degree in Accountancy from Nanyang Technological University and is also a member of the Institute of Certified Public Accountants of Singapore.

He is also the Group Chief Financial Officer and the Group Company Secretary of ECSH. Eddie is responsible for the financial strategy, corporate finance and treasury management, reporting, accounts, tax and investor relations of ECSH group of companies and is also a director on the boards of various ECSH group of companies. He has several years of financial management and audit experience in multinational and public accounting firms.

Eddie also serves as member of the Remuneration Committee.

Eddie attended all the 3 board meetings.

PROFILE OF DIRECTORS
cont'd

Quah Chek Tin
Independent Non-Executive Director
59 years of age – Malaysian

Quah joined the Board of ECSB as an Independent Non-Executive Director on 17 December 2009. He holds a Bachelor of Science (Honours) Degree in Economics from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

He began his career with Coopers & Lybrand in London. After returning to Malaysia, he joined the Genting Group in 1979 and was previously the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Genting Malaysia Berhad.

Quah also serves as Chairman of the Nomination Committee and is also a member of the Audit Committee.

Current directorships in public companies include Genting Malaysia Berhad, Genting Plantations Berhad, Batu Kawan Berhad and Paramount Corporation Berhad.

Quah attended all the 3 board meetings.

Ahmad Subri Bin Abdullah
Independent Non-Executive Director
61 years of age – Malaysian

Subri joined the Board of ECSB as an Independent Non-Executive Director on 17 December 2009. He is a Fellow of the Chartered Insurance Institute in the United Kingdom and the Malaysian Insurance Institute. He is also a Director of KDU Management Development Centre Sdn. Bhd., Chairman of RCL International Sdn. Bhd. and a Director of the IA Group of Companies.

Subri has more than 30 years of experience in the Insurance and Financial Services industry and has previously served as Chairman of the General Insurance Association of Malaysia, a Director of the Malaysian Insurance Institute and Malaysia Export Credit Insurance Bhd.

Subri also serves as Chairman of the Remuneration Committee and is also a member of the Nomination Committee.

Subri attended all the 3 board meetings.

PROFILE OF DIRECTORS
cont'd

Ho Chee Kit

Independent Non-Executive Director
63 years of age – Malaysian

Ho joined the Board of ECSB as an Independent Non-Executive Director on 17 December 2009. She is also a Barrister-at-Law and a founding partner of law firm, Messrs. Iza Ng Yeoh & Kit.

After completing her Arts course relating to social science at the University of New England in 1971, she worked as an audit assistant in a commercial company in Sydney before returning to Malaysia in 1972. She was attached with a property company in Kuala Lumpur before taking up a law course in London in September 1975, conducted by the Council of Legal Education. She was called to the English and Malaysian Bar in June 1978 and September 1979, respectively. Since then, she has been in private legal practice in Malaysia. She has previously served as an Independent Director and member of the audit committee of Fiamma Holdings Berhad.

Ho also serves as Chairperson of the Audit Committee and a member of both the Nomination and Remuneration Committees.

Ho attended all the 3 board meetings.

Narong Intanate

Non-Independent Non-Executive Director
53 years of age – Thai

Narong joined the Board of ECSB as a Non-Independent Non-Executive Director on 26 August 2010. He holds a Bachelor of Science in Business Administration and a Master of Business Administration from California State University. He is currently an advisor of the Hatyai University.

Narong was also appointed as an Executive Director of ECSH on 15 December 2000. As the current ECSH's Group Chief Executive Officer, he is actively involved in the management of its subsidiaries and plays a pivotal role in steering the strategic direction of the Group.

Narong is also the founder and Executive Chairman of The Value Systems Co., Ltd., a subsidiary of ECSH since 1988. Prior to forming The Value Systems Co., Ltd., he was the Marketing Manager of Sahaviriya Infortech Computers Co., Ltd. from 1982 to 1983 and the Marketing Director of Sahaviriya OA from 1983 to 1988.

Narong attended one board meeting.

Saved as disclosed, none of the Directors have any family relationship with any Directors and/or major shareholders nor conflict of interest with ECSB.

None of the Directors have been charged for any offence.

DELIVERING EXPERTISE

Our expertise goes beyond logistic services in warehousing and deliveries to ensure timely availability of products to customers. More importantly, our knowledge and experience in channel development and management provide the necessary finance and technical services to our resellers, thereby adding value to the supply chain.

PROFILE OF SENIOR MANAGEMENT TEAM

Foo Sen Chin

Tee Ang Kuan

Chan Puay Chai

Soong Jan Hsung

Tan Say Meng

PROFILE OF SENIOR MANAGEMENT TEAM
cont'd

Foo Sen Chin

Foo is the co-founder of ECSB and assumed the position of Managing Director in 2000. He is a substantial shareholder of ECSB through his substantial shareholdings in Sengin Sdn. Bhd.. He is also a Director of ECSH, which is listed on the Singapore Stock Exchange since 2001.

He began his career as an Engineer in 1972 with a commercial organisation in the electrical industry for 4 years in Ipoh. In 1977, he joined a multinational company in marketing technical products that included office automation and computer products. In 1982, he was appointed the General Manager of a computer bureau services company in Kuala Lumpur.

Foo has been active in the ICT industry in Malaysia for more than 20 years. He has served as a Councillor, Treasurer and Deputy Chairman in the National ICT Association, PIKOM (Association of the Computer & Multimedia Industry of Malaysia) from 1995 to 2005, and was appointed as an Advisor of PIKOM from 2006 onwards.

Foo has played a pivotal role in growing ECSB Group to become one of the largest ICT distributors in Malaysia. As the Managing Director, his vision is to establish ECSB Group to be the leading distribution hub in supplying ICT products for Malaysia's knowledge based economy.

Soong Jan Hsung

Soong joined the Board of ECSB on 21 February 1997. He is primarily responsible in overseeing ECSB Group's sales and service activities. Soong graduated with a Bachelor of Science (Honours) majoring in Mathematics from the University of Malaya in 1987. He began his career as a Sales Executive with ECS Pericomp in 1987. He was promoted to Product Manager and took charge of a sales team to market a brand of computer hardware. His hard work and dedications led to further promotions as Marketing Manager in 1991, Business Manager in 1992 and General Manager in 1994.

Soong has more than 20 years experience in the ICT distribution market. He is also an Executive Director of the subsidiary companies, namely, ECS Pericomp, ECS Astar, ECS Ku and ECS Kush, primarily responsible for the development of new sales and marketing strategies as well as the ICT product distribution and enterprise systems operations in ECS Pericomp and ECS Astar.

Soong has contributed significantly to ECSB Group in become the leading ICT hub in Malaysia.

PROFILE OF SENIOR MANAGEMENT TEAM
cont'd

Tee Ang Kuan

Tee, a Malaysian, aged 50, is the General Manager of ECS Astar and is overseeing operations, namely, the design and development of business and marketing strategies, marketing and distribution of our ICT products, and sales staff management. Tee graduated with Bachelors of Art (Honours) majoring in Economics from the University of Malaya in 1985. After graduation, he began his career with Reliance Computer Centre Sdn. Bhd. as a Sales Executive. He was employed as a Sales Executive by Oriental Data System (M) Sdn. Bhd. in 1986 and Intelec Sdn. Bhd. in 1988. He was responsible for the promotion and distribution of IT products, such as personal computers, software, notebooks and printers to corporate customers and end-users.

In 1988, Tee joined ECS Pericomp as a Sales Executive and was responsible for the marketing and support of AST/IRMA emulation cards. In 1989, he left ECS Pericomp and joined Intranet Sdn. Bhd. as a Product Executive. He was later promoted to Sales Manager in 1990 and was in charge of the company's ICT distribution activities. In 1996, he re-joined our Group under ECS Astar as a Business Manager and was promoted to General Manager in 1999. Tee is now responsible for the overall distribution business of ECS Astar. He has over 20 years of experience in the ICT distribution market. With his experience and knowledge, he has contributed significantly to the growth of our Group

Tan Say Meng

Tan, a Malaysian, aged 45, is the General Manager of ECS Ku. He obtained a MBA majoring in e-Commerce from Charles Sturt University, Australia in 1999. He began his career with Retail Communication Sdn. Bhd. as a Technician in 1988 in charge of repair and service activities of point-of-sales systems and computers. In 1990, he joined ECS Pericomp as a Technician and was promoted to Senior Technician in 1991, Technical Supervisor in 1992, Assistant Technical Manager in 1996, Technical Manager in 1997 and Group Technical Manager in 2001. Since 2006, he has held the position of General Manager of ECS Ku and is now in charge of our Group's IT sales and services.

Chan Puay Chai

Chan, a Malaysian, aged 45, is the Finance Controller of our Group. He is an Associate Member of the Chartered Institute of Management Accountants (U.K.) and a registered Accountant with the Malaysian Institute of Accountants. Chan started his career as an Accounts Clerk in OBD Sdn. Bhd. in 1989 and moved on to Texan (M) Sdn. Bhd., an affiliated company of Berjaya Textile Bhd., in 1990.

In 1992, he joined Tan Chong Motor Assemblies Sdn. Bhd. as a Management Trainee before moving to Biotech Medical Corporation Sdn. Bhd. in the following year as Finance Manager. His past experiences include review of accounting systems, implementation of computerisation, management accounting, budgeting, financial analysis and its related operations. In 1995, Chan joined ECS Kush as a Finance Manager and was promoted to Financial Controller in 2005. He has been with our Group for 15 years. His major responsibilities include financial planning & control, financial compliances, credit management, risk management, and other finance related operations.

MANAGEMENT TEAM

Chang Yew Hwa
General Manager-Marketing

Chin Chew Woon
Support Manager

David Cheam
IT Manager

Justin Foo
General Manager-Sales

Wee Ailin
Inventory Manager

Caren Lwee
Senior Executive Secretary

Chia Chin Pooi
Assistant General Manager

Seow Mei Ling
HR Manager

Chin Sai Leong
Logistic Manager

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman

Dato' Teo Chiang Quan
DPTJ

Managing Director

Foo Sen Chin

Members

Soong Jan Hsung
Tay Eng Hoe
Eddie Foo Toon Ee
Wong Heng Chong
Quah Chek Tin*
Ahmad Subri Bin Abdullah*
Ho Chee Kit*
Narong Intanate

* *Independent Non-Executive Directors*

SECRETARY

Tay Lee Kong
(MAICSA 772833)

REGISTERED OFFICE

Level 8, Uptown 1
1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7712 3333
Facsimile : 03-7712 3369

REGISTRAR

Tricor Investor Services Sdn. Bhd.
Level 17
The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone : 03-2264 3883
Facsimile : 03-2282 1886
Email : is.enquiry@my.tricorglobal.com
Website : www.tricorglobal.com

AUDITORS

KPMG, Chartered Accountants

PRINCIPAL BANKERS

CIMB Bank Berhad
Citibank Berhad
EON Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

GROUP CORPORATE STRUCTURE

ECS ICT BERHAD
(Company No. 351038-H)
(Incorporated in Malaysia under the Companies Act, 1965)

MSC MALAYSIA Status Company

- 100% **ECS Astar Sdn. Bhd.**
- 100% **ECS Pericomp Sdn. Bhd.**
- 100% **ECS Ku Sdn. Bhd.**
- 100% **ECS Kush Sdn. Bhd.**

SPURRING DREAMS

The ubiquitous computer in its varied forms has permeated every stratum of society and changed the way we live, work, learn and play. Our Company is at the forefront with the latest computer products to meet customers' expectations in order to realise their aspirations.

As our country aims to become a high income nation, our distribution hub supplies the building blocks for the ICT infrastructure of a knowledge-based economy towards Vision 2020.

