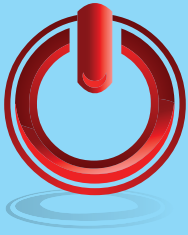


Propelling  
A Robust  
Enterprise



# 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 employees 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.

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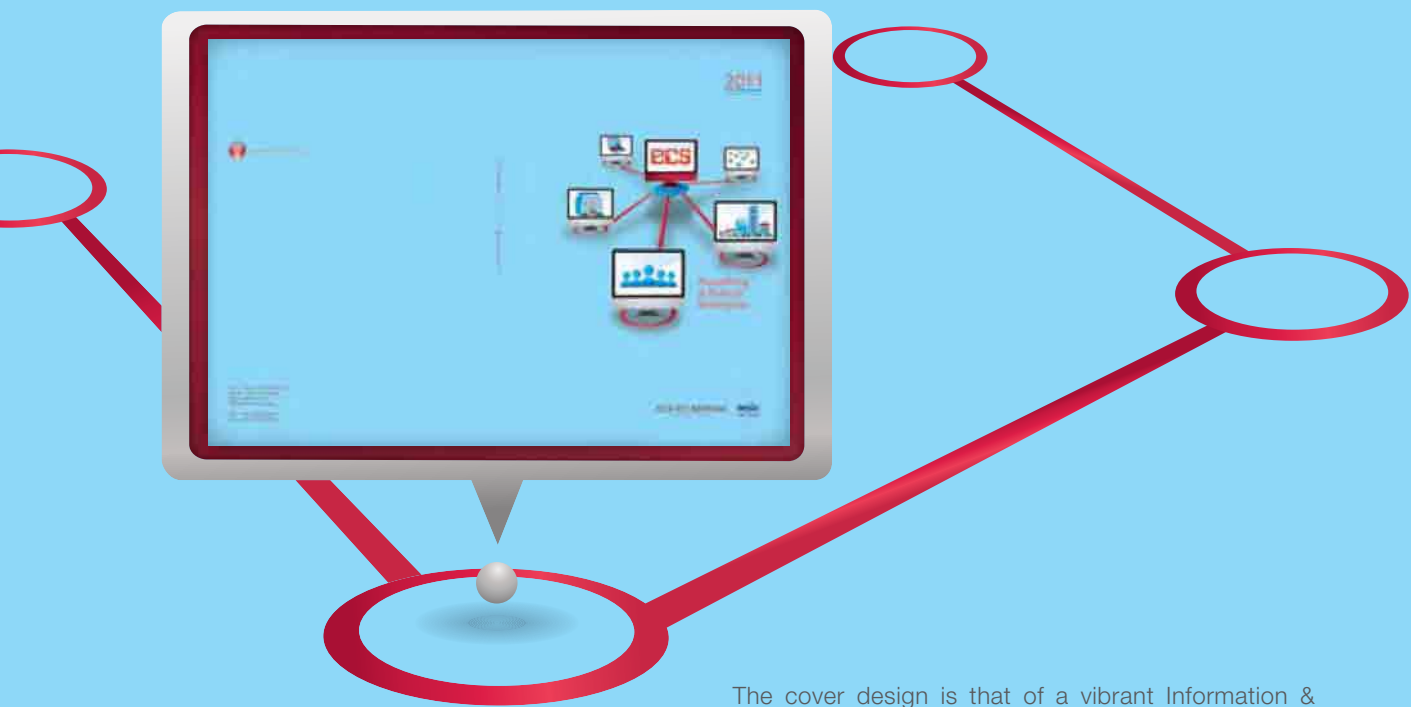
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## cover rationale



The cover design is that of a vibrant Information & Communications Technology ("ICT") Hub supported by five strong sturdy pillars representing the core competencies or competitive strengths uniquely present in the business model of ECS ICT Berhad ("ECSB") Group as follows:

- **ICT products from global brands,**
- **Broad end-user customer base from Consumers to Enterprises,**
- **Nationwide channel of over 2,500 resellers,**
- **Efficient infrastructure based on integrated ERP system,**
- **Experienced Management and committed employees.**

These five pillars continue to uphold and propel a robust enterprise that fulfils the ICT needs of Malaysia's expanding knowledge based economy.

# corporate profile

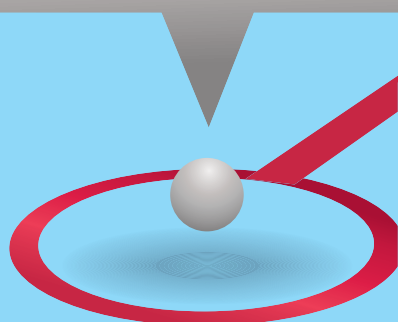
**Today, the Group is a leading distribution hub for ICT products in Malaysia via ECS ASTAR and ECS Pericomp**

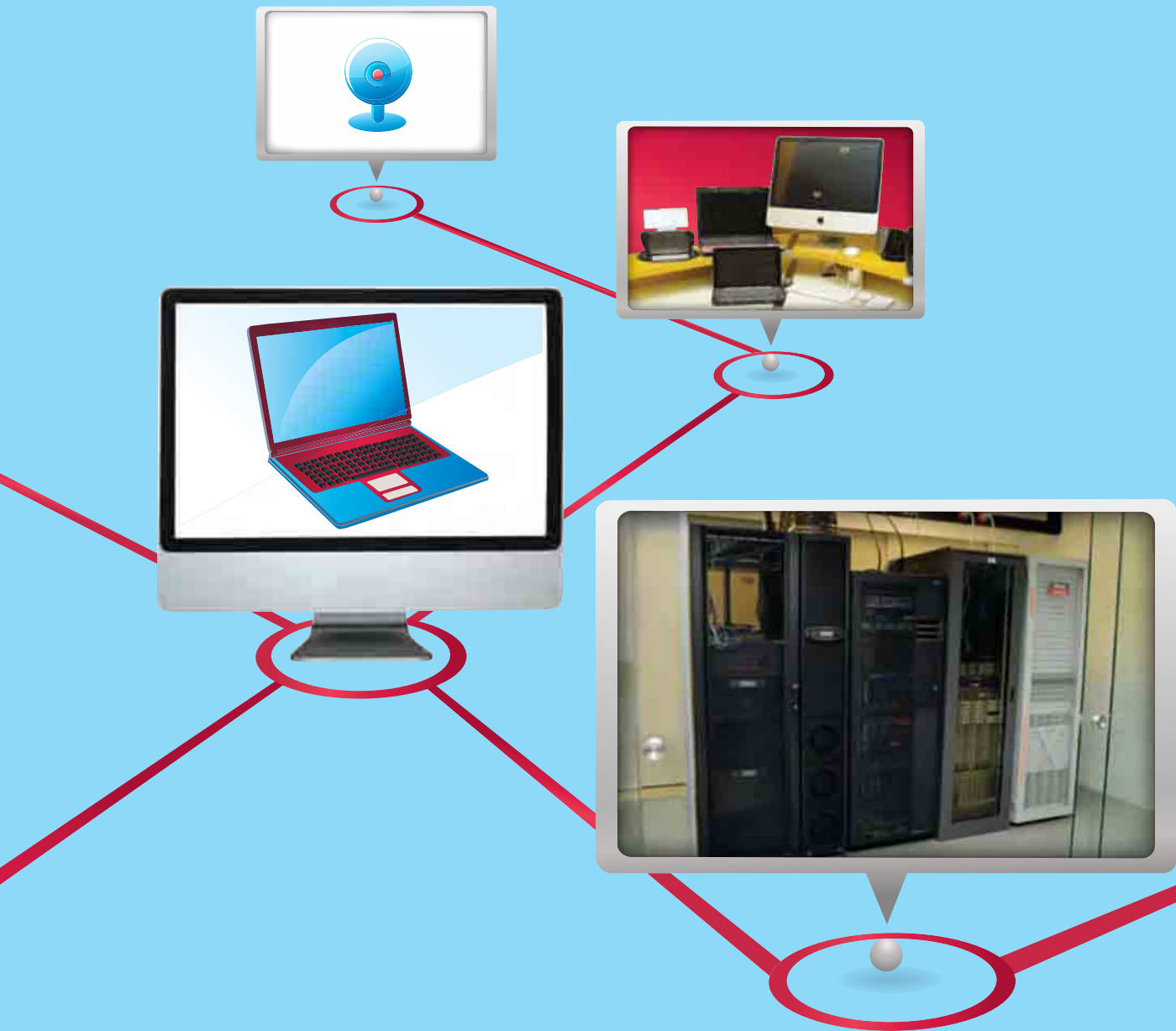


ECSB, an MSC-status company, and its subsidiaries (“the Group”) started in 1985 with the establishment of ECS KU Sdn. Bhd. (“ECS Ku”). Today, the Group is a leading distribution hub for ICT products in Malaysia via ECS ASTAR Sdn. Bhd. (“ECS Astar”) and ECS PERICOMP Sdn. Bhd. (“ECS Pericomp”). Listed on the Main Market of Bursa Malaysia Securities Berhad on 15 April 2010, ECSB is an associated 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 (“PCs”), printers, software, network and communication infrastructure, servers, and enterprise software from more than 30 leading principals like Hewlett Packard, Asustek, Dell, Samsung, Cisco, Oracle, Apple, Microsoft, IBM, Levono, Buffalo, Adobe, Juniper, VMWare and Epson.

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.





# products

## ICT Products from Global Brands

Our strategic partnerships with many world leading ICT principals have provided us with distribution rights to over 30 global brands of ICT products, ranging from notebooks and desktop PCs, servers, printers, network and communication products to softwares and other peripherals. These globally recognised brands are well accepted by our customers.



# chairman's statement

Dato' Teo Chiang Quan



Dear Shareholders,

On behalf of the Board of Directors of ECSB or the Group, it is my privilege to present the Annual Report of ECSB for the financial year ended 31 December 2011 ("FY2011").



It is no secret that the year just past was largely clouded by uncertainty, brought on by the economic crisis that unfolded across Europe. This undoubtedly cast a pall of uncertainty on the global outlook that adversely impacted both consumer and corporate spending.

Specifically, the ICT industry witnessed a fundamental shift in consumer preferences from 'traditional' notebooks and desktops in favour of smart mobile devices such as tablet PCs and smartphones. This resulted in consumers' tendency to delay their purchases or upgrades of notebook PCs.

On the surface, these developments made the Group's operating landscape more challenging. However, I am pleased to report that ECSB had successfully navigated through the challenging period, by expanding our product range with new and existing principals, as well as maintaining our focus on growing our Enterprise Systems business.

With this, the Group delivered a commendable financial report card in the year under review.

### FINANCIAL PERFORMANCE

For the fourth consecutive year, group revenue exceeded the RM1.0 billion mark, with RM1,250.7 million against the previous year's RM1,271.5 million, as the surge in sales of tablet PCs and enterprise systems mitigated lower demand for notebooks and PCs.

More importantly, group net profit improved to RM30.1 million versus RM28.9 million previously.

The higher profitability was primarily driven by increased contributions from the Enterprise Systems segment, which was boosted by better sales of network

and communication products, servers and software. The Group's bottom line was also enhanced by lower interest expenses in the year.

Earnings per share increased in tandem to 25.1 sen in FY2011 compared with 24.1 sen previously, based on the share capital of 120 million shares of RM0.50 par value.

In fact, ECSB's improved financial position enabled the Group to repay all its borrowings, and remain in a net cash position of RM66.6 million as at 31 December 2011. In comparison, the Group had borrowings of RM12.7 million and total cash of RM30.7 million as at 31 December 2010.

The Group maintained its 'high-return' proposition, registering returns on equity and assets of 18.8% and 10.2% respectively.

### DIVIDEND

With the respectable financial results, the Group has recommended a first and final tax-exempt dividend of 8.0 sen per share in respect of FY2011. This will entail a total dividend payout of RM9.6 million or 32% of group net profit, which is above ECSB's dividend policy of paying 30% of group net profit to shareholders. The dividend is subject to shareholders' approval at the upcoming Annual General Meeting.

At this juncture, the Board wishes to express its appreciation to shareholders for their continuous support to the Group.

### PROSPECTS

Having navigated the choppy waters of 2011, the Group looks forward to the year ahead.

According to International Data Corporation (IDC), the barometer of the ICT industry, IT spending in Malaysia is anticipated to grow 10.1% year-on-year to USD8.2 billion in FY2012, as corporates strategically utilize IT as a means to access a wider target market, enhance competitiveness and scale up their operations.

With the encouraging outlook, our strategies put in place - namely product expansion, distribution network development, and operations enhancement - would surely enable ECSB to tap into the growth potential of the ICT sector going forward.

FY2011 has demonstrated that the Group possesses the capacity to be resilient and relevant in challenging times, and therefore able to sustain our track record.

We look forward to another positive year ahead.

