



# TOWARDS A NEW FRONTIER

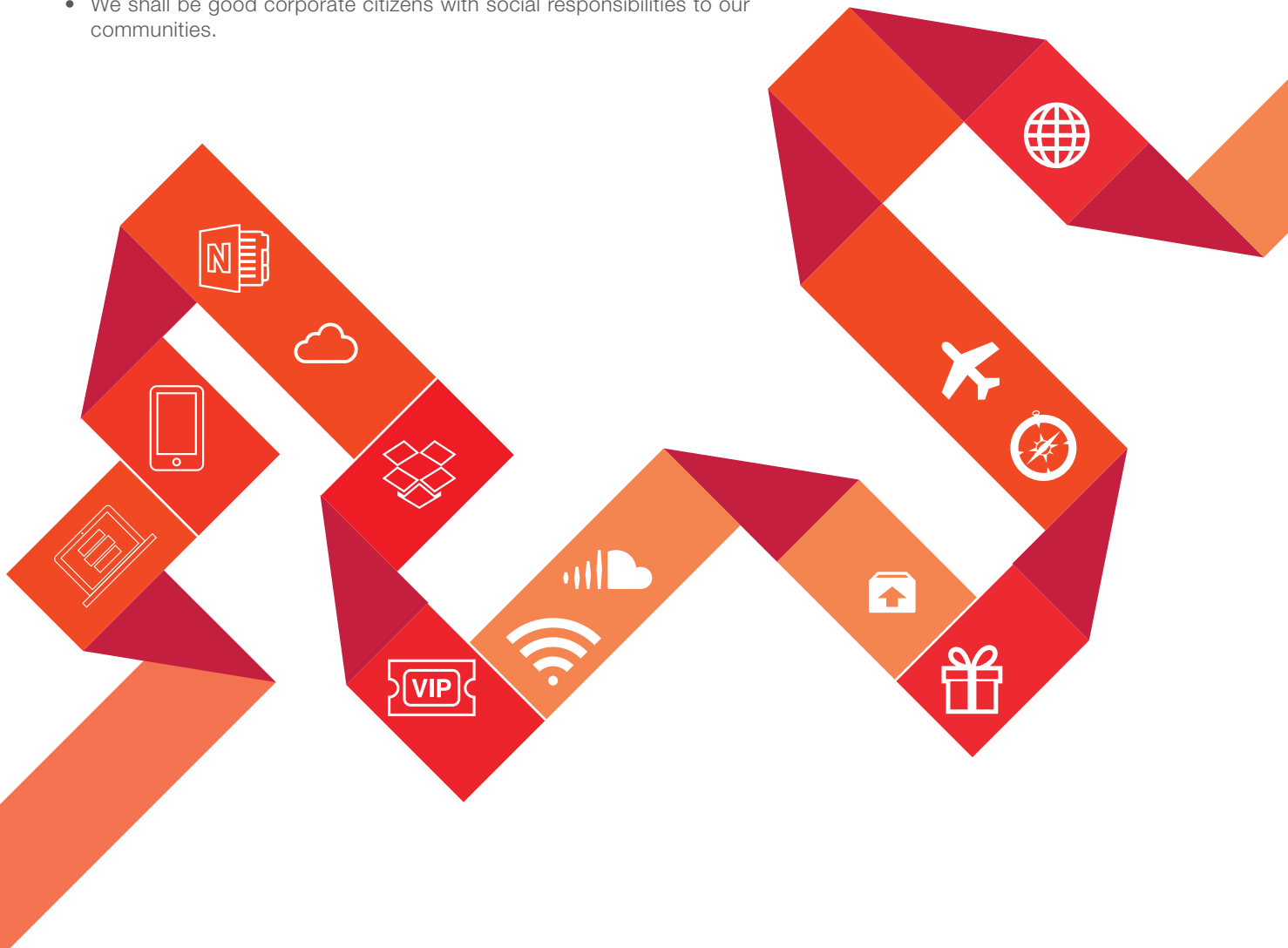
ANNUAL REPORT 2014

# 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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# COVER RATIONALE

The digital future is at hand.