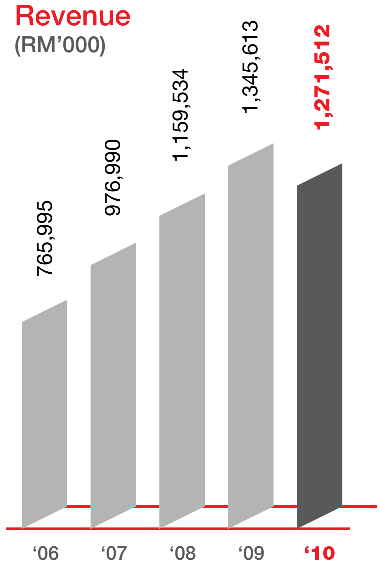
GROUP FINANCIAL HIGHLIGHTS

Financial year ended 31 December	2010	2009	2008	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	**1,271,512**	1,345,613	1,159,534	976,990	765,995
Gross Profit	**77,134**	68,890	58,623	47,691	32,654
Profit before tax	**39,367**	33,517	27,106	18,946	10,571
Profit for the year	**29,030**	25,014	19,800	13,733	7,548
Profit attributable to owners of the Company	**28,927**	24,112	18,833	12,800	7,114

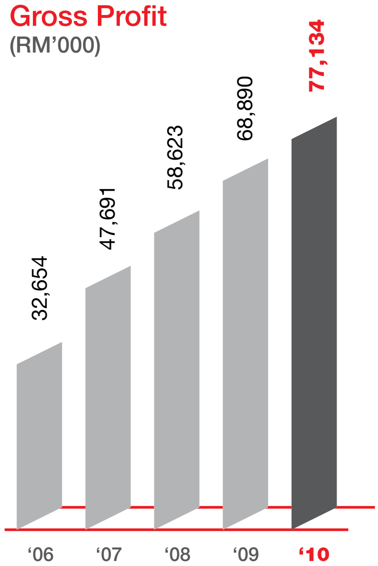
As at 31 December	2010	2009	2008	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	***5,220***	5,178	7,036	5,610	5,298
Current assets	***261,602***	292,660	215,523	205,422	146,364
Total assets	***266,822***	297,838	222,559	211,032	151,662
Non-current liabilities	***412***	192	644	464	358
Current liabilities	***119,043***	208,083	148,129	156,508	110,904
Total liabilities	***119,455***	208,275	148,773	156,972	111,262
Share Capital	***60,000***	46,000	46,000	1,000	1,000
Reserves	***87,367***	37,337	22,462	48,703	35,976
Non-controlling interest	-	6,226	5,324	4,357	3,424
Total equity	***147,367***	89,563	73,786	54,060	40,400

The financials for year 2006 to 2008 were extracted from ECS Kush which was the previous holding company before internal rationalization for the IPO exercise.

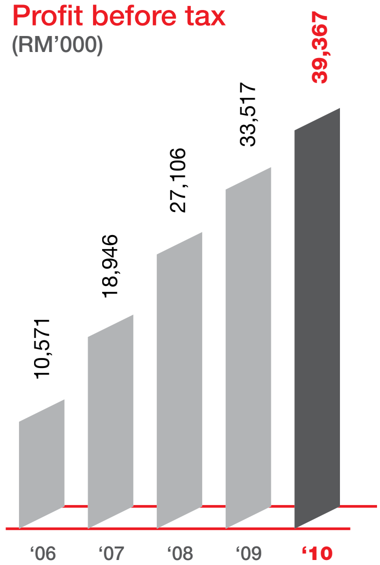
Revenue
(RM'000)



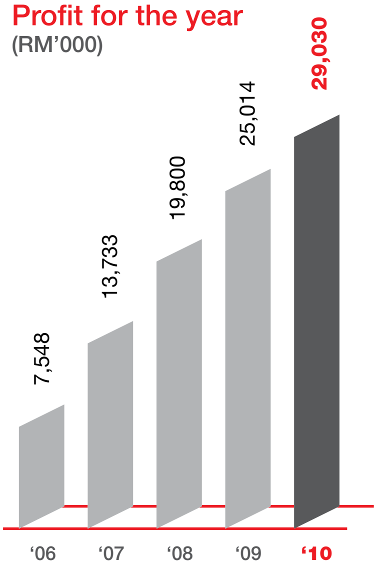
Gross Profit
(RM'000)



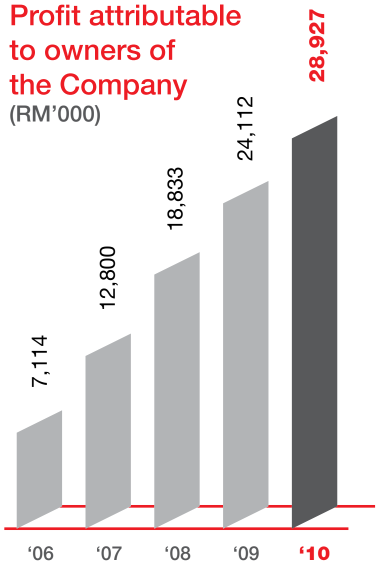
Profit before tax
(RM'000)



Profit for the year
(RM'000)



Profit attributable to owners of the Company
(RM'000)



STATEMENT ON CORPORATE GOVERNANCE

ECSB ("the Company") is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board of Directors ("Board") upholds the highest standards of corporate governance and the development of best practices as set out in the Malaysian Code of Corporate Governance.

DIRECTORS

ECSB was listed on the Main Market of Bursa Securities on 15 April 2010. As at the end of the financial year, 31 December 2010, the Board of ECSB has ten members comprising two Executive Directors and eight Non-Executive Directors. Of the eight Non-Executive Directors, three are independent and hence the prescribed requirement for one third of the membership of the Board to be independent Board members is fulfilled. This independent element brings an objective and independent judgement to the decision-making process of the Board. The biographical details of the Board members are set out in the Board section on pages 15 to 19.

Dato' Teo Chiang Quan, a Non-Independent Non-Executive Director, chairs the Board and the Managing Director is Foo Sen Chin. There is a clear division of responsibility between these two roles to ensure a balance of power and authority.

The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. The composition of the Board provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, corporate affairs, legal and technical areas of the industry in which the Group operates. The individuality and vast experience of the Directors in arriving at collective decisions at board level will ensure impartiality.

The Board provides effective leadership and manages overall control of the Group's affairs through the schedule of matters reserved for its decision. This includes:

- Setting and monitoring objectives, goals and strategic directions for management
- Adopting an annual budget and continuously monitoring financial performance against budget
- Assessing and approving major capital expenditure including significant acquisitions and disposal of investments
- Ensuring significant risks are appropriately managed and regularly reviewed and monitored
- Selecting and appointing new directors and setting the remuneration of directors and senior management
- Mentoring, monitoring and evaluating the Managing Director and his support management team
- Ensuring strict adherence to relevant compliance with laws and regulations and disclosure regimes

The Board met three times since its listing on 15 April 2010, and the attendance record of directors was as follows:

Director	Attendance
Dato' Teo Chiang Quan	3 out of 3
Foo Sen Chin	3 out of 3
Soong Jan Hsung	3 out of 3
Tay Eng Hoe	3 out of 3
Eddie Foo Toon Ee	3 out of 3
Wong Heng Chong	3 out of 3
Quah Chek Tin	3 out of 3
Ahmad Subri bin Abdullah	3 out of 3
Ho Chee Kit	3 out of 3
*Narong Intanate	1 out of 1

(appointed on 26 August 2010)*

DIRECTORS *cont'd*

The Board will also meet on an ad-hoc basis to deliberate urgent issues and matters that require expeditious board direction or approval.

Formal agendas, papers and reports are supplied to Directors in a timely manner, prior to Board meetings. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed, and the senior management. The Board also has the full and unrestricted access to information relating to the business and affairs of the Company in the discharge of its duties. Directors may take independent professional advice at the Company's expense in the furtherance of their duties.

The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of its duties. New appointees to the Board undergo a familiarisation programme, which includes visits to the Group's business operations and meetings with key management to facilitate their understanding of the Group's operations and businesses.

All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. During the financial year under review, the Directors had participated in various programmes and forums, which they have individually or collectively considered as useful and relevant.

In addition, the Company Secretary and the external auditors update the Board on a regular basis the respective changes and amendments to regulatory requirements and laws and accounting standards to help Directors keep abreast of such developments.

All Directors are subject to election by shareholders at the first opportunity after their appointment. The Company's Articles of Association ensures that all Directors stand for re-election at least once in every three years.

The Board has three standing committees with delegated authority and defined terms of reference. The composition, purpose and function of these committees are described below.

Audit Committee

A detailed report on this committee is contained on pages 40 to 42 of this Annual Report.

Nomination Committee

The Nomination Committee comprises exclusively of five Non-Executive Directors: Quah Chek Tin, Dato' Teo Chiang Quan, Tay Eng Hoe, Ahmad Subri bin Abdullah and Ho Chee Kit. Quah is the Chairman of the Committee, which meets at least once a year and additionally if required.

The Nomination Committee is entrusted with the task of recommending candidates for Directorship to be filled by the shareholders or the Board, and for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, as well as the Managing Director on an on-going basis. The Nomination Committee also considers the balance of the Board membership, determining the core competencies and skills required of the Board through annual reviews, as well as ensure that all Directors receive appropriate continuous training.

DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors: Ahmad Subri bin Abdullah, Eddie Foo Toon Ee and Ho Chee Kit and one Executive Director: Foo Sen Chin. Ahmad Subri is the Chairman of the Committee, which meets at least once a year and, additionally if required.

The Remuneration Committee is responsible for ensuring that the Company's Directors and senior management are fairly rewarded for their individual contributions to the Company's overall performance and the levels of remuneration should be sufficient to attract and retain its Executive Directors and senior management to manage the Company and continuously build for the future, giving due regard to the interest of shareholders and to the financial and commercial health of the Company.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

DIRECTORS' REMUNERATION *cont'd*

Remuneration Committee *cont'd*

The Remuneration Committee recommends to the Board the policy and framework of the Directors' remuneration and the remuneration package of the Executive Director. It is the ultimate responsibility of the Board to approve the remuneration packages of directors.

For the financial year ended 31 December 2010, the aggregate of remuneration received and receivable by the Directors of the Company from the Company and the subsidiaries categorised into appropriate components are as follows:

	Salaries RM'000	Fees RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
Executive Directors					
Receivables from:					
- Company	-	63	-	-	63
- Subsidiaries	3,363	8	24	-	3,395
	3,363	71	24	-	3,458
Non-Executive Directors					
Receivables from:					
- Company	-	277	-	16	292
- Subsidiaries	-	4	-	-	4
	-	281	-	16	296
	3,363	352	24	16	3,754

Note: Salary includes bonus and EPF

The number of Directors of the Company whose remuneration during the financial year falls within the respective bands are as follows:

Range	Executive	Non-Executive
RM50,000 and below	-	7
RM50,001 to RM100,000	-	1
RM1,100,001 to RM1,150,000	1	-
RM2,300,001 to RM2,350,000	1	-

SHAREHOLDERS

The Company is committed to ongoing communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports and the Annual General Meeting and timely dissemination of information on significant company developments and price sensitive information in accordance with Bursa Malaysia Securities Berhad's Listing Requirements. The Company obliges the requests of analyst and fund managers for company visits and briefings and at least once every year a scheduled company briefing is held, coinciding with the release of the Group's final quarter results. The Group's website at www.ecsm.com.my contains corporate and customer information updated on a regular basis.

SHAREHOLDERS *cont'd*

The Company's Annual General Meeting not only deals with the formal business of the Company, but represents the principal forum for dialogue and interaction with shareholders, providing an opportunity for the Board to communicate directly with shareholders and vice versa. Shareholders are invited to ask questions and express their views about the Company's business at the meeting. The Company presents to shareholders an overview of the Group's performance during the year at Annual General Meeting. A Press conference is normally held after the Annual General Meeting to brief members of the Press on the performance of the Group for the benefit of potential investors as well as those shareholders who have been unable to be at the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is mindful of its responsibility to present a balanced and understandable assessment of ECSB's financial position and prospects, in all reports, both to investors and the regulatory bodies. This assessment is primarily provided in the Chairman's Statement and Managing Director's Review of Operations. An explanation of the respective responsibilities of the Directors and the auditors in the preparation of the accounts is set out in the Statement of Directors' Responsibilities section of the printed report.

Internal Control and Risk Management

The Directors are responsible for the Group's system of internal controls and for regularly reviewing its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of ECSB's business objectives with a view of enhancing over time the value of shareholders' investment and safeguarding the Group's assets. The Group operates a comprehensive budgeting and financial reporting system, which compares actual performance to budget on monthly and quarterly basis. This allows management to monitor financial and operational performance on a continuing basis and to identify and respond to financial and business risks before, and as, they arise.

Although no system of internal controls can provide absolute assurance that business risks will be mitigated, the Group has in place an internal control system, which the Group is committed to continually strengthen, to meet the Group's particular needs and the risks to which it is exposed. The key areas that have been established include a risk management policy designed to ensure its proper implementation and a risk framework encompassing the required risk procedures.

Relationship with External Auditors

The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with accounting standards in Malaysia. The report on the role of the Audit Committee in relation to the external auditors is found in the Report on Audit Committee set out on page 40 to 42.

CORPORATE RESPONSIBILITIES

CORPORATE RESPONSIBILITY

ECSB firmly believes in the practice of Corporate Responsibility ("CR") in ensuring long term and sustainable growth in group profitability and shareholders' value in an ethical and responsible manner.

The Group's corporate objectives can only be achieved with dedicated employees working in a conducive environment and management committed in practising ethics in all of its business activities.

CONDUCIVE WORKING ENVIRONMENT

In line with our corporate philosophy that "Technology is a Tool, People Make the Difference" we emphasize the importance of human resource development by creating a workplace that nurtures and rewards our people. Ample training opportunities are provided to employees on regular basis to meet their personal development goals. Internal and external training programmes cultivate a learning culture for employees to acquire the necessary knowledge and skill sets to perform their jobs well.