### ACKNOWLEDGEMENTS AND APPRECIATION

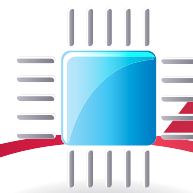
On behalf of the Board, I would like to convey my deepest appreciation to our Board of Directors and staff for their continued commitment and loyalty to the Group in FY2011.

I would also like to thank our principals and resellers for their trust and confidence in ECSB. We look forward to a long and fruitful partnership with all.

**Dato' Teo Chiang Quan**  
Non-Executive Chairman



# review of operations by managing director



Foo Sen Chin

FY2011 was another eventful year for the Group, as we endeavoured to strengthen our business segments to withstand the challenging market conditions.

The Group secured a total of six distributorships in FY2011, consisting of three new distributorships and three extensions to our existing range of products and services.



## REVIEW BY BUSINESS SEGMENT

### ICT Distribution

ECSB's ICT distribution segment – the Group's largest revenue generator – contributed RM797.5 million at 63.8% of group revenue in FY2011, which was lower than FY2010's contribution of RM855.3 million at 67.3% of group revenue.

While the segment's performance was largely attributable to slower sales of notebook PCs and desktop PCs, nevertheless we are heartened that it also included maiden contribution from tablet PCs and new brands added to our ICT portfolio.

To this end, ECS Astar began FY2011 by signing an agreement with Samsung Malaysia Electronics to distribute the entire range of Samsung notebooks and Galaxy Tabs through the ICT channel nationwide. The appointment was an extension of ECS Astar-Samsung's partnership since 2005 whereby ECS Astar has been distributing Samsung LCD monitors, printers, consumables, and Large Format Display.

In March 2011, ECS Astar was appointed to distribute the popular iPad in Malaysia, augmenting the existing portfolio of iPod, MacBook and iMac which the Group began distributing since 1999.

Furthermore, ECS Astar was awarded distribution rights for ASUS EEE Pad Transformer in Malaysia in May 2011. It was earlier appointed in 2010 to distribute the full range of ASUS notebooks and EEE PCs.

In June 2011, ECS Astar became the authorised distributor of Lenovo's laptops, desktops and workstations in the nation. ECS Astar was also appointed to be the exclusive distributor for Lenovo IdeaPad range of tablet PCs in Malaysia.

The Group also signed on new distributorships to expand the product offering in the ICT Distribution segment.

In March 2011, ECS Astar signed a partnership agreement with Dell, one of the world's largest PC makers as Dell's strategic authorized distributor, which will see ECS Astar distributing Dell's commercial and consumer notebooks, desktops and workstations.

Overall, we have made considerable headway not only in expanding our product suite, but also in riding the trends in line with consumer demand.

### Enterprise Systems

In FY2011, the Group's Enterprise Systems segment recorded group revenue growth of 8.6% year-on-year to RM439.4 million, constituting 35.1% of group revenue. This segment was the largest gross profit contributor at 52.4% of group gross profit, due to favourable sales mix.

The year under review saw ECS Pericomp continuing to add brands to our portfolio to broaden our scope of products and services in this Enterprise Systems segment. This includes Dell enterprise solutions,

which enables ECS Pericomp to gain additional expertise through training and certification programmes for cloud and virtualized environment.

In October 2011, ECS Pericomp partnered with global business consulting and IT services company Mahindra Satyam to implement the Oracle E-Business Suite for midsize companies in Malaysia. The solution aims to assist enterprises achieve optimal performance by providing implementation tools, templates and leading practice process flows in a complete range of modules, such as human resources, finance and project management.

On the whole, we are upbeat that this segment will be the next growth catalyst to propel the future profitability of the Group, as we continue to expand its value-added services and products in tandem with increasingly dynamic business community in Malaysia.

### ICT Services

The Group's third business segment of ICT Services recorded 20.5% increase in revenue to RM13.8 million in FY2011 from RM11.4 million previously.

To date, our ICT services personnel team possesses more than 150 certifications from 15 principals, which renders them adequately equipped to provide greater level of support to customers. We see the tremendous potential in this segment in future, as it supports the growth of the Enterprise Systems business.

## AWARDS

We are indeed pleased that in FY2011 the Group continued to be recognised by our principals for outstanding sales performance. These include:

- “Top Master Part Reseller - Technology Services” from Hewlett Packard (“HP”)
- “Top Services Contract Specialist - Technology Services” from HP
- “HP Storages Division Broadbase Category - Top Wholesaler” from HP
- “HP Storages Division - Top Wholesaler” from HP
- “Oracle Excellence Award - Partner of the Year FY11 Value Added Distributor” from Oracle

ECSB was also included in The Edge Billion Ringgit Club in respect of its FY2010 performance. The list consists of companies with at least RM1 billion of market capitalisation as at 31 March 2011 or RM1 billion in revenue for FY2010.

We regard such accolades as the impetus for us to advance to the next milestones in our corporate history. At this juncture, we would like to thank the ECSB's team for their diligent and excellent contributions to the Group that have enabled us attain these accomplishments.

## BUSINESS OUTLOOK

We look forward to achieving another level of growth for the Group in FY2012.

The ICT industry is expected to maintain its positive expansion in 2012, resulting from the various Government programmes such as the Economic Transformation Plan (ETP) and Government Transformation Plan (GTP) designed to stimulate the domestic economy.

Furthermore, Malaysia's strong points of having an increasing base of broadband users, coupled with efficiency-driven businesses, bode well for the Group.

Against this promising environment, the Group intends to continue our expansion strategies, which we believe will be able to sustain our growth.

First of all, we will continue to expand our product range in the ICT Distribution segment through broadening our portfolio of principals. Currently we represent nearly 40 brand names, and intend to constantly add to this list going forward.

In fact, ECS Astar signed two supplementary agreements to our existing deals in January 2012, namely Microsoft Online Services Channel Developer to distribute Microsoft Office 365 products via cloud computing, and Intermec to distribute Vocollect products for Warehouse Management System.

Furthermore, we will also extend our Enterprise Systems segment to better fulfil the changing IT needs in the business community.

In line with this objective, the ECSB's Technology Centre was recently set up at our headquarters for the purpose of providing our resellers with the technology infrastructure to support product demonstrations and proof-of-concept development to corporate clients.

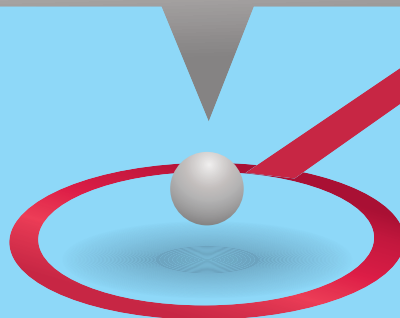
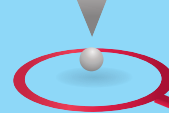
The centre, showcasing amongst others Oracle Sun Fire servers, Oracle Exadata Database Machine, IBM Netezza and HP Vertica systems aptly demonstrates our commitment in adding value for our resellers.

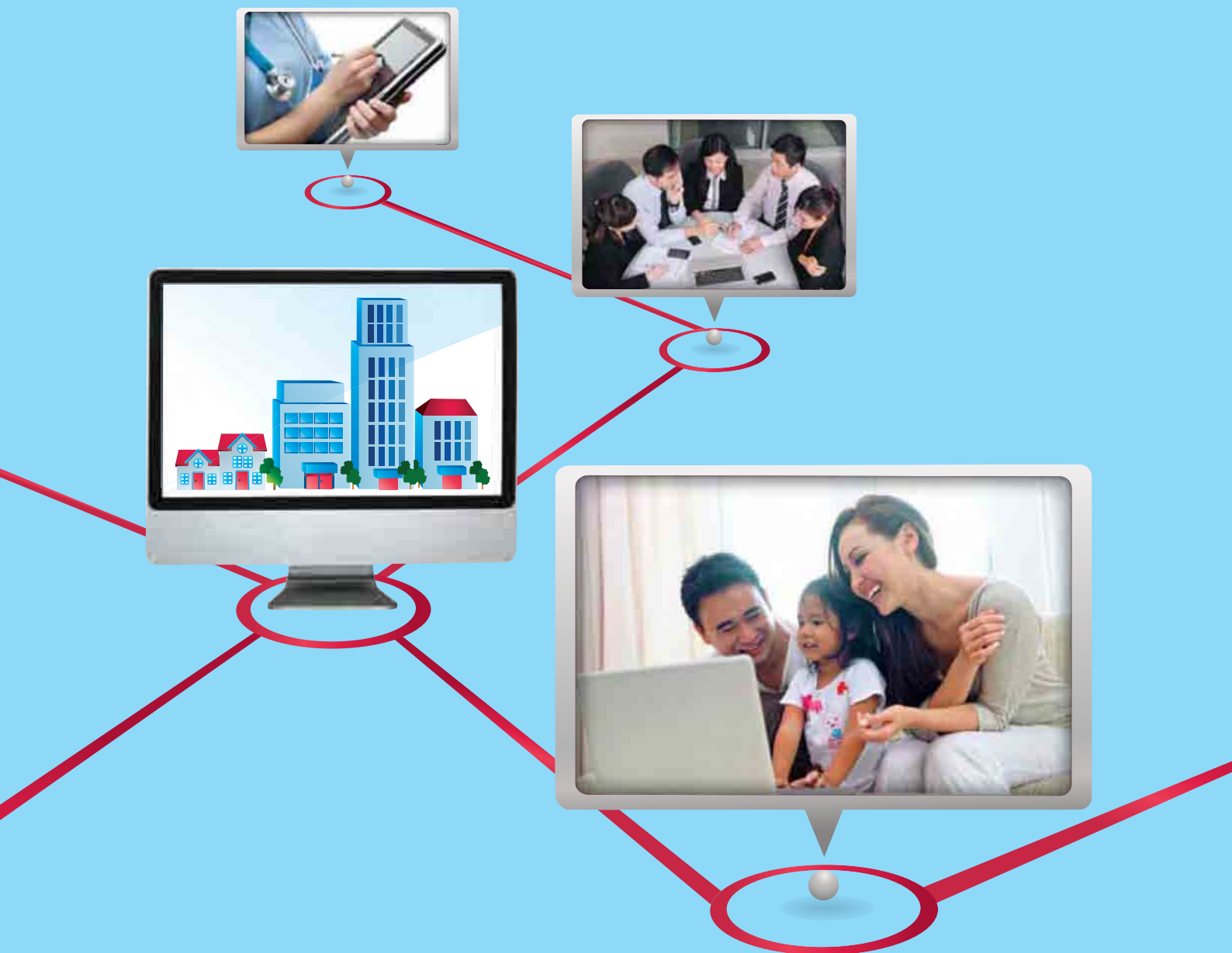
Secondly, we will continue to enhance our distribution network throughout the country by appointing more resellers and employing more sales staff. This is crucial in not only enlarging our geographical reach but also delivering better customer service.

Thirdly, we will keep our eyes on improving our operations to ensure optimal efficiency. The implementation of a new Enterprise Resource Planning (ERP) systems within the Group in January 2012 is clearly a step in this direction, and we are confident of deriving further benefits from this initiative.

We look forward to the exciting journey ahead of us and believe that the best is yet to come.