The arrival of the ubiquitous and high-speed data access, supported by an ever-expanding range of mobility devices, has made our lifestyles increasingly efficient, knowledge-based and interconnected to one another.

As Malaysia's leading Information & Communications Technology ("ICT") distributor, ECS ICT Berhad ("ECSB") is proud to lead the charge in equipping Malaysians with the latest ICT products and devices that increase productivity, while providing access to information anytime and anywhere.

The new frontier starts here.

# CORPORATE PROFILE

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 Pericom").

Listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 15 April 2010, ECSB is an associate company of ECS Holdings Limited ("ECSH"), which is one of the leading ICT distributors in Asia Pacific, accessing to a network of more than 25,000 channel partners across China, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Cambodia and Myanmar.

ECSB distributes a comprehensive range of ICT products comprising notebooks, personal computers ("PCs"), smartphones, tablets, printers, software, network and communication infrastructure, servers, and enterprise software from more than 30 leading principals.

With a nationwide channel network of more than 5,000 resellers comprising retailers, system integrators and corporate dealers, ECSB also provides value-added product support and technical services.



# EMPOWERING ENTERPRISE MOBILITY





We recognise the exciting nature of the business world, and that its expansion is highly dependent on the extent of data accessibility, speed, accuracy, and security for mobile devices and applications.

Take your business to a new level.





**FOO SEN CHIN**  
*Executive Chairman*

# CHAIRMAN'S STATEMENT



**CHAIRMAN'S  
STATEMENT**  
*cont'd***Dear Shareholders,**

“2014 proved to be a challenging year as several macro-economic factors such as the sharp decline in crude oil prices since mid-2014 and weaker world trade dampened sentiments in the Malaysian economy.”

Still, stronger demand from the private sector and positive growth in net exports of goods and trade saw the Malaysian economy rally to post Gross Domestic Product (“GDP”) growth of 6.0% in 2014, versus 4.7% recorded in 2013.

Malaysia's ICT industry in 2014 continued to be spurred by strong consumer demand. However, corporate ICT spending was sluggish as numerous public sector ICT projects were deferred, while the private sector faced price pressures due to intense competition.

On a whole, Malaysia's ICT Industry maintained its growth trajectory, rising 3.1% to US\$10.0 billion in 2014, from US\$9.7 billion previously, according to the International Data Corporation (“IDC”).

These statistics painted a bright picture for the Group. Indeed, against this backdrop, the Group reached numerous milestones in the year under review.

The Group achieved its best-ever topline since our inception in 1985. Additionally, we made tremendous progress in establishing our smartphone distribution channel – the Group's newest distribution network.

These milestones dovetailed with our ability to visualise the next trend and adapt our business model accordingly. From 2010 onwards, we evolved from distributing PCs and notebooks, to providing a host of mobility products such as tablets and smartphones today.

We are pleased to have reaped the returns of this constant transformation and strengthened our position as the leading ICT distributor in Malaysia.

On that note, on behalf of the Board of Directors (“the Board”), I am delighted to present the Annual Report of the Group for the financial year ended 31 December 2014 (“FY2014”).

## CHAIRMAN'S STATEMENT

*cont'd*

### FINANCIAL PERFORMANCE

In the year under review, ECSB's topline recorded an impressive growth of 20.0% to RM1.6 billion from RM1.3 billion previously.

The Group's ICT Distribution segment led the way for this remarkable benchmark, boosted by steady sales of notebooks and PCs, coupled with the Group's expanded smartphone distribution portfolio. This resulted in the segment exceeding the billion-ringgit mark for the first time, expanding 32.1% year-on-year to RM1.1 billion from RM842.1 million previously.

Meanwhile, revenue contributions from the ICT Services segment jumped to RM51.2 million from RM14.7 million, largely due to a re-classification of extended warranties from the Enterprise Systems segment in FY2014.