We have undertaken the following measures and activities for a better working environment:-

- Regular maintenance of air conditioning and ventilation equipment for healthy air quality;
- Ergonomically-designed individual workstations and common work areas to improve productivity;
- Fully-equipped training and meeting rooms with multimedia facilities and internet access for an enhanced and highly-interactive experience;
- An active Sport Club that organizes sports and other social activities to promote a healthy work-life balance for everyone and to foster better teamwork; and
- Conducting of fire safety briefing and fire drill to raise employee awareness on fire prevention and safety techniques.

RESPONSIBILITY TO THE ENVIRONMENT

The Group is committed in playing its role in the conservation of the environment by managing the impact of our business operations.

An Environmental, Health, Safety and Security ("EHSS") Committee was set up in May 2009 to launch a company-wide EHSS programme to implement activities for a healthy and safe environment.

The EHSS Committee regularly highlights the importance of proper waste management by broadcasting information on recycling, and electricity and water conservation.

On 13 December 2010, we held a Recycling Campaign with the objective to ultimately promote recycling as a habitual practice at work as well as at home.

Our Logistic Department has adopted several methods in reusing and recycling warehouse materials such as pallets, carton boxes, shrink wraps, plastic bags, scrap paper, metal and bubble wraps. An average of 20% of pallets and 70% of carton boxes are reused by the warehouse. In 2010, about 6,900 kg of paper from the carton boxes and 800 kg of shrink wraps were collected for recycling.

RESPONSIBILITY TO THE MARKETPLACE

The Group is committed to ensuring that strong corporate governance practices are observed in its business conduct in the marketplace to safeguard the best interests of stakeholders, including shareholders, suppliers, customers and employees.

Regular communication and engagement with shareholders, analysts and fund managers are looked upon as important opportunities for clear and transparent representation of the Group. Up-to-date investor-friendly information is also made available via the Group's website to provide timely dissemination of information on the Group's business operations and financial performance.

One of the Group's key missions is to maintain a consistently favourable track record in terms of quality and competitively-priced products. Through constant efforts in evaluating market needs and trends, the Group strives to ensure that the best value products are marketed to our customers.


ULTIMATE
LEAGUE

STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The Board is pleased to comment on the Internal Control of the Group for the year ended 31 December 2010 pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal controls to safeguard shareholders' investment and the Group's businesses and assets.

The Group's system of internal controls includes compliance controls, performance management, operational efficiency controls and financials.

Due to the limitations inherent in any system of internal controls, the system manages rather than eliminate the risk of failure to achieve its overall objectives. Accordingly, it can only provide reasonable rather than absolute controls.

INTERNAL AUDIT FUNCTION

In line with good corporate governance practices, the Group has appointed an external professional company to carry out the internal audit function. The Internal Auditors would conduct appropriate reviews to ensure that the key control elements are operating effectively. Audit reports and the status of audit plans are presented to the Audit Committee.

The Audit Committee ensures the material findings and recommendations for improvements are carried out and the integrity of internal control can be enhanced.

As the Company was listed on the Main Market of Bursa Malaysia Securities Berhad on 15 April 2010, the first Internal Audit was conducted in October 2010 and the report was submitted to the Audit Committee.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

The key elements of the Group's internal control system are described below:

- The Board Committees, consisting of the Audit Committee, the Nomination Committee and the Remuneration Committee, are all governed by clearly defined terms of reference.

- The Audit Committee, comprising two Independent Non-Executive Directors and one Non-Executive Director, possess legal and accounting qualifications. The members have full access to the External and Internal Auditors.

- Quarterly financial results and other information are provided to the Audit Committee and the Board. This oversight review allows the Board to monitor and evaluate the Group's performance in achieving its corporate objectives.

- There is a defined organisational structure within the Group with clear lines of authority, responsibility and accountability which supports the maintenance of a strong control environment.

- The Management Committee, comprising the Chairman, the Managing Director, Executive Director, Financial Controller and General Managers held monthly meetings to review the monthly financial results of the operations. The Management Committee will identify, discuss and establish strategic business plans to monitor and ensure the planned financial performance and business objectives of the group operations are met.

- The Operation Committee, comprising the Managing Director, Executive Director, Financial Controller, General Managers and Head of Departments, conducted monthly meetings to address any business operational risks and procedures for continuous improvement in business processes, risk controls, and productivity.

- The Credit Control Committee comprising the Financial Controller, Credit and Commercial Manager, General Manager and Sales Managers held monthly meetings to ensure that the outstanding debtors were managed within the credit policies on credit limit and terms. The debtors aging reports were reviewed and necessary actions were taken to address the collection issues with the customers.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS *cont'd*

The key elements of the Group's internal control system are described below: *cont'd*

- The Inventory Control Committee comprising the Senior Inventory Manager, General Manager and Product Managers held monthly meetings to ensure that the inventory is managed within the established stocking guidelines. The stock ageing reports were reviewed and appropriate actions were taken to maintain an optimum inventory position with the required stock level and product mix for the business.

- Staff professionalism, industrial skill sets and job competency are progressively developed through the human resource development programme consisting of an orientation programme, internal and external training, and the performance appraisal and review system. These programmes provide continuous productivity improvement in the Group's human resources.

- Independent internal audits examined the Group's compliance with policies and procedures. Internal audits performed were risk-based and findings arising from these audits are presented, together with Management's response and proposed action plans to the Audit Committee for review.

CONCLUSION

For the financial year under review, the Board is satisfied that the review and monitoring of the internal control system gives reasonable assurance that the internal controls in place are adequate.

The Board and Management will continue to take measures to strengthen the internal control environment.

This statement was made in accordance with a resolution of the Board dated 18th March 2011.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors of ECSB is pleased to issue the following Audit Committee Report and its activities for the year ended 31 December 2010.

MEMBERS AND MEETINGS

The Audit Committee comprises two Independent Non-Executive Directors and one Non-Executive Director.

Four meetings were held during the year and the attendance of the committee members are as follows:

Directors	Status	Attendance
Ho Chee Kit (Chairperson)	Independent Non-Executive Director	4 out of 4 meetings
Quah Chek Tin	Independent Non-Executive Director	4 out of 4 meetings
Wong Heng Chong	Non-Independent Non-Executive Director	4 out of 4 meetings

Terms of Reference

The terms of reference of the Audit Committee are as follows:

Membership

The Audit Committee shall be appointed by the Board and the Committee shall consist of at least three (3) directors, a majority of whom are Independent Directors. The Chairperson of the Committee shall be an Independent Non-Executive Director.

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or is appropriately qualified as an accountant.

Any vacancy in the Committee resulting in non-compliance of the said requirements must be filled within three (3) months.

No alternate director shall be appointed as a member of the Audit Committee.

Meetings

The Committee shall meet on a quarterly basis or at more frequent intervals as required to deal with matters within its terms of reference. The meetings shall have a quorum of two members who are Independent Directors.

The Committee shall meet with the External Auditors without the presence of executive board members as and when required.

Other directors and employees may attend any particular Audit Committee meeting only at the Committee's invitation specific to the relevant meeting.

The Committee shall record its conclusions on issues discussed during meetings and report to the Board at the quarterly board meetings.

Authority

The Audit Committee is hereby authorised by the Board to:

a) investigate any matter within its terms of reference;

b) have resources which are required to perform its duties;

c) have full and unrestricted access to any information pertaining to the Company and its subsidiary companies (the Group);

d) have direct communication channels with the external auditors and internal auditor; and

e) obtain independent professional or other advice as deemed necessary.

MEMBERS AND MEETINGS *cont'd*

Terms of Reference *cont'd*

Reporting of Breaches to the Exchange

In compliance with Paragraph 15.16 of Main Market Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad's Listing Requirements, the Committee shall promptly report such matter to Bursa Malaysia.

Duties of the Committee

The duties of the Committee shall be as follows:

a) To consider the appointment of External Auditors, the audit fee and any questions of resignation or dismissal;

b) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

c) To review the quarterly and year-end financial statements of the Company/Group, focusing particularly on:

    i) Any changes in accounting policies and practices;
    ii) Significant adjustments arising from the audit;
    iii) The going concern assumption; and
    iv) Compliance with accounting standards and other legal requirements.

d) To discuss problems and reservations arising from interim and final audits, and any matter the External Auditors may wish to discuss;

e) To review the External Auditors' management letter and management's response;

f) To review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;

g) To review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;

h) To consider major findings of internal investigations and management's response;

i) To consider any related party transactions that may arise within the Company or Group;

j) To take cognizance of resignation of senior internal audit staff members and to provide the staff an opportunity to submit his/her reasons for resigning; and

k) To consider other topics deemed fit by the Committee within its terms of reference and/or as defined by the Board.

REPORT OF THE AUDIT COMMITTEE
cont'd

Review of the Committee

The Board shall review the term of office and performance of the Committee annually. This would be done as part and parcel of the Board's self-assessment of directors.

ACTIVITIES OF THE AUDIT COMMITTEE

The following is a summary of the main activities carried out by the Committee during the financial year ended 31 December 2010:

1) Reviewed and recommended the quarterly financial results and the annual audited financial statements of the Company and the Group to the Board of Directors for consideration and approval;

2) Reviewed with the external auditor the scope of work, audit plan and fees for the statutory audit and thereafter recommended to the Board;

3) Reviewed the status report and recommendations for corrective action plans submitted by the internal auditors;

4) Considered related party transactions that arose and advised the Board on the appropriate actions to be taken;

5) Reviewed and approved the Internal Audit Scope;

6) Advised the Board on the state of internal control of the Group and the issuance of the Statement of Internal Control; and

7) Reported to the Board of Directors on its activities, any significant issues and results.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

a) Internal Audit Function

The Group has outsourced its internal audit function to a professional company. The Internal Auditors reports functionally and independently to the Audit Committee and is independent of management and of the activities it reviews. It role encompasses risk-based examination and provides independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance.

The purpose, authority and responsibility of the Internal Audit function as identified by the Audit Committee in the form of audit charter includes furnishing the Committee with audit reports which include independent analyses, appraisals, advices and information on the activities reviewed.

b) Activities

During the financial year ended 31 December 2010, the Internal Auditors carried out audit assignments in accordance with the approved audit plan. Audit reports incorporating audit recommendations and management's responses with regards to any audit findings on the weaknesses in the systems and controls of the operations were presented to the Audit Committee for discussion.

The checks on related party transactions were conducted to ensure the transactions were disclosed appropriately.

The total cost incurred for the internal audit function for the financial year under review was RM16,767.00.

OTHER INFORMATION

Required by the Listing Requirements of Bursa Malaysia Securities Berhad

1. UTILISATION OF PROCEEDS FROM ISSUANCE OF INITIAL PUBLIC OFFERING (IPO)

As at 14 April 2011, the gross proceeds derived from the IPO in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad on 15 April 2010 had been utilised in the following manner:

Purpose	Proposed Utilisation* RM'000	Actual Utilisation RM'000	Balance RM'000
Working capital	24,320	24,320	-
To fund the 20% acquisition of ECS Pericomp Sdn Bhd	5,440	5,440	-
Business expansion	5,000	990	4,010 [i]
Estimated listing expenses	3,000	2,570	430 [ii]
To settle indebtedness arisen from acquisition of subsidiaries	1,660	1,660	-
	39,420	34,980	4,440

* *As set out in the Prospectus dated 19 March 2010.*

Note:

[i] *The unutilised balance of RM4,010,000 from business expansion will be transferred to working capital subject to approval by the Board of Directors.*

[ii] *The unutilised balance of RM430,000 from the listing expenses was transferred to working capital.*

2. NON-AUDIT FEES

The amount of non-audit fee paid to the External Auditors by the Group and Company for the financial year is reflected in Note 16, Page 78 of the financial statements.

3. MATERIAL CONTRACTS

None of the directors and/or major shareholders has any material contract with the Company and/or its subsidiaries either still subsisting at the end of the financial year ended 31 December 2010 or entered into since the end of the previous financial year.

4. REVALUATION POLICY

The Group does not have a revaluation policy on landed properties.

5. RECURRENT RELATED PARTY TRANSACTIONS

Bursa Malaysia Securities Berhad had, on 21 April 2010, granted the Group an extension of time from 15 April 2010, being the date of official listing of the Company on Bursa Malaysia Securities Berhad, to the forthcoming Annual General Meeting to procure ratification and shareholders' mandate for the recurrent related party transactions of a revenue and trading in nature entered into or to be entered into by the Group. Please refer to Note 24 of the financial statement and the Circular to Shareholders dated 3 May 2011 for further information.

6. LIST OF PROPERTIES

The Group does not own any properties as at 31 December 2010.