**Foo Sen Chin**  
*Managing Director*





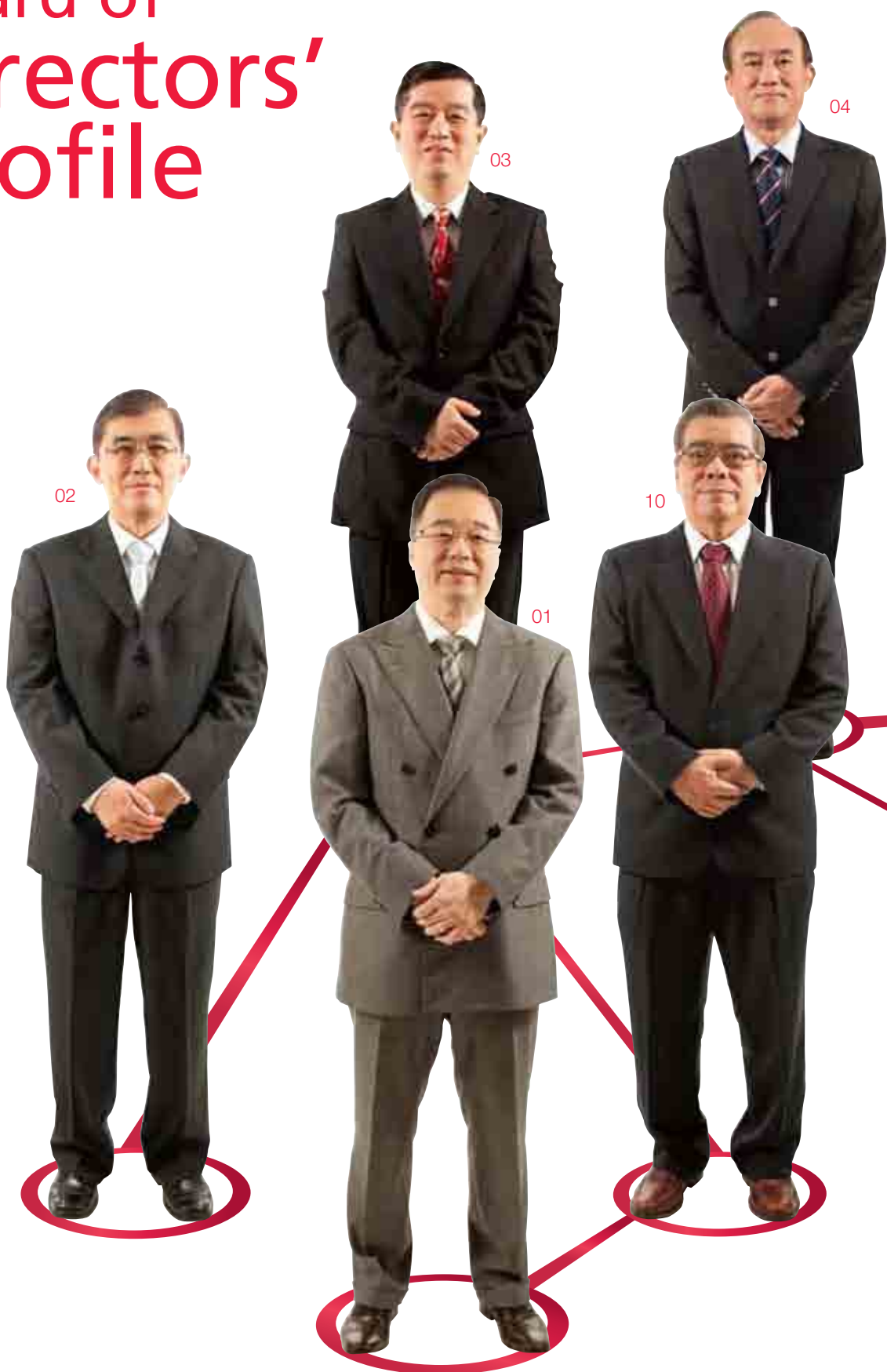
# customers

## Broad Customer Base

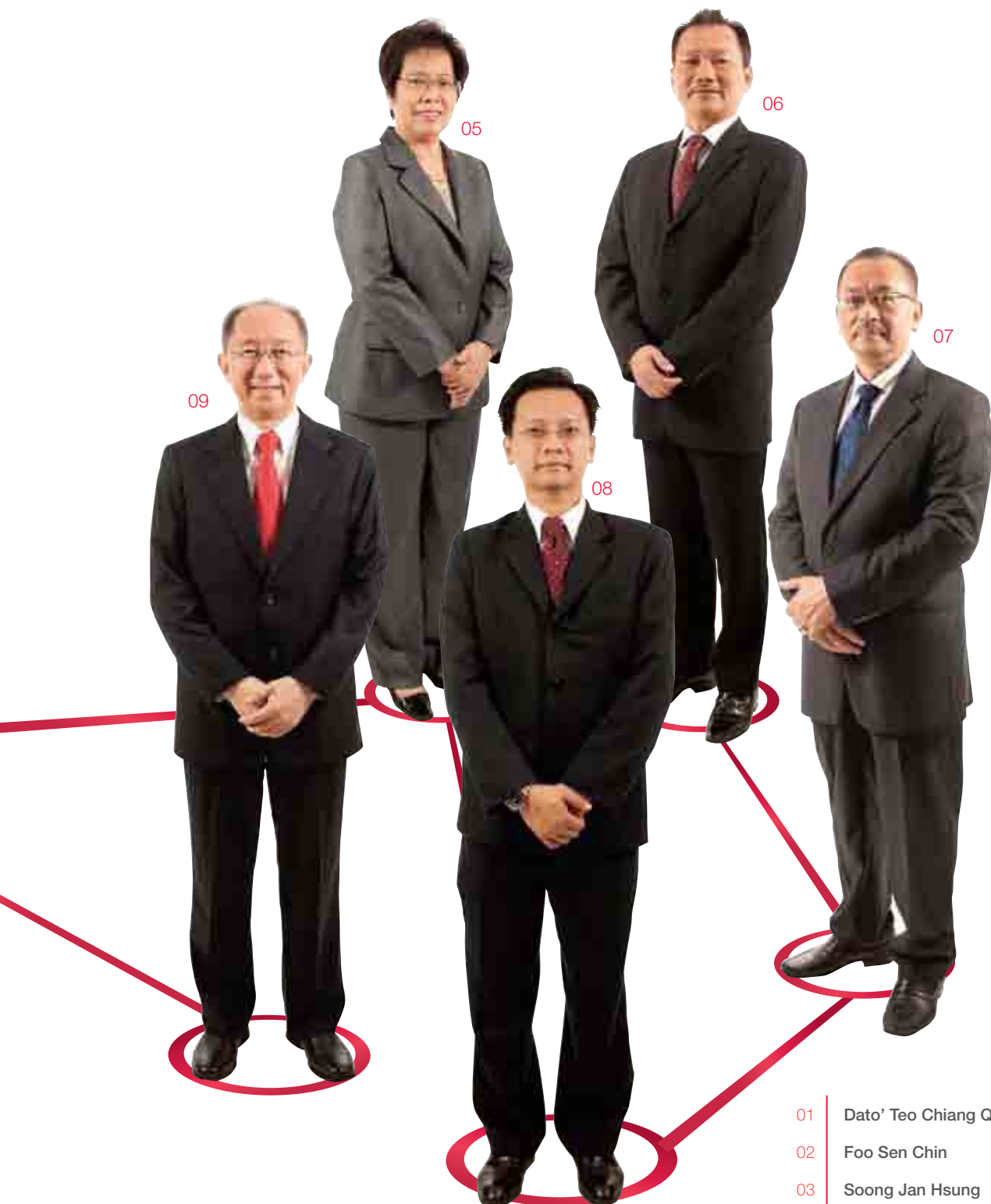
As the leading distributor of ICT products in the country, we have, through our reseller channel, established a broad customer base ranging from individuals, small and medium enterprises to large corporations and government entities who have been serviced by our nationwide resellers over the past 25 years.



# board of directors' profile







- 01 Dato' Teo Chiang Quan
- 02 Foo Sen Chin
- 03 Soong Jan Hsung
- 04 Tay Eng Hoe
- 05 Ho Chee Kit
- 06 Narong Intanate
- 07 Ahmad Subri Bin Abdullah
- 08 Eddie Foo Toon Ee
- 09 Quah Chek Tin
- 10 Wong Heng Chong

## 01

### **Dato' Teo Chiang Quan**

*Non-Independent Non-Executive Chairman  
63 years of age – Malaysian*

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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 Oasis Hope 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 3 out of 4 board meetings.

## 02

### **Foo Sen Chin**

*Managing Director  
64 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 Information and Communications Technology 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 4 board meetings.

04

**Tay Eng Hoe**

*Non-Independent Non-Executive Director*  
60 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 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 4 board meetings.

05

**Ho Chee Kit**

*Independent Non-Executive Director*  
64 years of age – Malaysian

Ho joined the Board of ECSB as an Independent Non-Executive Director on 17 December 2009. She is a Barister-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 the Chairperson of the Audit Committee and a member of both the Nomination and Remuneration Committees.

Ho attended all the 4 board meetings.

03

**Soong Jan Hsung**

*Executive Director*  
48 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 of 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 becoming the leading ICT hub in Malaysia.

Soong attended all the 4 board meetings.

## 06

### **Narong Intanate**

*Non-Independent Non-Executive Director*  
54 years of age – Thai

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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 Infotech Computers Co., Ltd. from 1982 to 1983 and the Marketing Director of Sahaviriya OA from 1983 to 1988.

Narong attended 3 out of 4 board meetings.

## 07

### **Ahmad Subri Bin Abdullah**

*Independent Non-Executive Director*  
62 years of age – Malaysian

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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 an Advisor to Emerio (Malaysia) Sdn Bhd, an NTT Communications Company.

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

Subri attended 2 out of the 4 board meetings.

## 08

### **Eddie Foo Toon Ee**

*Non-Independent Non-Executive Director*  
40 years of age – Singaporean

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Eddie 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 a member of the Remuneration Committee.

Eddie attended all the 4 board meetings.

10

### Wong Heng Chong

*Non-Independent Non-Executive Director  
62 years of age – Malaysian*

09

### Quah Chek Tin

*Independent Non-Executive Director  
60 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 the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Genting Malaysia Berhad upon his retirement in 2006.

Quah also serves as the 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 4 board meetings.

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.

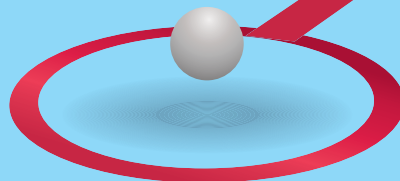
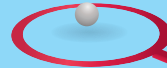
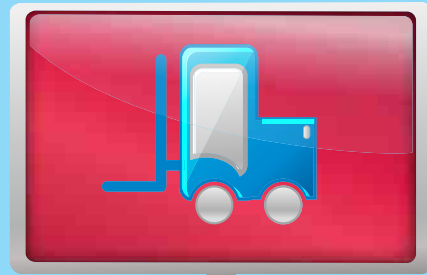
Wong began his working career in Coopers & Lybrand in Australia and in Malaysia. He had previously served as an Executive Director of ECSH, Boustead Singapore Limited, QAF Limited and Sunshine Allied Investments Limited. His working experience during the last 35 years spanned over diverse industries 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 4 board meetings.

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.





# infrastructure

## Efficient Infrastructure

Our infrastructure is built on a fully integrated Enterprise Resource Planning system to manage our finance, sales, distribution and logistic operations to provide efficient customer services with speed and reliability.



# profile of senior management team



- 01 Foo Sen Chin
- 02 Soong Jan Hsung
- 03 Tee Ang Kuan
- 04 Tan Say Meng
- 05 Chan Puay Chai



## 01 Foo Sen Chin

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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.

## 02 Soong Jan Hsung

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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.

### 03 Tee Ang Kuan

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Tee 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 Inteltec 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.

### 04 Tan Say Meng

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Tan 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.

### 05 Chan Puay Chai

---

Chan is the Financial 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 financial related operations.

# management team



- 01 **Seow Mei Ling**  
*HR Manager*
- 02 **David Cheam**  
*IT Manager*
- 03 **Chia Chin Pooi**  
*Assistant General Manager*
- 04 **Caren Lwee**  
*Senior Executive Secretary*
- 05 **Chin Chew Woon**  
*Support Manager*
- 06 **Chin Sai Leong**  
*Logistic Manager*
- 07 **Chang Yew Hwa**  
*General Manager-Marketing*
- 08 **Wee Ailin**  
*Inventory 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](mailto:is.enquiry@my.tricorglobal.com)  
Website : [www.tricorglobal.com](http://www.tricorglobal.com)