The Enterprise Systems segment however posted an 8.9% decline in revenue to RM427.6 million in FY2014 as compared to RM469.5 million a year ago, due to the reclassification above, and from lower sales of storage and software products throughout the year.

Inevitably, the Group noted higher distribution and administration costs in FY2014 on account of its business expansion, as well as a less-favourable sales mix with the slower take-up of Enterprise Systems.

Nonetheless, this did not deter the Group from posting 9.5% growth in net profit to RM29.4 million in the year under review from RM 26.9 million previously.

Therefore, ECSB's basic earnings per share (EPS) in FY2014 increased to 16.4 sen, versus 14.9 sen in the previous year.

The Group maintained a healthy balance sheet in the year under review, with zero borrowings and cash and cash equivalents totalling RM89.7 million. This net cash position allows the Group to undertake any business expansion plans.

The Group's Return on Shareholders' Equity for FY2014 was sustained at 13.7%, while Return on Assets was 7.7%.

### DIVIDEND

ECSB had paid the first interim dividend of 3.0 sen per ordinary share to shareholders in December 2014 in respect of FY2014.

The Board is pleased to propose a final single-tier dividend of 3.0 sen per ordinary share in respect of FY2014, subject to shareholders' approval at the Annual General Meeting.

With this, ECSB has declared a total dividend of 6.0 sen per ordinary share in FY2014. The total dividend payout of RM10.8 million translates to 36.7% of FY2014 net profit.

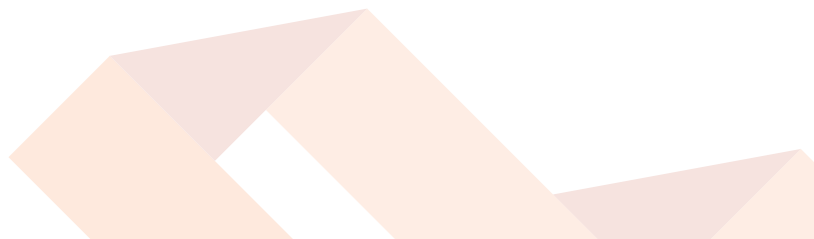
### PROSPECTS

Industry experts have predicted that the local ICT industry is expected to maintain its growth momentum going forward into 2015. This will be fuelled by game-changing trends such as social media, cloud computing and big data, as well as the rising popularity of 'Internet of Things'.

Furthermore, the Government's continued support for the ICT industry as reflected in Budget 2015 is anticipated to encourage this growth. The push towards enhancing internet connectivity nationwide via the high speed broadband initiative and provision of the Accelerated Capital Allowance for corporate expenditure on ICT products are expected to propel the industry forward.

However, we are also mindful of the impact of the 6% Goods and Services Tax ("GST") upon its implementation in April 2015, as most ICT products previously enjoyed zero sales tax. Nevertheless, the Group opines that the GST would not affect the industry in the long run, given the constant technology upgrades and replacements required by consumers and corporates alike.

Nevertheless, ECSB will continue to build upon our fundamentals and focus on our transformation in tandem with market dynamics. We target to enhance our ICT Distribution product portfolio with more brands and devices, especially within the mobility solutions segment.



## CHAIRMAN'S STATEMENT

*cont'd*

### PROSPECTS *cont'd*

We will also continue to work closely with our system integrators to meet the Enterprise Systems requirements of Corporate Malaysia, to facilitate its progress towards supporting a developed economy.

Last but certainly not least, the Group intends to make a significant impact in the e-commerce space in FY2015. We believe that developing this new channel would go a long way in enhancing operations efficiency, not only within the Group but also in interactions with retailers.

Altogether, we believe in building a sustainable business model in the Group that will carry us through in the future.

### ACKNOWLEDGEMENTS AND APPRECIATION

FY2014's record-breaking topline was definitely the result of the hard work and dedication from everyone in the Group.