STATEMENT OF DIRECTORS' RESPONSIBILITY
in relation to the Financial Statements

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements:

- the Group and the Company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

Financial Statements

DIRECTORS' REPORT
for the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding, marketing of microcomputers, peripherals, software and provision of computer maintenance services. The principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit attributable to:		
Owners of the Company	28,927	10,043
Non-controlling interest	103	-
	29,030	10,043

RESERVES AND PROVISION

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDEND

Since the end of the previous financial year, the Company paid a single tier interim dividend of 4 sen per ordinary share, totaling RM4,800,000 in respect of the financial year ended 31 December 2010 on 15 June 2010.

During the year, a subsidiary company paid a single tier interim dividend of 959.998 sen per ordinary share, totalling RM9,600,000 in respect of the financial year ended 31 December 2009 to the previous shareholders on 22 February 2010. The said dividend was declared and approved prior to the restructuring of the Group in conjunction with its listing exercise.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2010 is a single tier dividend of 4 sen per ordinary share, subject to the approval of the shareholders at the forthcoming annual general meeting.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Teo Chiang Quan
Foo Sen Chin
Soong Jan Hsung
Tay Eng Hoe
Eddie Foo Toon Ee
Wong Heng Chong
Quah Chek Tin
Ahmad Subri bin Abdullah
Ho Chee Kit
Narong Intanate *(appointed on 26.08.2010)*

DIRECTORS' REPORT
for the year ended 31 December 2010
cont'd

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Ordinary Shares of RM0.50 each			
	At 1.1.2010	**Bought**	**Sold**	**At 31.12.2010**
Dato' Teo Chiang Quan				
Own interest in the Company				
- indirect	18,400,000	-	(4,246,000)	**14,154,000**
Foo Sen Chin				
Own interest in the Company				
- indirect	18,400,000	306,000	(4,246,000)	**14,460,000**
Soong Jan Hsung				
Own interest in the Company				
- direct	-	150,000	-	**150,000**
Eddie Foo Toon Ee				
Own interest in the Company				
- direct	-	150,000	-	**150,000**
Tay Eng Hoe				
Own interest in the Company				
- direct	-	150,000	-	**150,000**
Wong Heng Chong				
Own interest in the Company				
- direct	-	150,000	-	**150,000**

None of the other Directors holding office at 31 December 2010 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT
for the year ended 31 December 2010
cont'd

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

a) 27,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.46 per share in its Initial Public Offering in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad; and

b) 1,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.46 per share as part of the purchase consideration for the acquisition of 20% shares in ECS Pericomp Sdn. Bhd.

All the ordinary shares issued rank parri passu in all respect with the existing ordinary shares of the Company.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group's and in the Company's financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT
for the year ended 31 December 2010
cont'd

SIGNIFICANT EVENTS

Details of such events are as disclosed in Note 27 to the financial statements.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

FOO SEN CHIN **SOONG JAN HSUNG**

Petaling Jaya

18 March 2011

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2010

	Note	Group		Company	
		2010	**2009**	**2010**	**2009**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Assets					
Property, plant and equipment	3	**3,133**	3,722	**129**	176
Investments in subsidiaries	4	**-**	-	**77,022**	70,122
Goodwill on consolidation	5	**571**	-	**-**	-
Investment in club membership		**62**	62	**-**	-
Deferred tax assets	14	**1,454**	1,394	**-**	-
Total non-current assets		**5,220**	5,178	**77,151**	70,298
Inventories	6	**81,500**	91,296	**-**	-
Receivables, deposits and prepayments	7	**149,360**	177,074	**36,048**	16
Cash and cash equivalents	8	**30,742**	24,236	**1,705**	37
Tax recoverable		**-**	54	**48**	-
Total current assets		**261,602**	292,660	**37,801**	53
Total assets		**266,822**	297,838	**114,952**	70,351
Equity					
Share capital	9	**60,000**	46,000	**60,000**	46,000
Reserves		**87,367**	37,337	**53,727**	22,581
Total equity attributable to owners of the Company		**147,367**	83,337	**113,727**	68,581
Non-controlling interest		**-**	6,226	**-**	-
Total equity		**147,367**	89,563	**113,727**	68,581
Liabilities					
Deferred tax liabilities	14	**383**	163	**18**	-
Other payables	12	**29**	29	**-**	-
Total non-current liabilities		**412**	192	**18**	-
Payables and accruals, including derivatives	12	**104,281**	153,264	**1,207**	1,770
Borrowings (unsecured)	13	**12,700**	51,700	**-**	-
Tax payable		**2,062**	3,119	**-**	-
Total current liabilities		**119,043**	208,083	**1,207**	1,770
Total liabilities		**119,455**	208,275	**1,225**	1,770
Total equity and liabilities		**266,822**	297,838	**114,952**	70,351

The notes on pages 56 to 92 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 restated	Company 2010 RM'000	Company 2009 RM'000
Revenue	15	**1,271,512**	1,345,613	**14,336**	285
Cost of sales		**(1,194,378)**	(1,276,723)	**-**	-
Gross profit		**77,134**	68,890	**14,336**	285
Distribution expenses		**(28,006)**	(25,071)	**-**	-
Administrative expenses		**(8,834)**	(9,262)	**(1,551)**	-
Other operating income		**822**	2,335	**-**	-
Other operating expenses		**-**	(770)	**-**	(196)
Results from operating activities		**41,116**	36,122	**12,785**	89
Finance costs		**(1,868)**	(2,646)	**(23)**	(10)
Interest income		**119**	41	**903**	1
Profit before tax	16	**39,367**	33,517	**13,665**	80
Tax expense	18	**(10,337)**	(8,503)	**(3,622)**	-
Profit for the year		**29,030**	25,014	**10,043**	80
Other comprehensive income for the year					
Reversal of deferred tax liability on realisation of revaluation surplus		**-**	324	**-**	-
Total comprehensive income for the year		**29,030**	25,338	**10,043**	80
Profit for the year attributable to:					
Owners of the Company		**28,927**	24,112	**10,043**	80
Non-controlling interest		**103**	902	**-**	-
Profit for the year		**29,030**	25,014	**10,043**	80
Total comprehensive income attributable to:					
Owners of the Company		**28,927**	24,436	**10,043**	80
Non-controlling interest		**103**	902	**-**	-
Total comprehensive income for the year		**29,030**	25,338	**10,043**	80
Earnings per share attributable to owners of the Company:					
Basic (sen)	19	**25.7**	26.2		

The notes on pages 56 to 92 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2010

		Attributable to owners of the Company					
		Non-distributable		Distributable			
Group	**Note**	**Share capital**	**Property revaluation reserve**	**Retained profits**	**Total**	**Non-controlling interest**	**Total equity**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2009		46,000	834	21,628	68,462	5,324	73,786
Net gains and losses recognised directly in equity							
- Transfer from revaluation reserve		-	(1,158)	1,158	-	-	-
Total comprehensive income for the year		-	324	24,112	24,436	902	25,338
Disposal of subsidiary – pursuant to internal rationalisation exercise		-	-	39	39	-	39
Dividend - 2009 interim	12	-	-	(9,600)	(9,600)	-	(9,600)
At 31 December 2009 restated		46,000	-	37,337	83,337	6,226	89,563
At 1 January 2010		**46,000**	**-**	**37,337**	**83,337**	**6,226**	**89,563**
Total comprehensive income for the year		**-**	**-**	**28,927**	**28,927**	**103**	**29,030**
Issue of ordinary shares:							
- Issued for cash		**13,500**	**25,920**	**-**	**39,420**	**-**	**39,420**
- Additional investment in a subsidiary		**500**	**960**	**-**	**1,460**	**(6,329)**	**(4,869)**
Share issue expenses		**-**	**(977)**	**-**	**(977)**	**-**	**(977)**
Dividends	20	**-**	**-**	**(4,800)**	**(4,800)**	**-**	**(4,800)**
At 31 December 2010		**60,000**	**25,903**	**61,464**	**147,367**	**-**	**147,367**
		Note 9	Note 9.1	Note 10			

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2010
cont'd

Company	**Note**	← Non-distributable **Share capital** RM'000	**Share premium** RM'000	**Merger reserve** RM'000 →	**Accumulated profit/(loss)** RM'000	**Total** RM'000
At 1 January 2009		500	-	-	(460)	40
Total comprehensive income for the year		-	-	-	80	80
Issue of ordinary shares		45,500	-	22,961	-	68,461
At 31 December 2009/ 1 January 2010		46,000	-	22,961	(380)	68,581
Total comprehensive income for the year		-	-	-	10,043	10,043
Issue of ordinary shares:						
- Issued for cash		13,500	25,920	-	-	39,420
- Additional investment in a subsidiary		500	960	-	-	1,460
Share issue expenses		-	(977)	-	-	(977)
Dividend	20	-	-	-	(4,800)	(4,800)
At 31 December 2010		**60,000**	**25,903**	**22,961**	**4,863**	**113,727**
		Note 9	Note 9.1	Note 11		

The notes on pages 56 to 92 are an integral part of these financial statements.

STATEMENTS OF CASH FLOW

for the year ended 31 December 2010

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before tax	**39,367**	33,517	**13,665**	80
Adjustments for:				
Depreciation	**1,403**	1,502	**58**	56
Gain on disposal of property, plant and equipment	**(103)**	(461)	**-**	-
Loss/(Gain) on foreign exchange				
- Unrealised	**(580)**	1,044	**-**	-
Interest expense	**1,868**	2,646	**23**	10
Interest income	**(119)**	(41)	**(903)**	(1)
Dividend income	**-**	-	**(14,000)**	-
Write off of plant and equipment	**-**	33	**-**	-
Fair value changes on financial instrument	**690**	-	**-**	-
Allowance for doubtful debt	**1,688**	55	**-**	-
Bad debts written off	**1,111**	939	**-**	-
Inventories written off	**521**	710	**-**	-
Inventories written down	**-**	1,846	**-**	-
Reversal of inventories written down	**(1,755)**	-	**-**	-
Operating profit/(loss) before changes in working capital	**44,091**	41,790	**(1,157)**	145
Changes in working capital:				
Inventories	**11,030**	(26,638)	**-**	-
Receivables, deposits and prepayments	**24,893**	(45,676)	**(9)**	8
Payables and accruals	**(39,493)**	58,364	**482**	(4)
Cash generated from/(used in) operations	**40,521**	27,840	**(684)**	149
Tax paid	**(11,181)**	(8,490)	**(152)**	-
Net cash generated from/(used in) operating activities	**29,340**	19,350	**(836)**	149
Cash flows from investing activities				
Purchase of property, plant and equipment	**(826)**	(1,670)	**(11)**	(31)
Proceeds from disposal of property, plant and equipment	**115**	3,391	**-**	-
Dividend received	**-**	-	**10,500**	-
Purchase of non-controlling interest	**(5,440)**	-	**(5,440)**	-
Net cash (used in)/generated from investing activities	**(6,151)**	1,721	**5,049**	(31)

STATEMENTS OF CASH FLOW
for the year ended 31 December 2010
cont'd

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Repayment of bank borrowings	**(39,000)**	(10,000)	**-**	-
Advances to subsidiaries	**-**	-	**(37,068)**	(117)
Advances from/(to) previous holding company	**23**	(24)	**-**	-
Deposits uplifted from a licensed bank	**-**	4	**-**	-
Interest paid	**(1,868)**	(2,646)	**(23)**	(10)
Interest received	**119**	41	**903**	1
Dividend paid to owners of the company	**(4,800)**	(74)	**(4,800)**	-
Prior year dividend	**(9,600)**	-	**-**	-
Issuance of shares	**39,420**	-	**39,420**	-
Share issue expenses	**(977)**	-	**(977)**	-
Net cash used in financing activities	**(16,683)**	(12,699)	**(2,545)**	(126)
Net increase/(decrease) in cash and cash equivalents	**6,506**	8,372	**1,668**	(8)
Cash and cash equivalents at beginning of year	**24,236**	15,864	**37**	45
Cash and cash equivalents at end of year	**30,742**	24,236	**1,705**	37

Cash and cash equivalents included in the statements of cash flow comprise the following statements of financial position amount:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	**30,742**	24,236	**1,705**	37

The notes on pages 56 to 92 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

ECS ICT Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

Principal place of business
Lot 3, Jalan Teknologi 3/5
Taman Sains Selangor
Kota Damansara
47810 Petaling Jaya

Registered office
Level 8, Uptown 1
1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements of the Company as at and for the year ended 31 December 2010 do not include any other entities.

The principal activities of the Company consist of investment holding, marketing of microcomputers, peripherals, software and provision of computer maintenance services. The principal activities of the subsidiaries are as stated in Note 4 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 18 March 2011.

1. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  - Additional Exemptions for First-time Adopters

1. BASIS OF PREPARATION *cont'd*

(a) Statement of Compliance *cont'd*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011 *cont'd*
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011
- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012
- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate

The Group and the Company plan to adopt the abovementioned standards, amendments and interpretations:

- From the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for FRS 1 (revised), amendments to FRS 2, IC Interpretation 12, 16 and 18 which are not applicable to the Group and the Company.