## AUDITORS

KPMG, Chartered Accountants

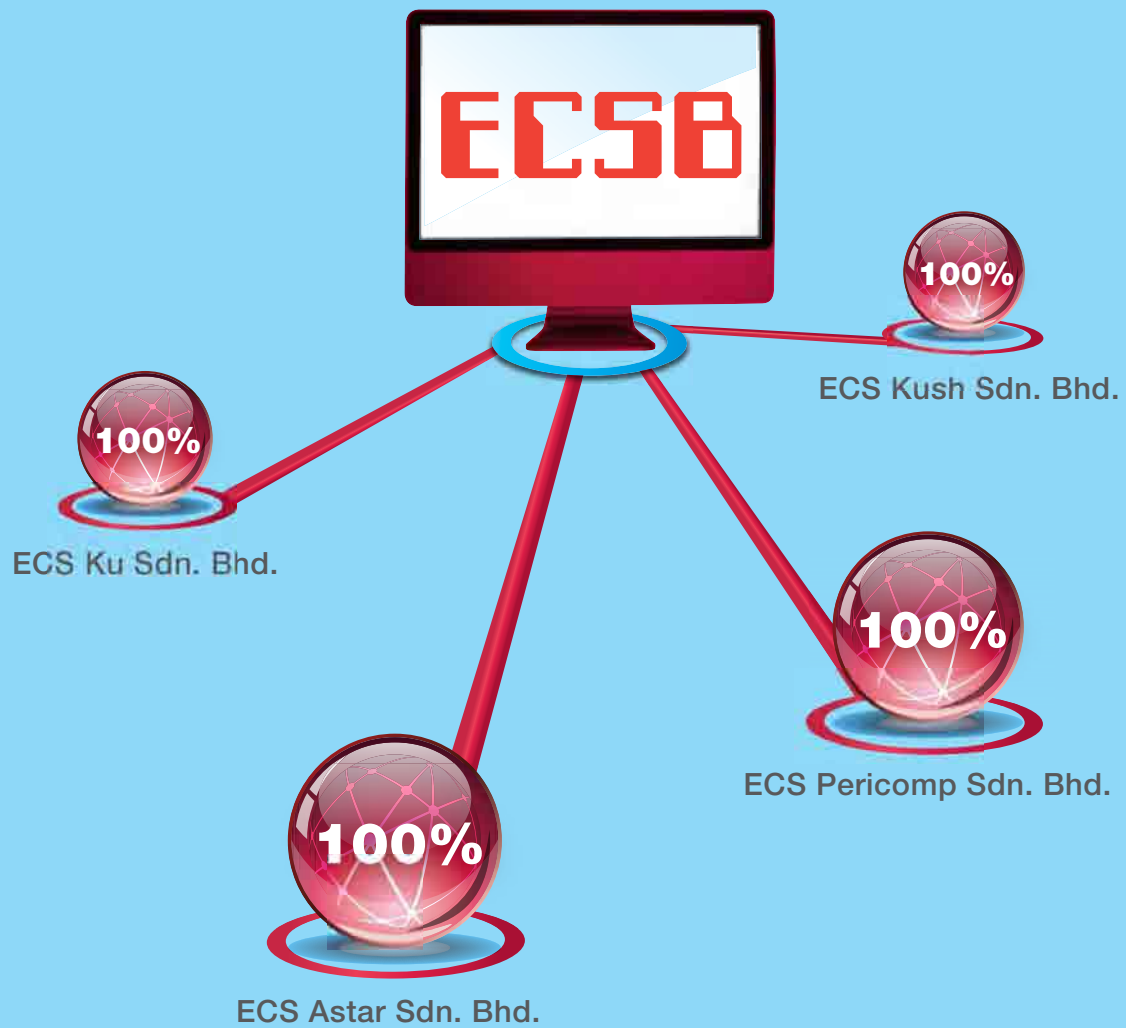
## PRINCIPAL BANKERS

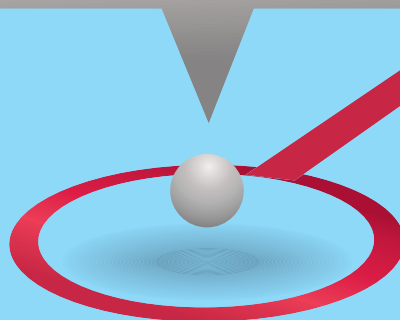
CIMB Bank Berhad  
Citibank Berhad  
Hong Leong Bank Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
United Overseas Bank (Malaysia) Berhad  
Standard Chartered Bank Malaysia Berhad

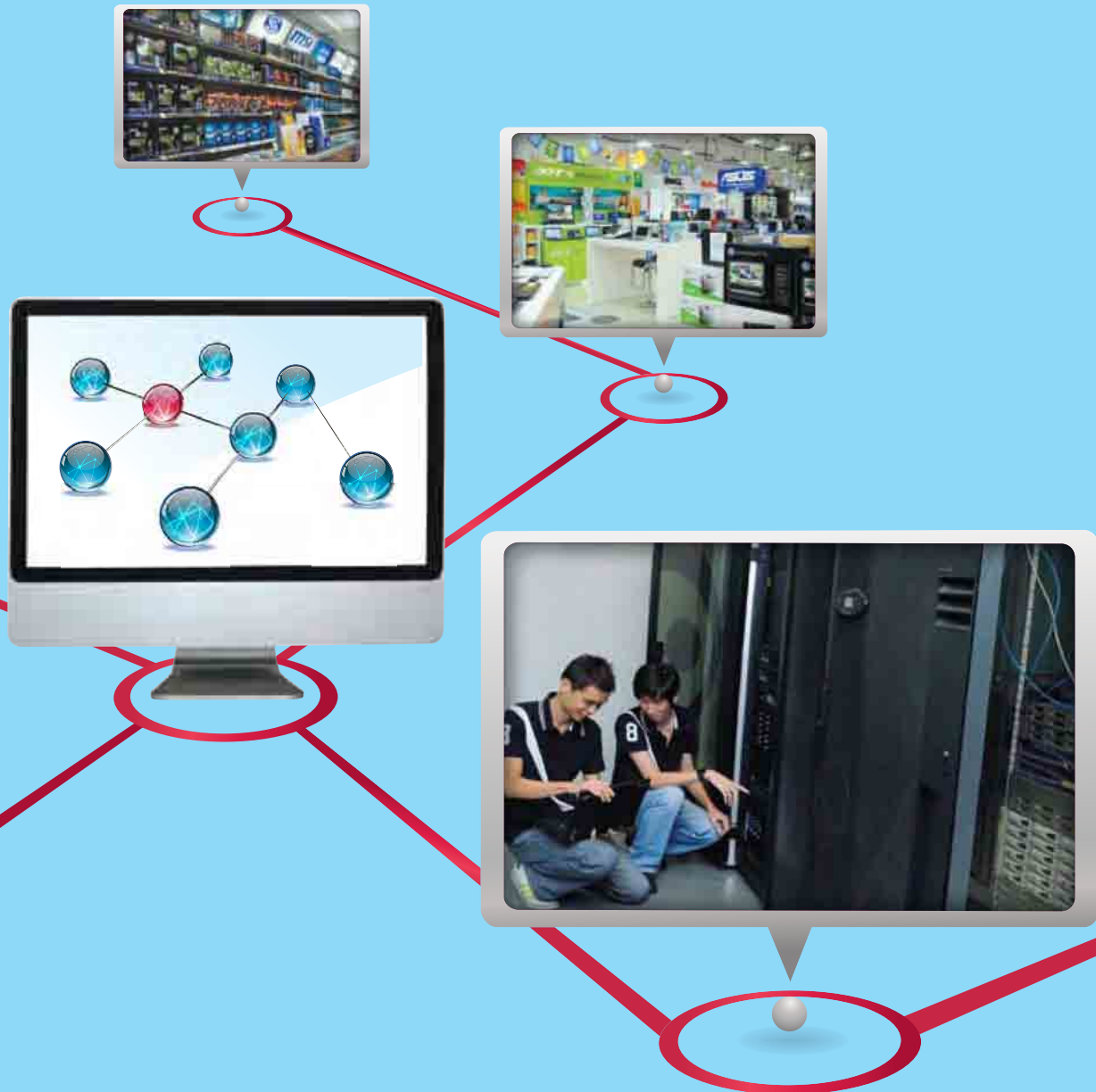
## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

group  
corporate structure







# resellers

## Nationwide Reseller Channel

We have an extensive distribution network of over 2,500 resellers comprising retailers, system integrators and corporate dealers. These resellers not only market a wide range of our products but they also provide support and repair services to the end-users.

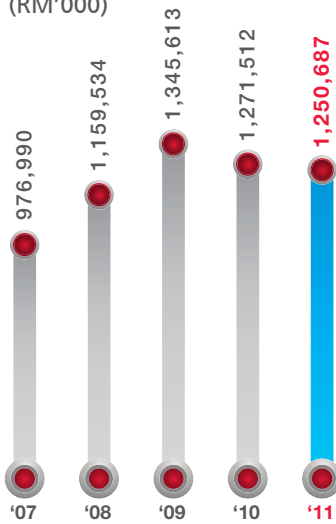


## group financial highlights

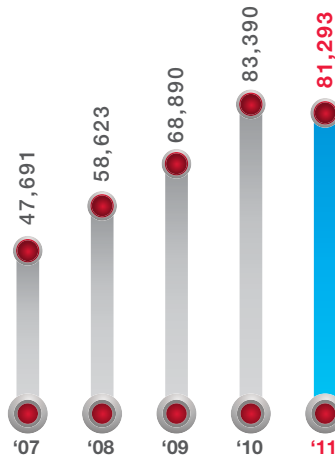
Financial year ended 31 December	2007	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	976,990	1,159,534	1,345,613	1,271,512	1,250,687
Gross Profit	47,691	58,623	68,890	83,390	81,293
Profit before tax	18,946	27,106	33,517	39,367	40,934
Profit for the year	13,733	19,800	25,014	29,030	30,143
Profit attributable to owners of the Company	12,800	18,833	24,112	28,927	30,143
<b>As at 31 December</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	5,610	7,036	5,178	5,220	6,636
Current assets	205,422	215,523	292,660	261,602	316,967
<b>Total assets</b>	<b>211,032</b>	<b>222,559</b>	<b>297,838</b>	<b>266,822</b>	<b>323,603</b>
Non-current liabilities	464	644	192	412	19
Current liabilities	156,508	148,129	208,083	119,043	150,874
<b>Total liabilities</b>	<b>156,972</b>	<b>148,773</b>	<b>208,275</b>	<b>119,455</b>	<b>150,893</b>
Share Capital	1,000	46,000	46,000	60,000	60,000
Reserves	48,703	22,462	37,337	87,367	112,710
Non-controlling interest	4,357	5,324	6,226	-	-
<b>Total equity</b>	<b>54,060</b>	<b>73,786</b>	<b>89,563</b>	<b>147,367</b>	<b>172,710</b>



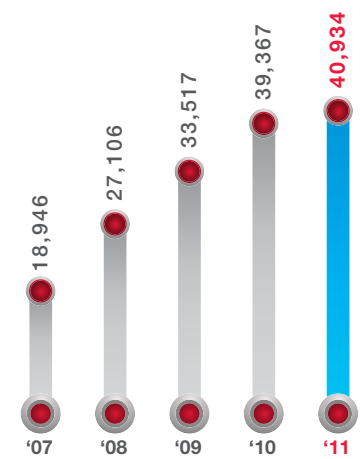
**REVENUE**  
(RM'000)



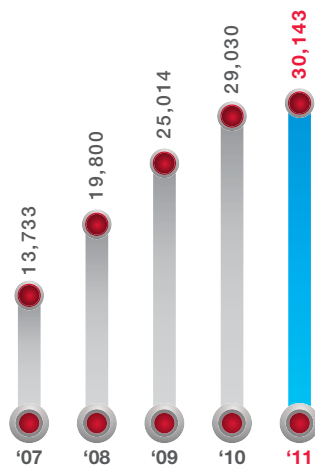
**GROSS PROFIT**  
(RM'000)



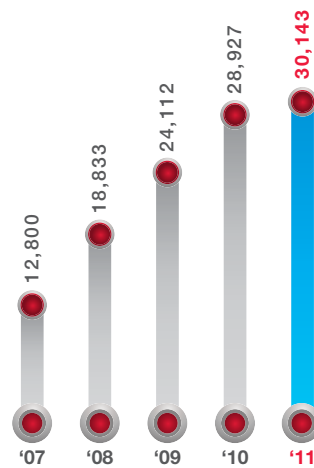
**PROFIT BEFORE TAX**  
(RM'000)



**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 Malaysia Securities Berhad (“Bursa Securities”) on 15 April 2010. As at the end of the financial year, 31 December 2011, 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 16 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 four times in the year under review, and the attendance record of directors was as follows:

Director	Attendance
Dato’ Teo Chiang Quan	3 out of 4
Foo Sen Chin	4 out of 4
Soong Jan Hsung	4 out of 4
Tay Eng Hoe	4 out of 4
Eddie Foo Toon Ee	4 out of 4
Wong Heng Chong	4 out of 4
Quah Chek Tin	4 out of 4
Ahmad Subri bin Abdullah	2 out of 4
Ho Chee Kit	4 out of 4
Narong Intanate	3 out of 4

## **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.

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 42 to 44 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 2011, 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
<b>Executive Directors</b>					
Receivable from:-					
-Company	-	63	-	-	63
-Subsidiaries	3,497	8	24	-	3,529
	3,497	71	24	-	3,592
<b>Non-Executive Directors</b>					
Receivable from:-					
-Company	-	296	-	22	318
-Subsidiaries	-	4	-	-	4
	-	300	-	22	322
	3,497	371	24	22	3,914

Note: Salary includes bonus and EPF

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

Range	Executive	Non-Executive
RM50,000 and below	-	7
RM50,001 to RM100,000	-	1
RM1,150,001 to RM1,200,000	1	-
RM2,400,001 to RM2,450,000	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 Securities' 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](http://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.

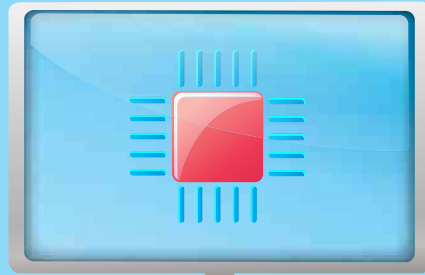
### **Internal Control and Risk Management**

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 pages 42 to 44.