Firstly, I take this opportunity to thank the Board of Directors and management team of ECSB for steering the Group to reach this new level. To my esteemed employees, I am grateful for your continuous efforts in ensuring we ended the FY2014 on a high note.

Secondly, on behalf of the Group, I would like to express my gratitude to Dato' Teo Chiang Quan for his contributions as ECSB's Chairman since listing in 2010. Dato' Teo was designated as Non-Executive Director of ECSB from December 2014, while I assumed the position of Executive Chairman.

I would also like to congratulate Mr Soong Jan Hsung, who was appointed as ECSB's Chief Executive Officer ("CEO") and Executive Director in December 2014. His many years of involvement in the Group, knowledge of the ICT industry and passion for excellence makes him the perfect candidate to take ECSB in the next phase.

Finally, to our principals and resellers who continue to support us each year, I express my gratitude and look forward to strengthening these relationships as we embark on a new chapter of our growth story.

Thank you.

**FOO SEN CHIN**  
*Executive Chairman*





**Soong Jan Hsung**  
*Executive Director/  
Chief Executive Officer*

# REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER

## REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER

*cont'd*

“The Malaysian ICT industry continued to be resilient despite the challenging economy in 2014.

Local ICT spending continued to be driven by steady sales of hardware and software products during the year. The IDC reported 1.3% growth in domestic hardware and software sales to US\$7.6 billion in 2014, from US\$7.5 billion in the previous year.

Remarkably, the smartphone market grew at a quicker pace of 7% year-on-year to be valued at US\$2.2 billion in 2014, from US\$2.0 billion a year ago. This was primarily due to the rising smartphone penetration rate which improved significantly to an estimated 53% in 2014 from 35% in 2013, according to industry reports.

On that note, ECSB continued to maintain our course of being Malaysia’s leading ICT distributor by constantly assessing market demand, and making the relevant products widely accessible through our nationwide network of more than 5,000 resellers.

The Group is pleased that our efforts have paid off, as reflected in our new revenue milestone of RM1.6 billion in FY2014.”

### REVIEW BY BUSINESS SEGMENT

#### ICT Distribution

We have constantly built-up our ICT Distribution portfolio since inception, believing this to be our key advantage vis-a-vis our peers. Thus far we have close to 40 world-renowned brands and products ranging from PCs, notebooks, tablets and smartphones.

The ICT Distribution segment – being the Group’s high-volume business – made up 69.9% or RM1.1 billion of total group revenue. The 32.1% revenue rise from RM842.1 million previously was on the back of encouraging sales of desktop PCs, notebooks and tablets, as well as strong demand for smartphones. It is noteworthy that the value of smartphone sales doubled that of tablets in FY2014, indicating its widespread appeal amongst consumers.

Our wholly-owned subsidiary ECS Astar continued to thrive with an enhanced distribution portfolio of products.

ECS Astar was appointed by Nasdaq-listed Seagate, one of the worldwide leaders of storage solutions, to distribute its full range of branded storage solutions including portable and desktop external hard drives, network attached storage and home entertainment storage.

## REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER

*cont'd*

### REVIEW BY BUSINESS SEGMENT *cont'd*

#### ICT Distribution *cont'd*

ECSB also continued to expand the range of mobility products, namely tablets and smartphones. In August 2014, we began distributing the new Microsoft Surface Pro 3 tablet in addition to the existing models of Microsoft Surface RT and Microsoft Surface Pro.

In the smartphone sphere, ECS Astar was the appointed distributor for the ASUS Zenfone range in April 2014; reinforcing our business relationship since 2010.

We added another brand to our smartphone portfolio - BenQ – in September 2014. While BenQ is already a renowned provider of digital lifestyle innovations and LED monitors, we are pleased to be entrusted with supporting its maiden foray into the smartphone sector beginning with its F5 and T3 models.

It must be said that we have specifically targeted to distribute smartphone models that are mostly in the “affordable” price range, allowing us to target a larger pool of consumers, including those who are looking to upgrade from feature phones.