- From the annual period beginning 1 January 2012 for these standards, amendments and interpretations that will be effective for annual periods beginning on or after 1 January 2011 and 1 January 2012, except for amendments to IC Interpretation 14, IC Interpretation 19 and IC Intepretation 15 which are not applicable to the Group and the Company.

The initial application of the aforesaid applicable standards (and its consequential amendments) and interpretations are not expected to have any material impact on the financial statements of the Group and the Company upon their initial adoption.

Following the announcement made by the MASB on 1 August 2008, the Group's and the Company's financial statements for the year ended 31 December 2012 will be prepared in accordance with the International Financial Reporting Standards ("IFRS") Framework.

The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

(b) Basis of Measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis other than as disclosed in the financial statements.

(c) Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

1. BASIS OF PREPARATION *cont'd*

(d) Use of Estimates and Judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 5 - Measurement of recoverable amounts of cash-generating units
- Note 6 - Measurement of net realisable value of inventories

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, other than those disclosed in the following note:

- Note 2(c) – Financial instruments

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting except for business combinations involving entities or businesses under common control which are accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired is taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

(ii) Changes in Group composition

When the Group purchases a subsidiary's equity shares from non-controlling interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of Consolidation *cont'd*

(ii) Changes in Group composition *cont'd*

The Group treats all other changes in group composition as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Non-controlling interest

Non-controlling interest at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between non-controlling interest and the owners of the Company.

Where losses applicable to the non-controlling interest exceed the non-controlling interests' in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the non-controlling interest's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial Instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 28.

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in income statement.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with financial institutions) and loans and receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial Instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement cont'd

Financial assets cont'd

(d) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in income statement. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statement. Interest calculated for a debt instrument using the effective interest method is recognised in income statement.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in income statement.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to income statement using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in income statement upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial Instruments *cont'd*

(iv) Regular way purchase or sale of financial assets cont'd

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statement.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

(d) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" and "other expenses" respectively in income statement.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to income statement. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Property, Plant and Equipment *cont'd*

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

• Freehold office blocks	50 years
• Office equipment	5 years
• Office renovation	5 years
• Motor vehicles	5 years
• Furniture and fittings	4 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at end of the reporting period.

(e) Leased Assets

Operating lease

Payments made under operating leases are recognised in income statement on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in income statement as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

(i) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in income statement and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to the income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in income statement for an investment in an equity instrument is not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets, assets arising from employee benefits and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(j) Impairment *cont'd*

(ii) Non-financial assets *cont'd*

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Equity Instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Employee Benefits

Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent Liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue Recognition

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Fees from service maintenance contracts are recognised in the statement of comprehensive income over the period of the contract.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in income statement except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in the income statement using the effective interest method in the period in which they are incurred.

Following the adoption of FRS 123, Borrowing Costs, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in income statement except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in income statement as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Operating Segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold office blocks RM'000	Office equipment RM'000	Office renovation RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Total RM'000
Cost						
At 1 January 2009	4,100	7,961	256	1,467	932	14,716
Additions	-	951	-	2	717	1,670
Disposals	(4,100)	(88)	(97)	(55)	(42)	(4,382)
Written off	-	(1,955)	(44)	-	(139)	(2,138)
At 31 December 2009/ 1 January 2010	-	6,869	115	1,414	1,468	9,866
Additions	-	541	4	250	31	826
Disposals	-	(22)	-	(213)	-	(235)
At 31 December 2010	**-**	**7,388**	**119**	**1,451**	**1,499**	**10,457**
Accumulated depreciation						
At 1 January 2009	1,165	5,535	182	1,131	186	8,199
Charge for the year	55	931	25	144	347	1,502
Disposals	(1,220)	(67)	(94)	(55)	(16)	(1,452)
Written off	-	(1,928)	(42)	-	(135)	(2,105)
At 31 December 2009/ 1 January 2010	-	4,471	71	1,220	382	6,144
Charge for the year	-	861	23	155	364	1,403
Disposals	-	(11)	-	(212)	-	(223)
At 31 December 2010	**-**	**5,321**	**94**	**1,163**	**746**	**7,324**
Carrying amounts						
At 1 January 2009	2,935	2,426	74	336	746	6,517
At 31 December 2009/ 1 January 2010	-	2,398	44	194	1,086	3,722
At 31 December 2010	**-**	**2,067**	**25**	**288**	**753**	**3,133**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Company	Office equipment RM'000	Office renovation RM'000	Furniture and fittings RM'000	Total RM'000
Cost				
At 1 January 2009	275	8	9	292
Additions	31	-	-	31
Written off	(13)	(8)	(9)	(30)
At 31 December 2009/1 January 2010	293	-	-	293
Additions	11	-	-	11
At 31 December 2010	**304**	**-**	**-**	**304**
Accumulated depreciation				
At 1 January 2009	74	8	9	91
Charge for the year	56	-	-	56
Written off	(13)	(8)	(9)	(30)
At 31 December 2009/1 January 2010	117	-	-	117
Charge for the year	58	-	-	58
At 31 December 2010	**175**	**-**	**-**	**175**
Carrying amounts				
At 1 January 2009	201	-	-	201
At 31 December 2009/1 January 2010	176	-	-	176
At 31 December 2010	**129**	**-**	**-**	**129**

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares - at cost	**77,022**	70,122

NOTES TO THE FINANCIAL STATEMENTS
cont'd

4. INVESTMENTS IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2010 %	Effective ownership interest 2009 %
ECS KU Sdn. Bhd.	All these companies are engaged in the marketing of micro computers, peripherals, software and the provision of computer maintenance services.	Malaysia	**100**	100
ECS Pericomp Sdn. Bhd.		Malaysia	**100**	80
ECS Astar Sdn. Bhd.		Malaysia	**100**	100
ECS KUSH Sdn. Bhd.	Provision of management services and letting of properties	Malaysia	**100**	100

In the prior year, pursuant to the proposed listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, the Company undertook an internal rationalisation exercise which resulted in the Company becoming the holding company of the Group. The internal rationalisation exercise involved the following:

(i) On 9 November 2009, ECS KUSH Sdn. Bhd. ("KUSH") disposed its entire shareholdings in the issued and paid-up share capital of the Company to ECS Holdings Limited, Sengin Sdn. Bhd. and Teo Soo Pin Sdn. Bhd. This resulted in a change of the Company's immediate holding company from KUSH to ECS Holdings Limited;

(ii) On 25 November 2009, the Company held an Extraordinary General Meeting ("EGM") to approve the acquisition of the entire issued and paid-up share capital of KUSH comprising 1,000,002 ordinary shares of RM1.00 each for a total purchase consideration of RM68,462,121, wholly satisfied through the issuance of 91,000,000 new ordinary shares of RM0.50 each at approximately RM0.75 per share; and

(iii) On 30 November 2009, the Company held an EGM and the following was approved and subsequently implemented:

(a) The acquisition of the entire issued and paid-up share capital of ECS Astar Sdn. Bhd. ("Astar"), comprising 500,000 ordinary shares of RM1.00 each from KUSH for a consideration of RM100,000, satisfied by way of indebtedness owing by the Company to KUSH and was subsequently settled through the utilisation of proceeds from the public issue;

(b) The acquisition of the entire issued and paid-up share capital of ECS KU Sdn. Bhd. ("KU"), comprising 400,000 ordinary shares of RM1.00 each from KUSH for a consideration of RM1,000,000, satisfied by way of indebtedness owing by the Company to KUSH was subsequently settled through the utilisation of proceeds from the public issue; and

(c) The acquisition of 320,000 ordinary shares of RM1.00 each in ECS Pericomp Sdn. Bhd. ("Pericomp") from KUSH, representing 80% of the issued and paid-up share capital of Pericomp for a consideration of RM560,000, satisfied by way of indebtedness owing by the Company to KUSH was subsequently settled through the utilisation of proceeds from the public issue.

The acquisition of interests in the above companies qualifies as an acquisition under common control and was accounted for and presented under the pooling-of-interests method of consolidation. Accordingly, the Group recognized a merger deficit of RM44,561,000 in equity, as disclosed in Note 11.

During the year, the remaining 20% of the issued and paid-up share capital of 80,000 ordinary shares of RM1.00 each in Pericomp, were purchased from SIS Investment Holdings Ltd ("SIS"), for a consideration of RM6,900,000 satisfied through the issuance of 1,000,000 new ordinary shares of RM0.50 each at an offer price of RM1.46 per share and the remaining consideration of RM5,440,000 was satisfied by way of indebtedness owing by the Company to SIS and settled through the utilisation of proceeds from the public issue.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. GOODWILL ON CONSOLIDATION

	Group	
	2010	**2009**
	RM'000	**RM'000**
At 1 January	**-**	-
Acquisition through business combination	**571**	-
At 31 December	**571**	-

Impairment Testing for Cash-Generating Unit Containing Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value in use. The carrying amount of the unit was determined to be approximately its recoverable amount and no impairment loss was recognised.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

Cash flows were projected based on past experience, actual operating results and one-year business plan in current year. Cash flows for the one-year period were projected using a constant growth rate of 8.7 percent, which does not exceed the long-term average growth rate of the industry.

The values assigned to the key assumptions represent management's assessment of future trends in the IT industry and are based on both external sources and internal sources (historical data).

6. INVENTORIES

	Group	
	2010	**2009**
	RM'000	**RM'000**
At cost:		
Finished goods	**79,386**	83,858
Goods-in-transit	**887**	1,419
At net realisable value:		
Finished goods	**1,227**	6,019
	81,500	91,296

Included in inventories of the Group are goods in transit amounting to RM886,704 (2009: RM1,418,589).

The write-down of inventories to net realisable value amounted to RM1,181,000 (2009: RM3,007,000).

Inventories amounted to RM71,000 (2009: RM nil) had been written off against the provision for stock obsolescence during the year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

7. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade					
Trade receivables		**137,260**	162,711	**-**	-
Less: Allowance for doubtful debts	7.1	**(2,083)**	(457)	**-**	-
		135,177	162,254	**-**	-
Amount due from related parties	7.2	**51**	72	**-**	-
Amount due from subsidiaries	7.3	**-**	-	**116**	14
		135,228	162,326	**116**	14
Non-trade					
Other receivables		**12,894**	13,218	**-**	-
Deposits	7.4	**1,064**	975	**7**	2
Prepayments		**174**	516	**5**	-
Amount due from immediate holding company	7.5	**-**	23	**-**	-
Amounts due from related companies	7.5	**-**	16	**-**	-
Amount due from subsidiaries	7.3	**-**	-	**35,920**	-
		14,132	14,748	**35,932**	2
		149,360	177,074	**36,048**	16

7.1 Allowance for doubtful debt

During the year, trade receivables amounting to RM62,000 (2009: RM677,000) was written off against the allowance for doubtful debt.

7.2 Amount due from related parties

The trade receivables due from related parties are subject to normal trade terms.

7.3 Amount due from subsidiaries

The amount due from subsidiaries are unsecured, bear interest at 4% (2009: 5%) per annum and subject to the normal trade terms.

7.4 Deposits

Included in deposits is an amount of RM773,000 (2009: RM773,000) paid as rental security deposits to a company in which certain directors have substantial interests.

7.5 Amounts due from immediate holding company and related companies

The amounts due from immediate holding company and related companies are unsecured, interest free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. CASH AND CASH EQUIVALENTS

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash and bank balances	**30,742**	24,236	**1,705**	37

9. SHARE CAPITAL

	Note	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Company					
Authorised:					
Ordinary shares of RM0.50 each/ RM1.00 each					
At 1 January		**500,000**	**1,000,000**	1,000	1,000
Subdivision of shares	(a)	**-**	**-**	-	1,000
Ordinary shares of RM0.50 each		**500,000**	**1,000,000**	1,000	2,000
Creation of shares	(b)	**-**	**-**	499,000	998,000
At 31 December		**500,000**	**1,000,000**	500,000	1,000,000
Issued and fully paid:					
Ordinary shares of RM0.50 each/ RM1.00 each					
At 1 January		**46,000**	**92,000**	500	500
Subdivision of shares	(a)	**-**	**-**	-	500
Ordinary shares of RM0.50 each		**46,000**	**92,000**	500	1,000
Initial Public Offer	(d)	**13,500**	**27,000**	-	-
Acquisition of subsidiary	(c),(e)	**500**	**1,000**	45,500	91,000
At 31 December		**60,000**	**120,000**	46,000	92,000
Group					
Issued and fully paid:					
Ordinary shares of RM0.50 each		**46,000**	**92,000**	46,000	92,000
Subdivision of shares	(a)	**-**	**-**	-	-
Ordinary shares of RM0.50 each		**46,000**	**92,000**	46,000	92,000
Initial Public Offer	(d)	**13,500**	**27,000**	-	-
Acquisition of subsidiary	(c),(e)	**500**	**1,000**	-	-
At 31 December		**60,000**	**120,000**	46,000 #	92,000 #

NOTES TO THE FINANCIAL STATEMENTS
cont'd

9. SHARE CAPITAL *cont'd*

In previous financial year, there were the following movements in share capital:

a) the subdivision of the existing authorised share capital comprising of 1,000,000 ordinary shares of RM1.00 each into 2,000,000 ordinary shares of RM0.50 each;

b) the increase in authorised share capital from RM1,000,000 to RM500,000,000 by the creation of 998,000,000 ordinary shares of RM0.50 each; and

c) the issue of 91,000,000 ordinary shares at approximately RM0.75 per share for the acquisition of subsidiaries under common control pursuant to the Group's internal rationalisation exercise (Note 4).