# our people

## **Experienced Management & Committed Employees**

We believe in “Technology is a tool. People make the difference”. Our Management team consists of professionals with extensive experience in the ICT industry. Committed employees are motivated and rewarded for their performance.

# corporate responsibilities

Corporate Responsibility ("CR") for the Group has always been more than just a matter of compliance and obligation. It is about a continuous practice that will bring greater value to our community, environment, employees and all stakeholders as a whole.

The Group firmly believes in the practice of CR in ensuring long term sustainable growth, profitability and enhanced 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.

## COMMUNITY DEVELOPMENT

The Group has established an Environmental, Health, Safety and Security ("EHSS") committee in May 2009 in order to plan and carry out CR activities for the Group.

In July 2011, the Group participated in "NTV 7 Feel Good Run" organised by Natseven TV Sdn Bhd. The proceeds collected from this run were donated to charity beneficiaries such as Malaysian Aids Foundation, National Autism Society of Malaysia, National Cancer Society Malaysia and Yayasan Jantung Malaysia.

In November 2011, the Group also contributed donations to Ministry of Natural Resources and Environment, Thailand to help in alleviating the burdens of those impacted by the aftermath of the floods in Thailand. These donations were used to buy food, fresh water and medical supplies needed urgently by the flood victims.

Moving forward, the Group will continuously plan and organise programmes that are beneficial and responsive to the community's changing needs.

## RESPONSIBILITY TO THE ENVIRONMENT

The Group is committed in playing its role in the conservation of the environment by managing the impact of our day-to-day business operations. To date, we have implemented ongoing initiatives to consciously and continuously reduce the use of natural resources:-

- The concept of "Reduce, Reuse and Recycle" was introduced to the staff in the Company. "Recycling and Reuse" boxes are placed in common areas in the office to be visible reminders as well as enable proper collection of recyclable and reusable materials.
- Employees are advocated to switch off electrical appliances such as lights and air conditioners whenever they are not in use. The management constantly broadcasts information on water and electricity conservation to educate our employees and promote energy conservation as a way of life.

- 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 2011, 7,200 kg of paper and 3,000 kg of plastic materials were collected for recycling.

The Group plans to further explore the areas where it can contribute to the environment with new projects to be driven by the EHSS committee.

## 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 interest 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 prepared and made available via the Group's website to provide timely dissemination of information on the Group's operations and financial performance.

One of the Group's key missions is to maintain a consistently good track record in terms of providing high-quality and competitively-priced products. Through constant effort in evaluating market needs and trends, the Group strives to ensure that the best value and widest range of products are marketed to our customers to fulfil their ICT needs.

## EMPLOYEES AND WORKPLACE DEVELOPMENT

In line with our corporate philosophy of "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. As the Company recognises employees are our greatest assets, we have implemented the following measures and activities to establish a better working environment:-

- Acquiring ergonomically-designed office furniture and setting up common work areas to improve productivity;
- Providing ample training opportunities 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.
- Establishing fully-equipped training and meeting rooms with multimedia facilities and internet access for an enhanced and highly-interactive experience;



- Setting up an in-house canteen for employees' convenience to have their meals at affordable prices. The Group also provides free meal vouchers to the non-executive employees;
- Instituting an active Sports Club that organizes sports and social activities to promote a healthy work-life balance for everyone and to foster better teamwork. Bowling and badminton competitions, movie outing and festive dinners were among the activities organised in year 2011;
- Conducting fire safety briefing and fire drill to educate employees on fire prevention and safety techniques;
- Enhancing the house rules, safety and security procedures in order to create a safe and healthy working environment for our employees; and
- Organising regular Health Talks in the Company to continuously raise awareness on employees' personal health.



# statement of internal control

## INTRODUCTION

The Board of Directors ("Board") is pleased to comment on the Internal Control of the Group for the year ended 31 December 2011 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

The Group has appointed an external professional company to carry out the internal audit function, in line with good corporate governance practices. The internal auditors would conduct appropriate reviews to ensure that the key control elements are operating effectively and examine the Group's compliance with policies and procedures. Internal audits performed were based on a risk-based approach with audit plans and findings arising from these audits presented to the Audit Committee for review. Management would respond to these findings and propose action plans to the Audit Committee.

The Audit Committee ensures that the material findings and recommendations for improvements are executed and so as to enhance the integrity of internal controls.

## 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 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. Electronic statement of accounts are sent to debtors bi-weekly. The debtors ageing 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.
- Management presented to the Audit Committee and the Board its proposal to establish the Enterprise Risk Management ("ERM") framework to assist in managing the principal key risks of the Group. An ERM committee has been formed with members of the senior management team to work out the implementation programme in 2012.

## **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 9 March 2012.

# 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 2011.

## MEMBERS AND MEETINGS

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

Five (5) 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	5 out of 5 meetings
Quah Chek Tin	Independent Non-Executive Director	5 out of 5 meetings
Wong Heng Chong	Non-Independent Non-Executive Director	5 out of 5 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:

- investigate any matter within its terms of reference;
- have resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company and its subsidiary companies ("the Group");
- have direct communication channels with the external auditors and internal auditors; and
- 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 Securities' Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

#### ***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 the 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.

#### ***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.

## report of the audit committee *cont'd*

### 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 2011:

- 1) Reviewed and recommended the quarterly financial results announcements and the annual audited financial statements of the Company and the Group for the consideration and approval of the Board of Directors, focusing particularly on:
  - a) The overall performance of the Group;
  - b) The prospects for the Group;
  - c) The changes and implementation of major accounting policies and practices; and
  - d) Compliance with accounting standards and other legal requirements.
- 2) Reviewed with the External Auditors on the scope of work, audit plan and fees for the statutory audit and thereafter recommended to the Board;
- 3) Reviewed the External Auditors' Report for financial year ended 31 December 2011;
- 4) Reviewed and approved the Internal Audit Scope;
- 5) Reviewed the status report and recommendations for corrective action plans submitted by the Internal Auditors;
- 6) Reviewed the related party transactions entered into by the Company and the Group;
- 7) Reviewed the Audit Committee Report and Statement of Internal Control before submitting for the Board's approval and inclusion in the Company's Annual Report; and
- 8) 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. Its 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 2011, 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 ended 31 December 2011 was RM36,000.00.

## other information

required by the listing requirements of  
Bursa Malaysia Securities Berhad

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

The gross proceeds raised 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 fully utilized in the following manner:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000
Working capital	28,760	28,760
To fund the 20% acquisition of ECS Pericom	5,440	5,440
Business expansion	990	990
Estimated listing expenses	2,570	2,570
To settle indebtedness arisen from acquisition of subsidiaries	1,660	1,660
	<b>39,420</b>	<b>39,420</b>

### 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 18, Page 79 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 2011 or entered into since the end of the previous financial year.

### 4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE (RRPT)

The RRPT entered into by the Group from 15 April 2010 to the financial year ended 31 December 2011 pursuant to the Shareholders' Mandate obtained at the Fifteenth Annual General Meeting were as follows:

Name of Transacting Party	Name of Related Parties	Nature of transaction with the Related Parties	Actual Total Value (RM'000)
ECS Ku	Paramount Corporation Berhad and its subsidiary companies, namely, KDU University College Sdn. Bhd., KDU College (PG) Sdn. Bhd., KDU Smart School Sdn. Bhd., Paramount Construction Sdn. Bhd., Paramount Engineering & Construction Sdn. Bhd., Paramount Property Development Sdn. Bhd., Paramount Property Construction Sdn. Bhd., Paramount Property (Utara) Sdn. Bhd., and Paramount Projects Sdn. Bhd.	Sale of Information and Communications Technology products, such as personal computers, notebooks, printers, peripherals and software.	924

### 5. LIST OF PROPERTIES

The Group does not own any properties as at 31 December 2011.



## 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

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# Directors' Report

## for the year ended 31 December 2011

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 2011.

### 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	30,143	9,738

### RESERVES AND PROVISIONS

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

### DIVIDENDS

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 14 June 2011.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2011 is a single tier dividend of 8 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

## 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 31.12.2011
	At 1.1.2011	Bought	(Sold)	
<b>Dato' Teo Chiang Quan</b> <i>Own interest in the Company</i> - indirect	14,154,000	10,300,000	(14,154,000) *	10,300,000
<b>Foo Sen Chin</b> <i>Own interest in the Company</i> - indirect	14,460,000	204,800	-	14,664,800
<b>Soong Jan Hsung</b> <i>Own interest in the Company</i> - direct	150,000	-	-	150,000
<b>Eddie Foo Toon Ee</b> <i>Own interest in the Company</i> - direct	150,000	-	(100,000)	50,000
<b>Tay Eng Hoe</b> <i>Own interest in the Company</i> - direct	150,000	100,000	-	250,000
<b>Wong Heng Chong</b> <i>Own interest in the Company</i> - direct	150,000	-	-	150,000

\* The movement in the interest in shares arises by virtue of Dato' Teo's acquired shareholdings in Oasis Hope Sdn. Bhd. and his disposal of shareholdings in Teo Soo Pin Sdn. Bhd. during the year respectively.

None of the other Directors holding office at 31 December 2011 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 26 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.

## ISSUE OF SHARES AND DEBENTURES

There were no 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 2011 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.

## **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

9 March 2012

# Statements of Financial Position

as at 31 December 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Assets</b>					
Plant and equipment	3	4,527	3,133	67	129
Investments in subsidiaries	4	-	-	77,022	77,022
Goodwill	5	571	571	-	-
Investment in club membership		62	62	-	-
Deferred tax assets	14	1,476	1,454	-	-
<b>Total non-current assets</b>		<b>6,636</b>	<b>5,220</b>	<b>77,089</b>	<b>77,151</b>
Inventories	6	84,303	81,500	-	-
Receivables, deposits and prepayments	7	166,087	149,360	41,669	36,048
Cash and cash equivalents	8	66,577	30,742	447	1,705
Tax recoverable		-	-	-	48
<b>Total current assets</b>		<b>316,967</b>	<b>261,602</b>	<b>42,116</b>	<b>37,801</b>
<b>Total assets</b>		<b>323,603</b>	<b>266,822</b>	<b>119,205</b>	<b>114,952</b>
<b>Equity</b>					
Share capital	9	60,000	60,000	60,000	60,000
Reserves		112,710	87,367	58,665	53,727
<b>Total equity attributable to owners of the Company</b>		<b>172,710</b>	<b>147,367</b>	<b>118,665</b>	<b>113,727</b>
<b>Liabilities</b>					
Deferred tax liabilities	14	-	383	11	18
Other payables	12	19	29	-	-
<b>Total non-current liabilities</b>		<b>19</b>	<b>412</b>	<b>11</b>	<b>18</b>
Payables and accruals, including derivatives	12	148,057	104,281	450	1,207
Borrowings (unsecured)	13	-	12,700	-	-
Tax payable		2,817	2,062	79	-
<b>Total current liabilities</b>		<b>150,874</b>	<b>119,043</b>	<b>529</b>	<b>1,207</b>
<b>Total liabilities</b>		<b>150,893</b>	<b>119,455</b>	<b>540</b>	<b>1,225</b>
<b>Total equity and liabilities</b>		<b>323,603</b>	<b>266,822</b>	<b>119,205</b>	<b>114,952</b>

The notes on pages 57 to 96 are an integral part of these financial statements.

# Statements of Comprehensive Income

for the year ended 31 December 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue	15	1,250,687	1,271,512	12,647	14,336
Cost of sales		(1,169,394)	(1,188,122)	-	-
<b>Gross profit</b>		<b>81,293</b>	<b>83,390</b>	<b>12,647</b>	<b>14,336</b>
Distribution expenses		(25,369)	(28,006)	-	-
Administrative expenses		(16,057)	(15,090)	(1,065)	(1,551)
Other operating income		905	822	-	-
<b>Results from operating activities</b>		<b>40,772</b>	<b>41,116</b>	<b>11,582</b>	<b>12,785</b>
Finance costs	16	(420)	(1,868)	-	(23)
Interest income	17	582	119	1,477	903
<b>Profit before tax</b>	18	<b>40,934</b>	<b>39,367</b>	<b>13,059</b>	<b>13,665</b>
Tax expense	20	(10,791)	(10,337)	(3,321)	(3,622)
<b>Profit for the year/Total comprehensive income for the year</b>		<b>30,143</b>	<b>29,030</b>	<b>9,738</b>	<b>10,043</b>
<b>Profit for the year/Total comprehensive income for the year attributable to:</b>					
Owners of the Company		30,143	28,927	9,738	10,043
Non-controlling interest		-	103	-	-
<b>Profit for the year</b>		<b>30,143</b>	<b>29,030</b>	<b>9,738</b>	<b>10,043</b>
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	21	25.1	25.7*		

\* Based on weighted average number of ordinary shares of 112,482,000

The notes on pages 57 to 96 are an integral part of these financial statements.