Simultaneously, ECSB also built up our smartphone reseller base in the year under review, adding to our base of IT resellers.

With a growing number of established brands under our belt, supported by our strengthening distribution network, our ICT Distribution is set to raise the bar in the coming years.

#### Enterprise Systems

The reclassification of extended warranties from the Enterprise Systems to ICT Services, coupled with slower project implementations in FY2014, resulted in the Enterprise Systems segment recording revenue of RM427.6 million, an 8.9% dip from RM469.5 million in FY2013.

Despite the dampened outlook, the Group continued to strengthen our range of Enterprise Systems with additional brands. During the year, our wholly-owned subsidiary ECS Pericomp was appointed by SoftwareONE – a global leader in Software Portfolio Management services – to supply the full suite of IBM software to SoftwareONE in Malaysia.

Through ECS Pericomp, SoftwareONE will be one of IBM's few Software Value Partners with access to the entire range of IBM solutions; namely Information Management, Business Analytics, IBM Collaboration Solutions, Security, Websphere, Cloud & Smarter Infrastructure, Rational and Industry Solution.

Additionally, ECS Pericomp became a distributor for barcode and tracking solutions provider, Zebra Technologies Asia Pacific Pte Ltd in January 2014. Further, in December 2014, we added to our portfolio F5 Networks, Inc who specializes in Application Delivery Networking technology.

ECSB believes in the increasingly vital role of Enterprise Systems in supporting the growth of small-to-mid enterprises as well as large corporations. We endeavour to continue enabling the public and private sector to reach their full potential with ICT solutions.

#### ICT Services

In order to more accurately capture the revenue from the provision of after-sales services, the Group reclassified the extended warranties from the Enterprise Systems segment to the ICT Services segment in FY2014.

This led to the ICT Services segment recording revenue of RM51.2 million in the year under review, from RM14.7 million previously.

We are always targeting to enhance our working relationship with our customers beyond sales, and providing our customers with an avenue for after-sales services achieves just that. Supported by our specialized personnel who have numerous accreditations between them, we are well positioned to ensure our customers' requirements are met.

#### AWARDS

We are pleased to note that our continuous efforts to ensure our principals' products are available throughout Malaysia has not gone unnoticed. This is reflected by the numerous awards we have received from various principals in 2014.

The awards for ECS Astar include:

- “Best Growth Distributor FY13/14 (Smartphone)” by Lenovo
- “Overall Best Performance Distributor FY13/14” by Lenovo
- “Authorised Distributor Award Tablet Business (Intel Tablet Volume) Q4'13 & Q1'14” by Intel
- “Authorised Distributor Award Notebook Business (Intel Notebook Volume) Q4'13 & Q1'14” by Intel
- “Top Consumer Notebook Distributor FY2014” by HP Printing and Personal System Group
- “Top Consumer Desktop Distributor FY2014” by HP Printing and Personal System Group
- “Distributor of the Year 2014” by ASUS
- “HP – Top Distributor 2014” by HP Enterprise Group
- “Top End User Computing Business Growth 2014” by Dell

## REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER

*cont'd*

### AWARDS *cont'd*

These accolades not only strengthen our drive but also give us the added boost to continue pushing our distribution business to greater heights.

In recognition of our continued efforts for compliance with regulatory requirements on good corporate governance, ECSB has been listed in the Top 100 Companies at Bursa Securities for disclosures based on ASEAN Corporate Governance Scorecard Methodology in 2014.

### BUSINESS OUTLOOK

Going forward, the ICT industry is expected to continue its expansion. IDC predicts ICT spending in Malaysia to be sustained well above the US\$10.0 billion mark in 2015, driven by increasing hardware and software sales and ICT-related services.

On that note, the Group will continue to look for new avenues to grow beyond our three main business segments, as we aim to aid our partners and resellers grow alongside us moving forward.