The share capital of the Group as at 31 December 2009 has been restated from RM500,000 to RM46,000,000 to reflect the effects of acquisition of subsidiaries under common control using the pooling-of-interests basis of consolidation. The restated share capital represents the amount of paid-up capital of the Company subsequent to the issuance of shares to acquire the subsidiaries under common control.

During the financial year, the Company issued:

d) 27,000,000 new ordinary shares of RM0.50 each at an issued price of RM1.46 per share in its Initial Public Offering in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad; and

e) 1,000,000 new ordinary shares of RM0.50 each as part of purchase consideration for the acquisition of 20% shares in ECS Pericomp Sdn. Bhd. (Note 4).

9.1 Share Premium

Share premium reserve relates to the excess of amount received by an entity over the par value of its shares derived as follows:

	Issue price	Par Value	Total Number of shares	Share premium
	RM	RM	'000	RM'000
At 1 January 2009/31 December 2009/ 1 January 2010				
Initial Public Offer	1.46	0.50	27,000	25,920
Acquisition of subsidiary	1.46	0.50	1,000	960
			28,000	26,880
Less: Share issue expenses				(977)
At 31 December 2010				**25,903**

10. RESERVES

Revaluation Reserve

The revaluation reserve relates to the net reserves arising from revaluation of freehold office blocks. During the last financial year, the revaluation reserve was crystallised and transferred to retained earnings upon the disposal of the freehold office blocks.

Retained Earnings

Pursuant to Section 50 of the Savings and Transitional Provisions Income Tax Act, 1967, the Company has elected the irrevocable option to disregard the Section 108 balance and exercised an irrevocable option not to deduct tax under Section 40 of the said Act. As such, the Company may distribute single tier dividend to its shareholders out of its entire retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. MERGER RESERVE/DEFICIT

11.1 Company - Merger Reserve

Share premium arising from the issue of shares for the acquisition of subsidiaries were not recorded pursuant to the application of Section 60(4) of the Companies Act, 1965 in Malaysia. The difference in the purchase consideration and the nominal value of share capital issued is treated as capital reserve.

11.2 Group - Merger Deficit/Retained Earnings

The merger deficit arose from the Group's internal rationalisation exercise as set out in Note 4 which involved related parties under common control. The amount represents the excess of the consideration given over the accumulated value of the share capitals of the combining entities. The merger deficit was set-off against the reserves of the Group.

12. PAYABLES AND ACCRUALS, INCLUDING DERIVATIVES

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current:					
Trade					
Trade payables	12.1	**53,049**	100,643	**-**	-
Deferred revenue		**285**	363	**-**	-
		53,334	101,006	**-**	-
Non-trade					
Other payables and accrued expenses		**50,257**	42,658	**512**	30
Amounts due to subsidiaries	12.2	**-**	-	**695**	1,740
Dividend payable	12.3	**-**	9,600	**-**	-
Derivative liabilities		**690**	-	**-**	-
		50,947	52,258	**1,207**	1,770
		104,281	153,264	**1,207**	1,770
Non-current:					
Other payables		**29**	29	**-**	-

12.1 Analysis of Foreign Currency Exposure for Significant Payables

Significant payables that are not in the functional currency of the Group entities are as follows:

		Group	
		2010 RM'000	2009 RM'000
Functional currency	**Foreign currency**		
RM	USD	**32,508**	44,129

12.2 Amount due to subsidiaries

The amount due to subsidiaries are unsecured, bear interest at 4% (2009: 5%) per annum and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

12. PAYABLES AND ACCRUALS, INCLUDING DERIVATIVES *cont'd*

12.3 Dividend Payable

During the year, a subsidiary company paid a single tier interim dividend of 959.998 sen per ordinary share, totalling RM9,600,000 in respect of the financial year ended 31 December 2009 to the previous shareholders on 22 February 2010. The said dividend was declared and approved prior to the restructuring of the Group in conjunction with its listing exercise.

13. BORROWINGS (UNSECURED)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Bankers' acceptances	**12,700**	47,900	**-**	-
Revolving credits	**-**	3,800	**-**	-
	12,700	51,700	**-**	-

The bankers' acceptances and revolving credits bear interest at rates ranging from 2.72% to 4.35% (2009: 2.72% to 3.58%) per annum and 3.28% to 5.50% (2009: 3.28% to 3.78%) per annum, respectively.

The bankers' acceptances and revolving credits are supported by the following items:

i) corporate guarantees by the Company (2009: previous holding company) for certain subsidiaries; and

ii) negative pledge over the entire assets of a subsidiary.

14. DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property, plant and equipment						
- capital allowances	**-**	-	**(383)**	(418)	**(383)**	(418)
- unabsorbed capital allowances	**321**	125	**-**	-	**321**	125
Provisions	**1,017**	1,263	**-**	-	**1,017**	1,263
Other items	**116**	262	**-**	(1)	**116**	261
Tax assets/(liabilities)	**1,454**	1,650	**(383)**	(419)	**1,071**	1,231
Set off of tax	**-**	(256)	**-**	256	**-**	-
Net tax assets/(liabilities)	**1,454**	1,394	**(383)**	(163)	**1,071**	1,231

NOTES TO THE FINANCIAL STATEMENTS
cont'd

14. DEFERRED TAX ASSETS AND LIABILITIES *cont'd*

Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2010	2009
	RM'000	RM'000
Capital allowances	-	44
Taxable temporary differences	-	(148)
Tax losses	-	127
	-	23

The unutilised capital allowance and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it was not probable that future taxable profits would be available against which the Group could utilise the benefits from.

Movement in Temporary Differences During the year

Group	At 1.1.2009	Recognised in income statement (Note 18)	Recognised in other comprehensive income	At 31.12.2009	Recognised in income statement (Note 18)	At 31.12.2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment						
- capital allowances	(480)	62	-	(418)	35	**(383)**
- revaluation	(324)	-	324	-	-	**-**
- unabsorbed capital allowances	51	74	-	125	196	**321**
Provisions	714	549	-	1,263	(246)	**1,017**
Other items	(119)	380	-	261	(145)	**116**
	(158)	1,065	324	1,231	(160)	**1,071**

15. REVENUE

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Sales	**1,270,946**	1,343,258	**-**	-
Services	**566**	2,355	**180**	120
Rental income from subsidiaries	**-**	-	**156**	165
Dividend income from subsidiaries	**-**	-	**14,000**	-
	1,271,512	1,345,613	**14,336**	285

NOTES TO THE FINANCIAL STATEMENTS
cont'd

16. PROFIT BEFORE TAX

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	**1,688**	55	**-**	-
Auditors' remuneration				
- Statutory audit	**88**	79	**30**	25
- Other services	**-**	91	**-**	4
Bad debts written off	**1,111**	939	**-**	-
Depreciation	**1,403**	1,502	**58**	56
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	**1,596**	1,440	**12**	9
- Wages, salaries and others	**25,052**	23,931	**139**	104
Loss on foreign exchange:				
- Realised	**1**	-	**1**	-
- Unrealised	**-**	1,044	**-**	-
Inventories written down	**-**	1,846	**-**	-
Inventories written off	**521**	710	**-**	-
Plant and equipment written off	**-**	33	**-**	-
Rental expense:				
- Office rental	**1,138**	1,129	**4**	10
- Warehouse rental	**515**	515	**-**	-
and after crediting:				
Gain on foreign exchange (net):				
- Realised	**1,678**	1,020	**-**	-
- Unrealised	**580**	-	**-**	-
Gain on disposal of property, plant and equipment	**103**	461	**-**	-
Bad debts recovered	**709**	276	**-**	-
Reversal of inventories written down	**1,755**	-	**-**	-
Reversal of allowance for doubtful debts	**-**	-	**-**	2

NOTES TO THE FINANCIAL STATEMENTS
cont'd

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
- Fees	**353**	12	**340**	-
- Remuneration	**4,190**	3,738	**15**	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**38**	24	**-**	-
	4,581	3,774	**355**	-
Other key management personnel				
- Remuneration	**868**	814	**-**	-
- Contributions to Employees Provident Fund	**190**	173	**-**	-
- Other short-term employee benefits	**785**	693	**-**	-
	1,843	1,680	**-**	-
	6,424	5,454	**355**	-

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

18. TAX EXPENSE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
- Current year	**9,944**	9,213	**3,604**	-
- Prior years	**233**	355	**-**	-
Deferred tax expense				
- Origination and reversal of temporary differences	**256**	(900)	**18**	-
- Over provision in prior year	**(96)**	(165)	**-**	-
	10,337	8,503	**3,622**	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

18. TAX EXPENSE *cont'd*

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Reconciliation of tax expense				
Profit for the year	**29,030**	25,014	**10,043**	80
Tax expense	**10,337**	8,503	**3,622**	-
Profit excluding tax	**39,367**	33,517	**13,665**	80
Tax at Malaysian tax rate of 25%	**9,842**	8,379	**3,416**	20
Non-deductible expenses	**639**	114	**210**	-
Non-taxable income	**-**	(143)	**-**	(20)
Changes in unrecognised temporary differences	**-**	(37)	**-**	-
Utilisation of previously unrecognised deferred tax assets	**(5)**	-	**(4)**	-
Utilisation of current year business loss	**(276)**	-	**-**	-
	10,200	8,313	**3,622**	-
Under provision of tax expense in prior year	**233**	355	**-**	-
Over provision of deferred tax expense in prior year	**(96)**	(165)	**-**	-
	10,337	8,503	**3,622**	-

19. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Profit attributable to owners of the Company	**28,927**	24,112
	'000	**'000**
Issued ordinary shares at 1 January	**92,000**	92,000
Effect of ordinary shares issued during the year	**20,482**	-
Weighted average number of ordinary shares in issue	**112,482**	92,000
Basic earnings per share (sen)	**25.72**	26.21

20. DIVIDEND

Dividends recognised in the current year by the Company are:

2010	**Sen per share (net of tax)**	**Total amount RM'000**	**Date of payment**
Interim 2010 ordinary – single tier	4	4,800	16 Jun 2010

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share (net of tax)	**Total amount RM'000**	**Proposed date of payment**
Final ordinary dividend	4	4,800	14 June 2011

21. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(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.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's Chief Operating Decision Maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment Assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

Segment Liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer. Hence no disclosure is made on segment liability.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

21. OPERATING SEGMENTS *cont'd*

Segmental information for the Group is presented as follows:

2010	ICT distribution RM'000	Enterprise systems RM'000	ICT services RM'000	Other non-reportable segments RM'000	Total RM'000	Elimination RM'000	Total RM'000
Sales to external customer	**855,316**	**404,765**	**11,431**	**-**	**1,271,512**	**-**	**1,271,512**
Inter-segment sales	**1,619**	**10,313**	**2,655**	**16,426**	**31,013**	**(31,013)**	**-**
Total sales	**856,935**	**415,078**	**14,086**	**16,426**	**1,302,525**	**(31,013)**	**1,271,512**
Profit before tax	**24,307**	**14,261**	**526**	**7,687**	**46,781**	**(7,414)**	**39,367**
Included in segment profit are:							
- Depreciation	**165**	**184**	**10**	**1,057**	**1,416**	**(13)**	**1,403**
- Gain/(loss) on disposal of property, plant and equipment	**81**	**22**	**1**	**(1)**	**103**	**-**	**103**
- Finance cost	**1,257**	**595**	**16**	**-**	**1,868**	**-**	**1,868**
- Interest income	**58**	**32**	**1**	**28**	**119**	**-**	**119**
Segment assets	**194,303**	**73,222**	**4,396**	**119,612**	**391,533**	**(124,711)**	**266,822**
2009							
Sales to external customer	937,950	388,388	19,275	-	1,345,613	-	1,345,613
Inter-segment sales	6,180	2,205	4,249	10,020	22,654	(22,654)	-
Total sales	944,130	390,593	23,524	10,020	1,368,267	(22,654)	1,345,613
Profit before tax	21,407	11,825	491	12,124	45,847	(12,330)	33,517
Included in segment profit are:							
- Depreciation	193	123	28	1,167	1,511	(9)	1,502
- Gain/(loss) on disposal of property, plant and equipment	(5)	(2)	(7)	475	461	-	461
- Finance cost	1,844	764	38	-	2,646	-	2,646
- Interest income	41	-	-	-	41	-	41
Segment assets	227,234	71,202	4,462	86,659	389,557	(91,719)	297,838

22. OPERATING LEASES

Operating lease rentals are payable as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Less than one year	**1,569**	1,642	**14**	-
Between one and three years	**2**	1,547	**-**	-
	1,571	3,189	**14**	-

The Group leases its office and warehouse on operating leases. The leases run for an initial period of 1 to 3 years (2009: 1 to 3 years) with an option to renew the leases at the end of the lease period. The leases do not include contingent rental.

23. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2010	**2009**
	RM'000	**RM'000**
Guarantees to suppliers and banks for trade credit facilities granted to Group entities	**185,431**	79,523

Guarantees to licensed banks and suppliers for credit facilities granted to Group entities were supported by corporate guarantees from the Company.

24. RELATED PARTIES

Identity of Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Transactions with Key Management Personnel

There are no other transactions with key management personnel other than key management personnel compensation as disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. RELATED PARTIES *cont'd*

Other Related Party Transactions

	Group		Company	
	Transaction value		Transaction value	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Related companies				
Purchases	64	8	-	-
Sales	(16)	(813)	-	-
Subsidiaries				
Dividend received	-	-	(14,000)	-
Interest income	-	-	(874)	-
Rental income	-	-	(156)	(165)
Support services income	-	-	(180)	(180)
Purchase of equipment	-	-	3	-
Interest expense	-	-	23	-
Transaction with a company in which certain Directors have interests:				
Rental expense	1,546	1,546	-	-
Sales	(1,065)	(1,044)	-	-
Professional fee	61	72	-	-

The net balances outstanding arising from the above transactions have been disclosed in Note 7 and Note 12.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are not more favourable to the related parties than those arranged with independent third parties.

25. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL);
(c) Available-for-sale financial assets (AFS);
(d) Held-to-maturity investments (HTM); and
(e) Other financial liabilities measured at amortised cost (OL).

25. FINANCIAL INSTRUMENTS *cont'd*

Categories of Financial Instruments *cont'd*

2010	Carrying amount RM'000	L&R OL RM'000	FVTPL RM'000
Financial assets			
Group			
Receivables, deposits and prepayments	149,360	149,360	-
Cash and cash equivalents	30,742	30,742	-
	180,102	180,102	-
Company			
Receivables, deposits and prepayments	36,048	36,048	-
Cash and cash equivalents	1,705	1,705	-
	37,753	37,753	-
2010			
Financial liabilities			
Group			
Borrowings (unsecured)	12,700	12,700	-
Payables and accruals	103,620	103,620	-
Derivative liabilities	690	-	690
	117,010	116,320	690
Company			
Payables and accruals	1,207	1,207	-

Net Gains and Losses Arising from Financial Instruments

	Group 2010 RM'000	2009 RM'000
Fair value through profit and loss - held for trading	690	-

Financial Risk Management Objectives and Policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Foreign currency risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans, advances and financial guarantees given to subsidiaries.

(i) Receivables

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees of banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

At the balance sheet date there were no significant concentrations of credit risk except for 5 individual debtors which forms 13.1% (2009: 14.1%) of the total trade receivables of the Group as at year end.

The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset.

The ageing of trade receivables as at the end of the reporting period was:

Group	**Gross**	**Individual impairment**	**Collective impairment**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2010				
Not past due	**86,793**	**-**	**-**	**86,793**
Past due 0 - 30 days	**34,438**	**-**	**-**	**34,438**
Past due 31 - 60 days	**12,390**	**-**	**-**	**12,390**
Past due 61 - 90 days	**1,452**	**-**	**-**	**1,452**
Past due 91 - 120 days	**623**	**(38)**	**(481)**	**104**
Past due more than 120 days	**1,564**	**(809)**	**(755)**	**-**
	137,260	**(847)**	**(1,236)**	**135,177**

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group	
	2010	**2009**
	RM'000	**RM'000**
At 1 January 2010	**457**	1,079
Impairment loss recognized	**1,688**	55
Impairment loss written off	**(62)**	(677)
At 31 December 2010	**2,083**	457

25. FINANCIAL INSTRUMENTS *cont'd*

Credit Risk *cont'd*

(ii) Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are made only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

(iii) Financial guarantees

Risk management objectives, policies and processes for managing the risk.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM12,700,000 (2009: RM51,700,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not expected to be material.

(iv) Loan and advances to subsidiaries

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have not been overdue for more than a year.

Foreign Currency Risk

Approximately 25.3% (2009: 19.0%) of the Group's purchases are priced in US dollars. The Group and the Company hedge a portion of these exposures by purchasing forward currency contracts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

Liquidity Risk

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

Interest Rate Risk

Exposure to interest rate risk

In the current low interest rate scenario, the Group and the Company borrow for operations at variable rates using its trade financing and revolving credit in order to finance capital expenditure.

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate instruments				
Financial assets	-	-	36,036	14
Financial liabilities	-	-	(695)	(1,740)
	-	-	35,341	(1,726)
Floating rate instruments				
Financial liabilities	(12,700)	(51,700)	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not materially affect profit or loss.

A change of 100 basis points (bp) in interest rates at the end of the reporting period would not have a material impact on equity and post-tax profit or loss.

The following table shows information about exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which in which they mature, or if earlier, reprice.

	2010					2009				
Group	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	After 5 years RM'000	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	After 5 years RM'000
Financial liabilities										
Revolving credits	3.53	-	-	-	-	3.53	3,800	3,800	-	-
Bankers' acceptances	3.15	12,700	12,700	-	-	3.15	47,900	47,900	-	-
Company										
Financial assets										
Amounts due from subsidiaries	4.00	36,036	36,036	-	-	5.00	14	14	-	-
Financial liabilities										
Amounts due to subsidiaries	4.00	695	695	-	-	5.00	1,740	1,740	-	-

25. FINANCIAL INSTRUMENTS *cont'd*

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2010		2009	
	Principal amount	Carrying amount/ Fair value	Principal amount	Carrying amount/ Fair value
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Forward exchange contracts*:				
Liabilities	**39,579**	**690**	44,745	-

* *The Group has entered into forward exchange contracts with principal amount of RM39,579,000 (2009: RM44,745,000). As at the reporting date, the fair value of these contracts has been recognised in the financial statements.*

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Advances to/(from) subsidiaries	**35,225**	**35,225**	(1,740)	(1,740)

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

Investments in equity and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption provided in the standard.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the debt-to-equity ratio at the lower end range. The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Total borrowings (Note 13)	**12,700**	51,700
Less: Cash and cash equivalents (Note 8)	**(30,742)**	(24,236)
Net debt	**(18,042)**	27,464
Total equity	**147,367**	89,563
Debt-to-equity ratios	**(0.12)**	0.31

There were no changes in the Group's approach to capital management during the financial year.

27. SIGNIFICANT EVENTS

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Securities on 15 April 2010, the Company has completed the listing scheme as below:

(a) Initial Public Offering:

(i) Public issue of 27,000,000 new ordinary shares of RM0.50 each ("ECSB Shares") at an issue price of RM1.46 per share; and

(ii) Offer for sale of up to 20,000,000 ECSB Shares at an offer price of RM1.46 per share.

(b) The Company had on 18 June 2009, entered into a Share Sales Agreement with SIS to acquire the remaining 80,000 ordinary shares of RM1.00 each, representing 20% of the total issued and paid up share capital of ECS Pericomp Sdn. Bhd., a 80% owned subsidiary of the Company, for a purchase consideration of RM6,900,000 ("20% Pericomp Acquisition").

The purchase consideration of RM6,900,000 was satisfied through the issuance of 1,000,000 new ordinary shares of RM0.50 each at RM1.46 per share and cash of RM5,440,000.

28. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

28.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the income statement.

28. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *cont'd*

28.1 FRS 139, *Financial Instruments: Recognition and Measurement* *cont'd*

Intercompany loans

Prior to the adoption of FRS 139, intercompany loans were recorded at cost. With the adoption of FRS 139, intercompany loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in income statement using the effective interest method.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debt was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The adoption of FRS 139 does not result in a material effect to the results of the Group and of the Company.

28.2 FRS 123, *Borrowing Costs*

Before 1 January 2010, borrowing costs were all expensed to income statement as and when they were incurred. With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 January 2010.

The change in accounting policy has no material effect on the results of the Group and of the Company.

28.3 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, who is the Group's Chief Operating Decision Maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were not disclosed.

28.4 FRS 101 (revised), *Presentation of Financial Statements*

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

29. COMPARATIVE FIGURES

29.1 The comparative figures for the Group were derived from the financial statement of the subsidiaries based on the pooling-of-interest method of consolidation.

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

	As previously stated RM'000	As restated RM'000
Cost of sales	1,274,112	1,276,723
Distribution expenses	15,892	25,071
Administrative expenses	21,052	9,262

NOTES TO THE FINANCIAL STATEMENTS
cont'd

30. REALISED AND UNREALISED PROFITS/LOSSES DISCLOSURE

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group 2010 RM'000	Company 2010 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised profits	111,762	4,881
- Unrealised profits/(loss)	1,074	(18)
	112,836	4,863
Less: Consolidation adjustments	(51,372)	-
Total retained earnings	61,464	4,863

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 50 to 91 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 30 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf on the Board of Directors in accordance with a resolution of the Directors:

FOO SEN CHIN

SOONG JAN HSUNG

Petaling Jaya

18 March 2011

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Foo Sen Chin, the Director primarily responsible for the financial management of ECS ICT Berhad, do solemnly and sincerely declare that the financial statements set out on pages 50 to 92 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 18 March 2011.

FOO SEN CHIN

Before me:

CHARANJIT KAUR
Commissioner for Oaths
No. W606
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of ECS ICT Berhad
(Company No. 351038 H) (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of ECS ICT Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 91.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
to the members of ECS ICT Berhad
(Company No. 351038 H) (Incorporated in Malaysia)
cont'd

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

LOH KAM HIAN
Approval Number: 2941/09/12(J)
Chartered Accountant

Petaling Jaya

18 March 2011

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2011

SHARE CAPITAL

Authorised capital	: RM500,000,000
Issued and fully paid-up	: RM60,000,000
Class of shares	: Ordinary shares of RM0.50 each
Voting rights	: 1 vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	2	0.17	100	0.00
100 – 1,000	143	12.07	117,100	0.10
1,001 – 10,000	748	63.12	4,210,600	3.51
10,001 – 100,000	228	19.24	8,538,700	7.11
100,001 – 5,999,999*	60	5.06	24,225,500	20.19
6,000,000 and above**	4	0.34	82,908,000	69.09
Total	**1,185**	**100.00**	**120,000,000**	**100.00**

* *Less than 5% of issued shares*
** *5% and above of issued shares*

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shareholdings	%
1	ECS Holdings Limited	48,000,000	40.00
2	Sengin Sdn. Bhd.	14,154,000	11.80
3	Teo Soo Pin Sdn Berhad	14,154,000	11.80
4	Dasar Technologies Sdn Bhd	6,600,000	5.50
5	DB (Malaysia) Nominee (Asing) Sdn Bhd *Deutsche Bank AG Singapore for Pangolin Asia Fund*	3,326,900	2.77
6	Citigroup Nominees (Asing) Sdn Bhd *UBS AG Singapore for Alishan Associates Limited*	3,000,000	2.50
7	Melco Holdings Inc.	2,000,000	1.67
8	CIMSEC Nominees (Asing) Sdn Bhd *Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)*	1,247,500	1.04
9	OSK Nominees (Asing) Sdn Berhad *DMG & Partners Securities Pte Ltd for SIS Investment Holdings Ltd (93501)*	1,000,000	0.83
10	Lim Gaik Bway @ Lim Chiew Ah	960,000	0.80
11	HSBC Nominees (Asing) Sdn Bhd *HSBC-FS I for Apollo Asia Fund Ltd*	800,000	0.67
12	Lew Sew Yee @ Liew Sew Yee	779,200	0.65
13	Maybank Investment Bank Berhad *Exempt An CLR (II) for Pangolin Investment Management Pte Ltd*	608,500	0.51
14	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Gan Tee Jin*	600,000	0.50