# Statements of Changes in Equity

for the year ended 31 December 2011

		← Attributable to owners of the Company →					
		← Non-distributable →		Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>At 1 January 2010</b>		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	22	-	-	(4,800)	(4,800)	-	(4,800)
<b>At 31 December 2010</b>		60,000	25,903	61,464	147,367	-	147,367
<b>At 1 January 2011</b>		60,000	25,903	61,464	147,367	-	147,367
Total comprehensive income for the year		-	-	30,143	30,143	-	30,143
Dividends	22	-	-	(4,800)	(4,800)	-	(4,800)
<b>At 31 December 2011</b>		60,000	25,903	86,807	172,710	-	172,710
		Note 9	Note 9.1	Note 10			

The notes on pages 57 to 96 are an integral part of these financial statements.

Statements of Changes in Equity  
for the year ended 31 December 2011  
*cont'd*

Company	Note	Non-distributable			Distributable	Total
		Share capital	Share premium	Merger reserve	Retained profits/(loss)	
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2010</b>		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)
Dividends	22	-	-	-	(4,800)	(4,800)
<b>At 31 December 2010/ 1 January 2011</b>		60,000	25,903	22,961	4,863	113,727
Total comprehensive income for the year		-	-	-	9,738	9,738
Dividends		-	-	-	(4,800)	(4,800)
<b>At 31 December 2011</b>		<b>60,000</b>	<b>25,903</b>	<b>22,961</b>	<b>9,801</b>	<b>118,665</b>
		Note 9	Note 9.1	Note 11		

The notes on pages 57 to 96 are an integral part of these financial statements.

# Statements of Cash Flow

for the year ended 31 December 2011

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	40,934	39,367	13,059	13,665
Adjustments for:				
Depreciation	1,618	1,403	45	58
Gain on disposal of plant and equipment	(70)	(103)	-	-
Loss/(Gain) on foreign exchange				
- Unrealised	1,397	(580)	-	-
Finance cost	420	1,868	-	23
Interest income	(582)	(119)	(1,477)	(903)
Dividend income	-	-	(12,000)	(14,000)
Plant and equipment written off	57	-	20	-
Fair value changes on financial instrument	(728)	690	-	-
Allowance for doubtful debt	814	1,688	-	-
Reversal of allowance for doubtful debts	(653)	-	-	-
Bad debts written off	-	1,111	-	-
Inventories written off	-	521	-	-
Inventories written down	1,539	-	-	-
Reversal of inventories written down	-	(1,755)	-	-
Operating profit/(loss) before changes in working capital	44,746	44,091	(353)	(1,157)
Changes in working capital:				
Inventories	(4,342)	11,030	-	-
Receivables, deposits and prepayments	(16,850)	24,893	4	(9)
Payables and accruals	43,059	(39,493)	(62)	482
Cash generated from/(used in) operations	66,613	40,521	(411)	(684)
Tax paid	(10,441)	(11,181)	(201)	(152)
<b>Net cash generated from/(used in) operating activities</b>	<b>56,172</b>	<b>29,340</b>	<b>(612)</b>	<b>(836)</b>

Statements of Cash Flow  
for the year ended 31 December 2011  
*cont'd*

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities</b>				
Purchase of plant and equipment	(3,069)	(826)	(3)	(11)
Proceeds from disposal of plant and equipment	70	115	-	-
Dividend received	-	-	9,000	10,500
Purchase of non-controlling interest	-	(5,440)	-	(5,440)
<b>Net cash (used in)/generated from investing activities</b>	<b>(2,999)</b>	<b>(6,151)</b>	<b>8,997</b>	<b>5,049</b>
<b>Cash flows from financing activities</b>				
Repayment of bank borrowings	(12,700)	(39,000)	-	-
Advances to subsidiaries	-	-	(6,320)	(37,068)
Advances from previous holding company	-	23	-	-
Interest paid	(420)	(1,868)	-	(23)
Interest received	582	119	1,477	903
Dividend paid to owners of the Company	(4,800)	(4,800)	(4,800)	(4,800)
Prior year dividend	-	(9,600)	-	-
Issuance of shares	-	39,420	-	39,420
Share issue expenses	-	(977)	-	(977)
<b>Net cash used in financing activities</b>	<b>(17,338)</b>	<b>(16,683)</b>	<b>(9,643)</b>	<b>(2,545)</b>
Net increase/(decrease) in cash and cash equivalents	<b>35,835</b>	<b>6,506</b>	<b>(1,258)</b>	<b>1,668</b>
Cash and cash equivalents at beginning of year	<b>30,742</b>	<b>24,236</b>	<b>1,705</b>	<b>37</b>
<b>Cash and cash equivalents at end of year</b>	<b>66,577</b>	<b>30,742</b>	<b>447</b>	<b>1,705</b>

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	18,077	30,742	447	1,705
Deposits with licensed bank	48,500	-	-	-
	<b>66,577</b>	<b>30,742</b>	<b>447</b>	<b>1,705</b>

The notes on pages 57 to 96 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 principal place of business and registered office 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 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the year ended 31 December 2011 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 9 March 2012.

## **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 (“FRSs”), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

#### ***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)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets
- Amendments to FRS 112, Income Taxes – Deferred Tax: Recovery of Underlying Assets

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012***

- Amendments to FRS 101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

**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 2013***

- FRS 10, Consolidated Financial Statements
- FRS 11, Joint Arrangements
- FRS 12, Disclosure of Interests in Other Entities
- FRS 13, Fair Value Measurement
- FRS 119, Employee Benefits (2011)
- FRS 127, Separate Financial Statements (2011)
- FRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 7, Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to FRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***

- FRS 9, Financial Instruments (2009)
- FRS 9, Financial Instruments (2010)

The Group's and the Company's financial statements for the annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

**(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.

**(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, unless otherwise stated.

### (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.

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

The accounting policies of subsidiaries are changed when necessary to align them with the policies of the Group.

#### (ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group, 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 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.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

#### *Acquisitions on or after 1 January 2011*

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.



2. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(a) **Basis of Consolidation** *cont'd*

(ii) **Accounting for business combinations** *cont'd*

*Acquisitions on or after 1 January 2011 cont'd*

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

*Acquisitions between 1 January 2006 and 1 January 2011*

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

*Acquisitions prior to 1 January 2006*

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) **Accounting for acquisitions of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control 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.

(iv) **Loss of control**

The Group applied FRS 127, Consolidated and Separate Financial Statements (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

2. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(a) **Basis of Consolidation** *cont'd*

(v) ***Non-controlling interests***

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, 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 interests 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 and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the year, the Group has applied FRS 127, Consolidated and Separate Financial Statements (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have an impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed the non-controlling interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, were charged against the Group's interest except to the extent that the minority had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(vi) ***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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial Instruments

(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 profit or loss.

(b) *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.

(c) *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 profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial Instruments *cont'd*

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

*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 profit or loss.

(iii) *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 profit or loss.

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 profit or loss.

(d) Plant and Equipment

(i) *Recognition and measurement*

Items of 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. 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 plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Plant and Equipment *cont'd*

(ii) *Subsequent costs*

The cost of replacing part of an item of 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 profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(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 profit or loss on a straight-line basis over the estimated useful lives of each part of an item of 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. 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:

- |                          |         |
|--------------------------|---------|
| • 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 the end of the reporting period.

(e) Leased Assets

*Operating leases*

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss 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 profit or loss 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.

(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.

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**(g) Inventories** *cont'd*

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 inventories 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.

**(h) 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, if any.

**(i) Impairment**

**(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and 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 profit or loss 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 profit or loss 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 profit or loss.

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 profit or loss, 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 profit or loss.

**(ii) Non-financial assets**

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Impairment *cont'd*

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

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 profit or loss. 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 profit or loss in the year in which the reversals are recognised.

(j) **Equity Instruments**

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

**Distributions of non-cash assets to owners of the Company**

From 1 January 2011, the Group has applied IC 17, Distributions of Non-cash Assets to Owners in accounting for distributions of non-cash assets to owners of the Company. The new accounting policy has been applied prospectively.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognized directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(k) **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 profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.



2. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(l) **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.

(m) **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, and the amount of revenue can be estimated reliably.

(ii) ***Services***

Fees from service maintenance contracts are recognised in profit or loss 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 profit or loss.

(n) **Borrowing Costs**

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

(o) **Income Tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss 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.

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**(o) Income Tax** *cont'd*

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 or 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.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 profit or loss 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.

**(p) 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 to assess its performance, and for which discrete financial information is available.

**(q) Earnings per ordinary share**

The Group presents basic earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

### 3. PLANT AND EQUIPMENT

Group	Office equipment RM'000	Office renovation RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Total RM'000
<b>Cost</b>					
At 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/ 1 January 2011	7,388	119	1,451	1,499	10,457
Additions	1,980	203	850	36	3,069
Disposals	-	-	(465)	-	(465)
Written off	(1,398)	(115)	-	(2)	(1,515)
At 31 December 2011	<b>7,970</b>	<b>207</b>	<b>1,836</b>	<b>1,533</b>	<b>11,546</b>
<b>Accumulated depreciation</b>					
At 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/ 1 January 2011	5,321	94	1,163	746	7,324
Charge for the year	990	37	221	370	1,618
Disposals	-	-	(465)	-	(465)
Written off	(1,342)	(115)	-	(1)	(1,458)
At 31 December 2011	<b>4,969</b>	<b>16</b>	<b>919</b>	<b>1,115</b>	<b>7,019</b>
<b>Carrying amounts</b>					
At 1 January 2010	2,398	44	194	1,086	3,722
At 31 December 2010/ 1 January 2011	2,067	25	288	753	3,133
At 31 December 2011	<b>3,001</b>	<b>191</b>	<b>917</b>	<b>418</b>	<b>4,527</b>

Notes to the Financial Statements  
*cont'd*

3. PLANT AND EQUIPMENT *cont'd*

Company	Office equipment RM'000
<b>Cost</b>	
At 1 January 2010	293
Additions	11
At 31 December 2010/1 January 2011	304
Additions	3
Written off	(89)
At 31 December 2011	<b>218</b>
<b>Accumulated depreciation</b>	
At 1 January 2010	117
Charge for the year	58
At 31 December 2010/1 January 2011	175
Charge for the year	45
Written off	(69)
At 31 December 2011	<b>151</b>
<b>Carrying amounts</b>	
At 1 January 2010	176
At 31 December 2010/1 January 2011	129
At 31 December 2011	<b>67</b>

#### 4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	RM'000	RM'000
Unquoted shares - at cost	77,022	77,022

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest	
			2011 %	2010 %
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	100
ECS Astar Sdn. Bhd.		Malaysia	100	100
ECS KUSH Sdn. Bhd.	Provision of management services and letting of properties	Malaysia	100	100

#### 5. GOODWILL

	Group	
	2011	2010
	RM'000	RM'000
At 1 January	571	-
Acquisition through business combination	-	571
At 31 December	571	571

#### 5. GOODWILL ON CONSOLIDATION

##### Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments 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	
	2011 RM'000	2010 RM'000
At cost:		
Finished goods	78,225	79,386
Goods-in-transit	3,689	887
At net realisable value:		
Finished goods	2,389	1,227
	<b>84,303</b>	<b>81,500</b>

The write-down of inventories to net realisable value amounted to RM2,086,000 (2010: RM1,181,000).

Inventories amounted to RM633,000 (2010: RM71,000) had been written off against the provision for stock obsolescence during the year.

## 7. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Trade</b>					
Trade receivables		156,667	137,260	-	-
Less: Allowance for doubtful debts	7.1	(1,440)	(2,083)	-	-
		<b>155,227</b>	<b>135,177</b>	<b>-</b>	<b>-</b>
Amount due from related parties	7.2	-	51	-	-
Amount due from subsidiaries	7.3	-	-	37	116
		<b>155,227</b>	<b>135,228</b>	<b>37</b>	<b>116</b>
<b>Non-trade</b>					
Other receivables		9,436	12,894	-	-
Deposits	7.4	1,224	1,064	5	7
Prepayments		162	174	3	5
Derivative asset		38	-	-	-
Amount due from subsidiaries	7.5	-	-	41,624	35,920
		<b>10,860</b>	<b>14,132</b>	<b>41,632</b>	<b>35,932</b>
		<b>166,087</b>	<b>149,360</b>	<b>41,669</b>	<b>36,048</b>

## 7. RECEIVABLES, DEPOSITS AND PREPAYMENTS *cont'd*

### 7.1 Allowance for doubtful debt

During the year, trade receivables amounting to RM597,000 (2010: RM62,000) 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 (Trade)

The amount due from subsidiaries is unsecured, bears interest at 0% (2010: 4%) per annum and subject to normal trade terms.

### 7.4 Deposits

Included in deposits is an amount of RM773,000 (2010: RM773,000) paid as rental security deposits to a company in which certain directors have substantial interests.