For our ICT Distribution segment, we will continue to source for new brands and new products to further enhance our portfolio. Backed by our strong track record and broadening nationwide reach, we strive to be the preferred distributor for principals wishing to penetrate the domestic market quickly and effectively.

In tandem with this goal, we strengthened our relationship with Microsoft, as ECS Astar was appointed to distribute four (4) models of the Microsoft Lumia smartphones in February 2015 to the IT channel and Consumer Electronic Chain Stores in Malaysia. These four (4) models are namely the Lumia 930, Lumia 830, Lumia 735 and Lumia 535.

Further to that, the Group was appointed by China-based electronics manufacturer Xiaomi, in March 2015 to be its authorised distributor of the Xiaomi MiPad tablets in Malaysia. Xiaomi MiPad, typically sold on Xiaomi's online platform, are available via ECSB's IT and mobile device resellers nationwide.

At the same time, we recognise that the next wave for smartphone adoption includes availing supporting elements to complement them. To this end, the Group is targeting to expand the smartphone distribution portfolio to include related spheres, such as "wearable technologies", mobile applications, mobile security and Enterprise mobility solutions.

ECSB is also cognizant of consumers' and corporates' growing acceptance and preference for online shopping either through the web or mobile applications. A joint analysis by global research firm, Nielsen and digital wallet e-commerce company, PayPal, reported that Malaysia's e-commerce market size, including services and products, is expected to grow to RM5.8 billion in 2015, from RM3.7 billion in 2013.

To capture this opportunity, we successfully reintroduced our newly enhanced business-to-business ("B2B") platform in the first quarter of 2015 to enable our retailers and resellers to purchase products from and make payments seamlessly to ECSB.

While optimised to be user-friendly for our target market, the platform is also integrated with our Enterprise Resource Planning system on real-time basis for efficient inventory management. We believe that e-commerce has the potential to be significant revenue stream in the future that complements existing 'brick and mortar' business.

Finally, noting the huge potential in the ICT services industry, ECSB aims to move beyond product support services and enter into outsourcing and project-oriented services. The Group is currently exploring options of growing organically and undertaking a merger and acquisition to grow our ICT services segment further.

With these strategies in place, we are optimistic of charting another positive year.

As the newly-appointed CEO of ECSB, I am grateful for this vote of confidence shown by the Board. With the earnest dedication of our team of employees, and continuous support from our stakeholders, partners and business associates, we are confident of taking ECSB to its next growth level.

### SOONG JAN HSUNG

*Executive Director/Chief Executive Officer*



# CHANNELS FOR THE FUTURE TREND





# BOARD OF DIRECTORS' PROFILE



**Foo Sen Chin**  
*Executive Chairman*



**Soong Jan Hsung**  
*Executive Director/  
Chief Executive Officer*



**Dato' Teo Chiang Quan, DPTJ**  
*Non-Independent Non-Executive Director*



**Tay Eng Hoe**  
*Non-Independent Non-Executive Director*



**Wong Heng Chong**  
*Independent Non-Executive Director*

## BOARD OF DIRECTORS' PROFILE

*cont'd*



**Quah Chek Tin**

*Senior Independent Non-Executive Director*



**Ahmad Subri Bin Abdullah**

*Independent Non-Executive Director*



**Ho Chee Kit**

*Independent Non-Executive Director*



**Ong Wei Hiam**

*Non-Independent Non-Executive Director*

## BOARD OF DIRECTORS' PROFILE

cont'd

1

### Foo Sen Chin, 67

Executive Chairman  
Malaysian

**Date of appointment as Director** : 21 July 1995

**Length of service as director since listing on 15 April 2010 (as at 29 April 2015)** : 5 years 0 month

**Board Committee(s) served on** : Member of the Remuneration Committee

**Academic/Professional Qualification(s)** : Bachelor of Science degree in Electrical and Electronic Engineering from the University of Birmingham, United Kingdom; and

Master's degree in Business Administration from the Cranfield School of Management in the United Kingdom

**Present Directorship(s) in Other Public Listed Companies** : Nil

**Working experience** :

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 was also a Director of ECSH, which was previously listed on the Singapore Stock Exchange. He was elected as the Chairman of the Board of ECSB, carrying designation of "Executive Chairman" on 1 January 2015.