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2011
cont'd

THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

	Name of Shareholders	No. of Shareholdings	%
15	HDM Nominees (Asing) Sdn Bhd *DBS Vickers Secs (S) Pte Ltd for See Lop Fu James @ Shi Lap Fu James*	500,000	0.42
16	See Hong Cheen @ See Hong Chen	400,000	0.33
17	Migan Sdn Bhd	340,500	0.28
18	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB for Sengin Sdn Bhd (PB)*	306,000	0.26
19	CIMSEC Nominees (Asing) Sdn Bhd *CIMB for Teo Joo Kim (PB)*	300,000	0.25
20	Chan Seng Fatt	290,000	0.24
21	Mayban Nominees (Tempatan) Sdn Bhd *Jincan Sdn Bhd*	267,000	0.22
22	Hilary Fernandez	250,000	0.21
23	Wong Sin Kiew	250,000	0.21
24	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teo Kwee Hock (Margin)*	242,600	0.20
25	Lim Kooi Fui	204,000	0.17
26	Chong Lai Har	200,000	0.17
27	Chuah Tai Eu	200,000	0.17
28	Fung Yok Kim	200,000	0.17
29	HLG Nominee (Tempatan) Sdn Bhd *Pledged Securities Account for Mak Chee Seng*	200,000	0.17
30	Lee Choong Khay	200,000	0.17

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2011

	No. of shareholdings		Percentage of issued share capital
Name of Shareholders	Direct	Indirect	%
ECS Holdings Limited	49,222,500	-	41.02
Sengin Sdn Bhd	14,460,000	-	12.05
Foo Sen Chin	-	14,460,000 (1)	12.05
Lee Marn Fong	-	14,460,000 (2)	12.05
Teo Soo Pin Sdn Bhd	14,154,000	-	11.80
Dato' Teo Chiang Quan	-	14,154,000 (3)	11.80
Teo Chiang Lim	-	14,154,000 (4)	11.80
Teo Chiang Khai	-	14,154,000 (5)	11.80
Dasar Technologies Sdn Bhd	6,600,000	-	5.50

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2011
cont'd

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2011

	Direct		Indirect	
Name of Directors	No. of Shareholdings	%	No. of Shareholdings	%
Dato' Teo Chiang Quan	-	-	14,154,000 (3)	11.80
Foo Sen Chin	-	-	14,460,000 (1)	12.05
Soong Jan Hsung	150,000	0.13	-	-
Tay Eng Hoe	250,000	0.21	-	-
Eddie Foo Toon Ee	50,000	0.04	-	-
Wong Heng Chong	150,000	0.13	-	-

Notes:

1. *By virtue of his substantial shareholdings in Sengin Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*
2. *By virtue of her substantial shareholdings in Sengin Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*
3. *By virtue of his substantial shareholdings in Teo Soo Pin Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*
4. *By virtue of his substantial shareholdings in Teo Soo Pin Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*
5. *By virtue of his substantial shareholdings in Teo Soo Pin Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company will be held at Ballroom I, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 25 May 2011 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements for the year ended 31 December 2010 together with the Reports of the Directors and the Auditors thereon. ***Resolution 1***

2. To approve the declaration of a single tier final dividend of 4 sen per share in respect of the year ended 31 December 2010. ***Resolution 2***

3. To approve the payment of Directors' fees of RM340,000 for the year ended 31 December 2010. ***Resolution 3***

4. To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association:

   (a) Dato' Teo Chiang Quan ***Resolution 4***
   (b) Mr Soong Jan Hsung ***Resolution 5***
   (c) Mr Tay Eng Hoe ***Resolution 6***

5 To re-elect Mr Narong Intanate, a Director who retires pursuant to Article 109 of the Company's Articles of Association. ***Resolution 7***

6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Resolution 8***

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   Proposed Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

   "That approval be and is hereby given for the ratification of all the Recurrent Related Party Transactions of a revenue or trading nature entered into by the Company and/or its subsidiaries ("the Group") with the Related Parties as stated in Section 2.3 of the Circular to Shareholders dated 3 May 2011, which were necessary for its day-to-day operations, undertaken in the ordinary course of business on the basis that these transactions were entered into on terms which were not more favourable to the Related Parties involved than those generally available to the public and were not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed Ratification");

   That further approval be and is hereby given to the Group to enter into and to give effect to the Recurrent Related Party Transactions of a revenue or trading nature with the Related Parties as stated in Section 2.3 of the Circular to Shareholders dated 3 May 2011, which are necessary for the Group's day-to-day operations, to be undertaken in the ordinary course of business on the basis that these transactions are entered into on terms which are not more favourable to the Related Parties involved than those generally available to the public and are not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed Shareholders' Mandate");

   That the Proposed Shareholders' Mandate is subject to annual renewal and shall only continue to be in force until:

   (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which this Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions;

NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING
cont'd

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier.

And that the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Ratification and Proposed Shareholders' Mandate." ***Resolution 9***

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

Authority to Directors to issue shares

"That, subject to the Companies Act, 1965, Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad and other Governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percentum (10%) of the issued share capital of the Company for the time being." ***Resolution 10***

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders, a single tier final dividend of 4 sen per share in respect of the year ended 31 December 2010, will be paid on 14 June 2011 to shareholders whose names appear in the Record of Depositors on 31 May 2011.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the depositor's securities account before 4.00 p.m. on 31 May 2011 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

TAY LEE KONG
Secretary

Petaling Jaya
Selangor Darul Ehsan
3 May 2011

NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING
cont'd

Notes

Appointment of Proxy

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend the meeting and vote on his behalf. A proxy need not be a member of the Company.

2. The proxy form must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the above meeting.

Explanatory Notes on Special Businesses

1. The Ordinary Resolution proposed under item 7, if passed, will ratify the Recurrent Related Party Transactions of a revenue or trading nature entered into from the date of listing, 15 April 2010, up to the date of this meeting, and will authorise the Group to enter into Recurrent Related Party Transactions relating to sale of ICT related products by the Group to the Related Parties. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next AGM.

   Further details of the Proposed Ratification and Proposed Shareholders' Mandate are set out in the Circular dated 3 May 2011 which is circulated together with the 2010 Annual Report.

2. The Ordinary Resolution proposed under item 8, if passed, will give the Directors authority to issue up to ten percentum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next AGM.

   This general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions without having to convene a general meeting.

IMPLEMENTATION OF ELECTRONIC DIVIDEND PAYMENT “eDividend”

3 May 2011

Dear Shareholder,

RE: Implementation of Electronic Dividend Payment (“eDividend”)

Electronic Dividend Payment or eDividend refers to the payment of cash dividends by a listed issuer to its shareholders by directly crediting the shareholders’ cash dividend entitlements into their respective bank accounts. We wish to inform you that all listed issuers who make announcement **on or after 1 September 2010** for a books closing date for cash dividend entitlements are required to pay cash dividend via eDividend to shareholders who have provided their bank account information to Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”).

Benefits of eDividend

i. Faster access to your cash dividends as your entitlement will be directly credited to your bank account;
ii. Eliminates the inconvenience of having to travel to the bank to deposit the dividend cheques;
iii. Eliminates incidents of misplaced, lost or expired cheques;
iv. Eliminates incidents of unauthorised deposit of dividend cheques;
v. The convenience of one-off registration for entitlement to cash dividend from all listed issuers;
vi. Option to consolidate dividends from all your Central Depository System (“CDS”) accounts into one bank account for better account management.

Registration for eDividend

You may register for eDividend through your authorised depository agents (“ADA”/“brokers”) immediately.

There will not be any administrative fee for eDividend registration until 18 April 2012 as part of Bursa Depository’s continuing effort to encourage shareholders to sign up for the eDividend service.

You are required to provide your bank account number and other information to Bursa Depository through your stock broker, by completing the prescribed form. This form can be obtained from your stock broker’s office where your CDS account is maintained, or downloaded from Bursa Malaysia’s website at http://www.bursamalaysia.com.

You need to submit the duly completed prescribed form together with the following documents for registration:-

(a) Individual depositor: Copy of identification documents i.e. NRIC, Passport, Authority Card or other acceptable identification documents. Original documents must be produced for your stock broker’s verification;

Corporate depositor: Certified true copy of the Certificate of Incorporation/Certificate of Registration; and

(b) Copy of your bank statement/bank savings book/details of your bank account obtained from your banks website that has been certified by your bank/copy of letter from your bank confirming your bank account particulars. For individuals, original documents must be produced for your stock broker’s verification. For corporate entities, a certified true copy is to be submitted.

If the CDS account is held in the name of a nominee, the nominee will register for the eDividend.

If you are unable to be present at your stock broker’s office to submit the prescribed form and supporting documents, you can still submit your forms through your remisier or other means to your stock broker’s office but please ensure that the signing of the prescribed form and the supporting documents have been witnessed by an acceptable witness specified by Bursa Depository. In this regard, an acceptable witness includes an Authorised Officer of your stock broker, a Dealer’s Representative, a notary public and an Authorised Officer of the Malaysian Embassy/High Commission.

IMPLEMENTATION OF ELECTRONIC DIVIDEN PAYMENT "eDividend"
cont'd

Notification of eDividend payment after registration

You are encouraged to provide in the prescribed form to Bursa Depository both your mobile phone number and e-mail address, if any. This is to enable the Company to issue electronic notification to you either via e-mail or sms, at the discretion of the Company, once the Company has paid the cash dividend out of its account. Please note that if you provide only your mobile phone number, you may only be notified of the cash dividend payment when you receive your dividend warrant or tax certificate.

Additional information for shareholders

Your savings or current account must be an active bank account, maintained with a local bank under your name or in the case of a joint account, has your name as one of the account holders. The bank account must be maintained with a financial institution that offers MEPS Inter-Bank GIRO ("IBG") service. We provide herewith the current listing of IBG members extracted from the official website of MEPS, for up-to-date listing, you are advised to visit the website at http://www.meps.com.my/faq/interbank_giro.asp?id=2#answer:

1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. AmBank (M) Berhad
4. Bank Islam Malaysia Berhad
5. Bank Muamalat Malaysia Berhad
6. Bank Kerjasama Rakyat Malaysia Berhad
7. Bank of America
8. Bank Simpanan Nasional
9. CIMB Bank Berhad
10. Citibank Berhad
11. Deutsche Bank Berhad
12. EON Bank Berhad
13. Hong Leong Bank Berhad
14. HSBC Bank Malaysia Berhad
15. Malayan Banking Berhad
16. OCBC Bank (Malaysia) Berhad
17. Public Bank Berhad
18. RHB Bank Berhad
19. Standard Chartered Bank Malaysia Berhad
20. The Royal Bank of Scotland Berhad
21. United Overseas Bank (Malaysia) Bhd

We look forward to a successful implementation of eDividend through your active participation, and to serving you better as our valued shareholders. If you have any queries relating to eDividend, please do not hesitate to contact our share registrars:

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel. No. : 03 – 2264 3883
Email : is.enquiry@my.tricorglobal.com

Thank you.

Yours faithfully
On behalf of ECS ICT Berhad

FOO SEN CHIN
Managing Director

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ECS ICT BERHAD
(Company No. 351038-H)
(Incorporated in Malaysia under the Companies Act, 1965)

MSC MALAYSIA Status Company

PROXY FORM

I/We ____
(name of shareholder as per NRIC, in capital letters)

NRIC No. /ID No. /Company No. ____________________ (New) ____________________ (Old)

of ____
(full address)

being a Member/Members of ECS ICT Berhad, hereby appoint ______________________________
(name of proxy as per NRIC, in capital letters)

NRIC No. ____________________ (New) ____________________ (Old) of ______________

____
(full address)

and/or failing him/her ____
(name of proxy as per NRIC, in capital letters)

NRIC No.____________________ (New) ____________________ (Old) of ______________

____ ,
(full address)

or failing him/her, the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Ballroom I, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 25 May 2011 at 10.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 3) for or against the resolutions to be proposed at the meeting as hereunder indicated.

		For	Against
Resolution 1	Reports and Financial Statements		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Re-election and re-appointment of Directors:			
Resolution 4	Dato' Teo Chiang Quan		
Resolution 5	Mr Soong Jan Hsung		
Resolution 6	Mr Tay Eng Hoe		
Resolution 7	Mr Narong Intanate		
Resolution 8	Re-appointment of Auditors and to fix their remuneration		
Resolution 9	Proposed Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 10	Authority to Directors to issue shares		

Dated this ____________________ day ________________ 2011.

CDS ACCOUNT NO.	**NO. OF SHARES HELD**

____
Signature/Common Seal

NOTES

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend the meeting and vote on his behalf. A proxy need not be a member of the Company.*
2. *The proxy form must be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its attorney or officer duly authorised in writing. The power of attorney or a notarially certified copy thereof must be deposited at the Company's Registered Office within the period stated below. In the case of joint members, the signature of any one joint member is sufficient.*
3. *Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.*
4. *Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
5. *The proxy form must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS 21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary

ECS ICT BERHAD (351038-H)

Level 8, Uptown 1
1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

1st Fold Here

DISTRIBUTION INFRASTRUCTURE

Head Office & Flagship warehouse,
Kota Damansara, Selangor