### 7.5 Amount due from subsidiaries (Non-Trade)

Included in the amount due from subsidiaries is a non-trade short term loan of RM32,500,000 (2010: NIL) which is unsecured, bears interest at 4.5% (2010: NIL) per annum and repayable on demand.

## 8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	18,077	30,742	447	1,705
Deposits with licensed bank	48,500	-	-	-
	66,577	30,742	447	1,705

## 9. SHARE CAPITAL

	Amount	Number of shares	Amount	Number of shares
	2011	2011	2010	2010
Company/Group	RM'000	'000	RM'000	'000
<i>Authorised:</i>				
Ordinary shares of RM0.50 each	500,000	1,000,000	500,000	1,000,000
<i>Issued and fully paid:</i>				
Ordinary shares of RM0.50 each	60,000	120,000	60,000	120,000

Notes to the Financial Statements  
cont'd

9. SHARE CAPITAL *cont'd*

9.1 Share premium

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

	Issue price RM	Par value RM	Total number of shares '000	Share premium RM'000
At 1 January 2010				
Initial Public Offer	1.46	0.50	27,000	25,920
Acquisition of subsidiary	1.46	0.50	1,000	960
			<u>28,000</u>	<u>26,880</u>
Less: Share issue expenses				(977)
At 31 December 2010/2011				<u><b>25,903</b></u>

10. RESERVES

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.

11. MERGER RESERVE

Company

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.



## 12. PAYABLES AND ACCRUALS, INCLUDING DERIVATIVES

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<i>Current:</i>					
<b>Trade</b>					
Trade payables	12.1	108,847	53,049	-	-
Deferred revenue		130	285	-	-
		108,977	53,334	-	-
<b>Non-trade</b>					
Other payables and accrued expenses		39,080	50,257	450	512
Amounts due to subsidiaries	12.2	-	-	-	695
Derivative liabilities		-	690	-	-
		39,080	50,947	450	1,207
		148,057	104,281	450	1,207
<i>Non-current:</i>					
Other payables		19	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	
		2011 RM'000	2010 RM'000
Functional currency	Foreign currency		
RM	USD	46,514	32,508

### 12.2 Amount due to subsidiaries

The amount due to subsidiaries are unsecured, bear interest at 0% (2010: 4%) per annum and are repayable on demand.

### 13. BORROWINGS (UNSECURED)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Current</b>				
Bankers' acceptances	-	12,700	-	-

The bankers' acceptances bear interest at rates ranging from 3.93% to 4.15% (2010: 2.72% to 4.35%) per annum.

The bankers' acceptances are supported by the following items:

- i) corporate guarantees by the 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	
	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
Plant and equipment						
- capital allowances	-	-	(510)	(383)	(510)	(383)
- unabsorbed capital allowances	381	321	-	-	381	321
Provisions	1,438	1,017	-	-	1,438	1,017
Other items	167	116	-	-	167	116
Tax assets/(liabilities)	1,986	1,454	(510)	(383)	1,476	1,071
Set-off of tax	(510)	-	510	-	-	-
Net tax assets/(liabilities)	1,476	1,454	-	(383)	1,476	1,071

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

Recognised deferred tax assets and liabilities *cont'd*

	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Company</b>						
Plant and equipment						
- capital allowances	-	-	(15)	(32)	(15)	(32)
Provisions	4	-	-	-	4	-
Other items	-	-	-	14	-	14
Tax assets/(liabilities)	4	-	(15)	(18)	(11)	(18)
Set-off of tax	(4)	-	4	-	-	-
Net tax assets/(liabilities)	-	-	(11)	(18)	(11)	(18)

Movement in temporary differences during the year

Group	At 1.1.2010 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2010/ 1.1.2011 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2011 RM'000
Plant and equipment					
- capital allowances	(418)	35	(383)	(127)	(510)
- unabsorbed capital allowances	125	196	321	60	381
Provisions	1,263	(246)	1,017	421	1,438
Other items	261	(145)	116	51	167
	1,231	(160)	1,071	405	1,476
<b>Company</b>					
Plant and equipment					
- capital allowances	-	(32)	(32)	17	(15)
Provisions	-	-	-	4	4
Other items	-	14	14	(14)	-
	-	(18)	(18)	7	(11)

## 15. REVENUE

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Sales	1,250,021	1,270,946	-	-
Services	666	-	492	180
Rental income from subsidiaries	-	-	155	156
Dividend income from subsidiaries	-	-	12,000	14,000
	1,250,687	1,271,512	12,647	14,336

## 16. FINANCE COSTS

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Revolving credit	113	345	-	-
- Bankers' acceptance	37	1,249	-	-
- Overdraft	19	11	-	-
- Intercompany advances	-	-	-	23
- Others	251	263	-	-
	420	1,868	-	23

## 17. INTEREST INCOME

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
- recognised before impairment	582	119	1,477	903

18. PROFIT BEFORE TAX

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Profit before tax is arrived at after charging:</b>				
Allowance for doubtful debts	814	1,688	-	-
Auditors' remuneration				
- Statutory audit	99	88	35	30
- Other services	15	20	10	-
Bad debts written off	-	1,111	-	-
Depreciation	1,618	1,403	45	58
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,758	1,596	12	12
- Wages, salaries and others	25,647	25,052	123	139
Loss on foreign exchange:				
- Realised	-	1	-	1
- Unrealised	1,397	-	-	-
Inventories written down	1,539	-	-	-
Inventories written off	-	521	-	-
Plant and equipment written off	57	-	20	-
Rental expense:				
- Office rental	1,178	1,138	16	4
- Warehouse rental	518	515	-	-
Fair value loss on financial instrument	-	690	-	-
<b>and after crediting:</b>				
Gain on foreign exchange (net):				
- Realised	2,014	1,678	-	-
- Unrealised	-	580	-	-
Gain on disposal of plant and equipment	70	103	-	-
Bad debts recovered	321	709	-	-
Reversal of inventories written down	-	1,755	-	-
Reversal of allowance for doubtful debts	653	-	-	-
Fair value gain on financial instrument	728	-	-	-

## 19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Directors				
- Fees	373	353	359	340
- Remuneration	4,322	4,190	22	15
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	38	38	-	-
	4,733	4,581	381	355
Other key management personnel				
- Remuneration	920	868	-	-
- Contributions to Employees Provident Fund	205	190	-	-
- Other short-term employee benefits	858	785	-	-
	1,983	1,843	-	-
	6,716	6,424	381	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.

## 20. TAX EXPENSE

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Current tax expense</b>				
- Current year	11,284	9,944	3,325	3,604
- (Over)/Underprovision in prior year	(88)	233	3	-
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	(629)	256	(7)	18
- Under/(Over)provision in prior year	224	(96)	-	-
	10,791	10,337	3,321	3,622

20. TAX EXPENSE *cont'd*

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Reconciliation of tax expense</b>				
Profit for the year	30,143	29,030	9,738	10,043
Tax expense	10,791	10,337	3,321	3,622
Profit excluding tax	40,934	39,367	13,059	13,665
Tax at Malaysian tax rate of 25%	10,233	9,842	3,265	3,416
Non-deductible expenses	422	639	53	210
Utilisation of previously unrecognised deferred tax assets	-	(5)	-	(4)
Utilisation of current year business loss	-	(276)	-	-
	10,655	10,200	3,318	3,622
(Over)/Underprovision of tax expense in prior year	(88)	233	3	-
Under/(Over)provision of deferred tax expense in prior year	224	(96)	-	-
	10,791	10,337	3,321	3,622

21. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2011	2010
	RM'000	RM'000
Profit attributable to owners of the Company	30,143	28,927
	'000	'000
Issued ordinary shares at 1 January	120,000	92,000
Effect of ordinary shares issued during the year	-	20,482
Weighted average number of ordinary shares in issue	120,000	112,482
Basic earnings per share (sen)	25.1	25.7

## 22. DIVIDENDS

Dividends recognised by the Company:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
<b>2011</b>			
Final 2010 ordinary – single tier	4	4,800	14 June 2011
<b>2010</b>			
Interim 2010 ordinary – single tier	4	4,800	16 June 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	8	9,600	15 June 2012

## 23. 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 assets 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 assets 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 liabilities.



23. OPERATING SEGMENTS *cont'd*

Segmental information for the Group is presented as follows:

	ICT distribution	Enterprise systems	ICT services	Other non-reportable segments	Total	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2011</b>							
Sales to external customers	797,490	439,422	13,775	-	1,250,687	-	1,250,687
Inter-segment sales	2,827	14,237	2,633	23,202	42,899	(42,899)	-
Total sales	800,317	453,659	16,408	23,202	1,293,586	(42,899)	1,250,687
Profit before tax	20,374	18,589	451	13,566	52,980	(12,046)	40,934
Included in segment profit are:							
- Depreciation	164	199	9	1,250	1,622	(4)	1,618
- Gain/(loss) on disposal of plant and equipment	13	17	1	(101)	(70)	-	(70)
- Plant and equipments written off	17	11	3	26	57	-	57
- Finance cost	302	95	5	18	420	-	420
- Interest income	98	480	4	-	582	-	582
Segment assets	212,543	110,123	5,037	128,847	456,551	(132,948)	323,603
<b>2010</b>							
Sales to external customers	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 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

Notes to the Financial Statements  
cont'd

23. OPERATING SEGMENTS *cont'd*

**Geographical segments**

The Group operates predominantly in Malaysia and accordingly information by geographical locations of the Group is not presented.

24. OPERATING LEASES

Operating lease rentals are payable as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Less than one year	1,896	1,569	16	14
Between one and three years	3,703	2	-	-
	5,599	1,571	16	14

The Group leases its office and warehouse on operating leases. The leases run for an initial period of 1 to 3 years (2010: 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.

25. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2011	2010
	RM'000	RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted to Group entities	194,260	185,431

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

26. 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.

26. RELATED PARTIES *cont'd*

**Transactions with key management personnel**

There are no other transactions with key management personnel other than key management personnel compensation as disclosed in Note 19.

**Other related party transactions**

	Group		Company	
	Transaction value		Transaction value	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Purchases	-	64	-	-
Sales	(665)	(16)	-	-
Subsidiaries				
Dividend received	-	-	(12,000)	(14,000)
Interest income	-	-	(1,477)	(874)
Rental income	-	-	(155)	(156)
Support services income	-	-	(492)	(180)
Purchase of equipment	-	-	3	3
Interest expense	-	-	-	23
Support service expense	-	-	180	-
Transactions with companies in which certain Directors have interests:				
Rental expense	1,553	1,546	-	-
Sales	(427)	(1,065)	-	-
Professional fee	48	61	-	-

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.

27. 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); and
- (d) Other financial liabilities measured at amortised cost (OL).

Notes to the Financial Statements  
cont'd

27. FINANCIAL INSTRUMENTS *cont'd*

Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R OL RM'000	FVTPL RM'000	AFS RM'000
<b>2011</b>				
<b>Financial assets</b>				
<b>Group</b>				
Receivables and deposits	165,887	165,887	-	-
Cash and cash equivalents	66,577	66,577	-	-
Club membership	62	-	-	62
Derivative assets	38	-	38	-
	232,564	232,464	38	62
<b>Company</b>				
Receivables and deposits	41,666	41,666	-	-
Cash and cash equivalents	447	447	-	-
	42,113	42,113	-	-
<b>2011</b>				
<b>Financial liabilities</b>				
<b>Group</b>				
Payables and accruals	147,946	147,946	-	-
<b>Company</b>				
Payables and accruals	450	450	-	-

27. FINANCIAL INSTRUMENTS *cont'd*

Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R OL RM'000	FVTPL RM'000	AFS RM'000
<b>2010</b>				
<b>Financial assets</b>				
<b>Group</b>				
Receivables and deposits	149,186	149,186	-	-
Cash and cash equivalents	30,742	30,742	-	-
Club membership	62	-	-	62
	<b>179,990</b>	<b>179,928</b>	<b>-</b>	<b>62</b>
<b>Company</b>				
Receivables and deposits	36,043	36,043	-	-
Cash and cash equivalents	1,705	1,705	-	-
	<b>37,748</b>	<b>37,748</b>	<b>-</b>	<b>-</b>
<b>2010</b>				
<b>Financial liabilities</b>				
<b>Group</b>				
Borrowings (unsecured)	12,700	12,700	-	-
Payables and accruals	103,335	103,335	-	-
Derivative liabilities	690	-	690	-
	<b>116,725</b>	<b>116,035</b>	<b>690</b>	<b>-</b>
<b>Company</b>				
Payables and accruals	1,207	1,207	-	-

Net gains and losses arising from financial instruments

	Group	
	2011 RM'000	2010 RM'000
Net gains/(losses) on:		
Loans and receivables	628	(860)
Financial liabilities measured at amortised cost	197	389
Fair value through profit and loss - held for trading	728	(690)
	<b>1,553</b>	<b>(1,161)</b>

## 27. FINANCIAL INSTRUMENTS *cont'd*

### 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

### 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 (2010: 5) individual debtors which forms 11.9% (2010: 13.1%) of the total trade receivables of the Group as at year end.

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
<b>2011</b>				
Not past due	91,334	-	-	91,334
Past due 0 - 30 days	39,186	-	-	39,186
Past due 31 - 60 days	21,285	-	-	21,285
Past due 61 - 90 days	3,204	(17)	-	3,187
Past due 91 - 120 days	374	(83)	(56)	235
Past due more than 120 days	1,284	(481)	(803)	-
	156,667	(581)	(859)	155,227

27. FINANCIAL INSTRUMENTS *cont'd*

Credit risk *cont'd*

(i) **Receivables** *cont'd*

The ageing of trade receivables as at the end of the reporting period was: *cont'd*

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
<b>2010</b>				
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

Included in other payables and accruals is an amount of RM3,830,000 (2010: RM3,120,000) collected as security deposits to hedge against credit risk from customers with purchases in excess of allowable credit limits.

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

	Group	
	2011 RM'000	2010 RM'000
At 1 January	2,083	457
Impairment loss recognised	814	1,688
Impairment loss reversed	(653)	-
Bad debts recovered	(207)	-
Impairment loss written off	(597)	(62)
At 31 December	1,440	2,083

(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.

## 27. FINANCIAL INSTRUMENTS *cont'd*

### Credit risk *cont'd*

#### (iii) **Financial guarantees** *cont'd*

*Risk management objectives, policies and processes for managing the risk. cont'd*

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 RM Nil (2010: RM12,700,000) 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 36.7% (2010: 25.3%) of the Group's purchases are priced in US Dollars (USD). The Group and the Company hedge a portion of these exposures by purchasing forward currency contracts.

The Company's exposure to foreign currency (a currency which is other than the currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	2011 RM'000	2010 RM'000
Cash and cash equivalents	848	426
Trade payables	(46,514)	(32,508)
Exposure in the statement of financial position	(45,666)	(32,082)

### Currency risk sensitivity analysis

The Group has entered into forward exchange contracts for hedging against its foreign currency payables. With the hedge, the strengthening or weakening of the USD against the RM would have no significant impact on the post-tax profit or loss as far as payables owing as at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant.

### 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.



27. FINANCIAL INSTRUMENTS *cont'd*

Liquidity risk *cont'd*

**Maturity analysis**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>Group</b>							
<b>2011</b>							
<u>Non-derivative financial liabilities:</u>							
Trade and other payables	147,936	Nil	147,936	147,917	19	-	-
<b>Company</b>							
<b>2011</b>							
<u>Non-derivative financial liabilities:</u>							
Other payables	450	Nil	450	450	-	-	-
<b>Group</b>							
<b>2010</b>							
<u>Non-derivative financial liabilities:</u>							
Trade and other payables	103,335	Nil	103,335	103,306	29	-	-
<u>Derivative financial liabilities:</u>							
Forward exchange contracts	690	Nil	690	690	-	-	-
	104,025		104,025	103,996	29	-	-
<b>Company</b>							
<b>2010</b>							
<u>Non-derivative financial liabilities:</u>							
Other payables	1,207	Nil	1,207	1,207	-	-	-

27. FINANCIAL INSTRUMENTS *cont'd*

**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.

**Interest rate risk**

***Exposure to interest rate risk***

In the previous financial year, 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	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>				
Financial assets	48,500	-	41,676	36,036
Financial liabilities	-	-	(15)	(695)
	48,500	-	41,661	35,341
<b>Floating rate instruments</b>				
Financial liabilities	-	(12,700)	-	-

***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.

## 27. FINANCIAL INSTRUMENTS *cont'd*

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 they mature, or if earlier, reprice.

Group	2011					2010				
	Effective interest rate per annum	Total	Within 1 year	1 - 5 years	After 5 years	Effective interest rate per annum	Total	Within 1 year	1 - 5 years	After 5 years
	%	RM'000	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	RM'000
<b>Financial liabilities</b>										
Bankers' acceptances	-	-	-	-	-	3.15	12,700	12,700	-	-
<b>Company</b>										
<b>Financial assets</b>										
Amounts due from subsidiaries	4.50	41,500	41,500	-	-	4.00	36,036	36,036	-	-
<b>Financial liabilities</b>										
Amounts due to subsidiaries	-	-	-	-	-	4.00	695	695	-	-

### **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.

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

Group	2011			2010		
	Nominal amount	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Forward exchange contracts	48,466	38	38	39,579	(690)	(690)
Club membership	-	62	62	-	62	62
	48,466	100	100	39,579	(628)	(628)

## 27. FINANCIAL INSTRUMENTS *cont'd*

### Fair value of financial instruments *cont'd*

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

#### **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).

#### **Club membership**

The club membership is stated at cost. There was no evidence of impairment of the carrying amount during the year, hence fair value approximates the carrying amount.

#### **Fair value hierarchy**

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Financial assets</b>				
Forward exchange contracts	-	38	-	38
Club membership	-	-	62	62
	-	38	62	100

## 28. 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.

## 28. CAPITAL MANAGEMENT *cont'd*

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the debt-to-equity ratio at the lower end range. The debt-to-equity ratios at 31 December 2011 and at 31 December 2010 were as follows:

	Group	
	2011	2010
	RM'000	RM'000
Total borrowings (Note 13)	-	12,700
Less: Cash and cash equivalents (Note 8)	(66,577)	(30,742)
Net cash	66,577	18,042
Total equity	172,710	147,367
Debt-to-equity ratios	N/A	N/A

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

## 29. COMPARATIVE FIGURES

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

	As previously stated	As restated
	RM'000	RM'000
Cost of sales	1,194,378	1,188,122
Administrative expenses	8,834	15,090

### 30. REALISED AND UNREALISED PROFITS/(LOSSES) DISCLOSURE

In the previous financial year, 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, including prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011, into realised and unrealised profits pursuant to the directive is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries				
- Realised profits	136,907	111,762	9,790	4,881
- Unrealised profits/(loss)	1,318	1,074	11	(18)
	138,225	112,836	9,801	4,863
Less: Consolidation adjustments	(51,418)	(51,372)	-	-
Total retained earnings	86,807	61,464	9,801	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 51 to 95 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 2011 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 on page 96 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

9 March 2012

## 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 51 to 96 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 9 March 2012.

**Foo Sen Chin**

Before me:

**K Nermala**  
Commissioner for Oaths  
W378  
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 2011 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 51 to 95.

### *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 2011 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.



## 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 on page 96 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

9 March 2012

# Analysis of Shareholdings

as at 30 March 2012

## 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	0.14	100	0.00
100 – 1,000	185	13.06	153,000	0.13
1,001 – 10,000	896	63.23	4,749,600	3.96
10,001 – 100,000	279	19.69	9,174,000	7.64
100,001 – 5,999,999*	51	3.60	26,869,300	22.39
6,000,000 and above**	4	0.28	79,054,000	65.88
<b>Total</b>	<b>1,417</b>	<b>100.00</b>	<b>120,000,000</b>	<b>100.00</b>

\* 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. Oasis Hope Sdn Bhd	10,300,000	8.58
4. Dasar Technologies Sdn Bhd	6,600,000	5.50
5. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Deutsche Bank AG Singapore for Pangolin Asia Fund</i>	5,999,900	5.00
6. More Omega Sdn Bhd	3,269,800	2.72
7. Melco Holdings Inc.	2,000,000	1.67
8. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An for UBS AG Singapore (Foreign)</i>	1,434,300	1.20
9. CIMSEC Nominees (Asing) Sdn Bhd <i>Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)</i>	1,222,500	1.02
10. OSK Nominees (Asing) Sdn Berhad <i>DMG &amp; Partners Securities Pte Ltd for SIS Investment Holdings Ltd (93501)</i>	1,000,000	0.83
11. Lew Sew Yee @ Liew Sew Yee	638,000	0.53
12. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Gan Tee Jin</i>	600,000	0.50
13. HSBC Nominees (Asing) Sdn Bhd <i>HSBC-FS I For Apollo Asia Fund Ltd</i>	572,900	0.48
14. Lim Gaik Bway @ Lim Chiew Ah	520,000	0.43
15. Lim Kooi Fui	518,700	0.43

THIRTY (30) LARGEST SHAREHOLDERS cont'd

Name of Shareholders	No. of Shareholdings	%
16. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Hew How Lih (8075580)</i>	506,500	0.42
17. HDM Nominees (Asing) Sdn Bhd <i>DBS Vickers Secs (S) Pte Ltd for See Lop Fu James @ Shi Lap Fu James</i>	500,000	0.42
18. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Fong Siling (CEB)</i>	500,000	0.42
19. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chow Sai Leng</i>	400,000	0.33
20. See Hong Cheen @ See Hong Chen	400,000	0.33
21. Migan Sdn Bhd	340,500	0.28
22. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Sengin Sdn Bhd (PB)</i>	306,000	0.26
23. Mayban Nominees (Tempatan) Sdn Bhd <i>Jincan Sdn Bhd</i>	267,000	0.22
24. Gan Kho @ Gan Hong Leong	250,000	0.21
25. HDM Nominees (Asing) Sdn Bhd <i>DBS Vickers Secs (S) Pte Ltd for Tay Eng Hoe</i>	250,000	0.21
26. Wong Sin Kiew	250,000	0.21
27. Chan Seng Fatt	220,000	0.18
28. Ong See Sang	206,500	0.17
29. Foo Lek Choong	204,800	0.17
30. Chuah Tai Eu	200,000	0.17

SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2012

Name	No. of shareholdings		%
	Direct	Indirect	
ECS Holdings Limited	49,222,500	-	41.02
Sengin Sdn Bhd	14,460,000	-	12.05
Foo Sen Chin	-	14,664,800 <sup>(1)</sup>	12.22
Lee Marn Fong	-	14,664,800 <sup>(2)</sup>	12.22
Oasis Hope Sdn Bhd	10,300,000	-	8.58
Dato' Teo Chiang Quan	-	10,300,000 <sup>(3)</sup>	8.58
Dasar Technologies Sdn Bhd	6,600,000	-	5.50

Analysis of Shareholdings  
as at 30 March 2012  
*cont'd*

DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2012

	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
Dato' Teo Chiang Quan	-	-	10,300,000 <sup>(3)</sup>	8.58
Foo Sen Chin	-	-	14,664,800 <sup>(1)</sup>	12.22
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:**

- <sup>1.</sup> By virtue of his substantial shareholdings in Sengin Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and the shareholdings of his child.
- <sup>2.</sup> By virtue of her substantial shareholdings in Sengin Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and the shareholdings of her child.
- <sup>3.</sup> By virtue of his substantial shareholdings in Oasis Hope Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

# Notice of Sixteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Sixteenth Annual General Meeting of the Company will be held at Ballroom 2, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 May 2012 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 2011 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 8 sen per share in respect of the year ended 31 December 2011. **Resolution 2**
3. To approve the payment of Directors' fees of RM359,000/- for the year ended 31 December 2011. **Resolution 3**
4. To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association:  
  - (a) Mr Eddie Foo Toon Ee **Resolution 4**
  - (b) Mr Wong Heng Chong **Resolution 5**
  - (c) Mr Quah Chek Tin **Resolution 6**
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

## AS SPECIAL BUSINESS

6. 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 8**

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the approval of the shareholders, a single tier final dividend of 8 sen per share in respect of the year ended 31 December 2011, will be paid on 15 June 2012 to shareholders whose names appear in the Record of Depositors on 31 May 2012.

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 2012 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.

## Notice of Sixteenth Annual General Meeting *cont'd*

By Order of the Board

**TAY LEE KONG**  
*Secretary*

Petaling Jaya  
Selangor Darul Ehsan  
27 April 2012

### **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. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. 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 Business**

1. The Ordinary Resolution proposed under item 6, if passed, will renew the powers given to the Directors at the last Annual General Meeting (AGM), 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.

As at the date of this notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the 15th AGM held on 25 May 2011, which will lapse at the conclusion of the 16th AGM.

The 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.

# 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 Sixteenth Annual General Meeting of the Company to be held at Ballroom 2, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 May 2012 at 10.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 4) 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		
<b>Re-election of Directors:</b>			
Resolution 4	Mr Eddie Foo Toon Ee		
Resolution 5	Mr Wong Heng Chong		
Resolution 6	Mr Quah Chek Tin		
Resolution 7	Re-appointment of Auditors and to fix their remuneration		
Resolution 8	Authority to Directors to issue shares		

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2012.

Signature/Common Seal	<b>CDS ACCOUNT NO.</b>	<b>NO. OF SHARES HELD</b>

## 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. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. 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.
4. 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.
5. 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.
6. 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

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