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 30 years. He has served as a Councillor, Treasurer and Deputy Chairman in the Association of the Computer & Multimedia Industry of Malaysia ("PIKOM") from 1995 to 2005, and was appointed as an Advisor of PIKOM from 2006 onwards.

Foo has played a pivotal role in growing the Group to become one of the largest ICT distributors in Malaysia and established it as the leading distribution hub in supplying ICT products for Malaysia's knowledge based economy.

**Time committed** : Foo attended all the 4 Board Meetings.

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### Soong Jan Hsung, 51

Executive Director/Chief Executive Officer  
Malaysian

**Date of appointment as Director** : 21 February 1997

**Length of service as director since listing on 15 April 2010 (as at 29 April 2015)** : 5 years 0 month

**Board Committee(s) served on** : Nil

**Academic/Professional Qualification(s)** : Bachelor of Science (Honours) majoring in Mathematics from the University of Malaya

**Present Directorship(s) in Other Public Listed Companies** : Nil

**Working experience** :

Soong began his career as a Sales Executive with ECS Pericomp in 1987. During the next seven years, Soong's hard work and dedication led to several promotions in sales and marketing position to become the General Manager in 1994. Soong was promoted to Executive Director in 2001 and was appointed as a Deputy Chief Executive Officer of ECSB on 1 January 2014. Subsequently, Soong has been promoted to Executive Director/CEO of ECSB with effect from 1 January 2015 to lead and manage the Group, in conjunction with the elevation of Foo as the Executive Chairman of the Board.

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"). Soong has been 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 the Group in becoming the leading ICT distributor in Malaysia.

**Time committed** : Soong attended all the 4 Board Meetings.

## BOARD OF DIRECTORS' PROFILE

cont'd

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### Dato' Teo Chiang Quan, DPTJ, 65

Non-Independent Non-Executive Director  
Malaysian

**Date of re-appointment as Director** : 2 January 2003

**Length of service as director since listing on 15 April 2010 (as at 29 April 2015)** : 5 years 0 month

**Board Committee(s) served on** : Member of the Nominating Committee

**Academic/Professional Qualification(s)** : Honorary doctorate from Middlesex University, United Kingdom

**Present Directorship(s) in Other Public Listed Companies** : Paramount Corporation Berhad

**Working experience** :

Dato' Teo is 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. Following his decision to relinquish the position of Chairman of the Board of ECSB as part of the Company's succession planning, Dato' Teo was re-designated as Non-Independent Non-Executive Director on 1 January 2015.

Dato' Teo has provided to the 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. 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.

**Time committed** : Dato' Teo attended all the 4 Board Meetings.

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### Tay Eng Hoe, 63

Non-Independent Non-Executive Director  
Singaporean

**Date of appointment as Director** : 17 December 2009

**Length of service as director since listing on 15 April 2010 (as at 29 April 2015)** : 5 years 0 month

**Board Committee(s) served on** : Member of the Nominating Committee

**Academic/Professional Qualification(s)** : Bachelor of Science (Honours) Degree from LaTrobe University, Australia; and  
MBA from University of Melbourne, Australia

**Present Directorship(s) in Other Public Listed Companies** : Nil

**Working experience** :

Tay was previously the Group Executive Chairman of ECSH. He is the founder of the ECSH and also ECS Computers (Asia) Pte Ltd, a Singapore-based subsidiary. He brings with him more than 30 years of experience in the ICT business. 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.

**Time committed** : Tay attended all the 4 Board Meetings.

## BOARD OF DIRECTORS' PROFILE

cont'd

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### Wong Heng Chong, 64

Independent Non-Executive Director  
Malaysian

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (as at 29 April 2015)</b>	: 5 years 0 month
<b>Board Committee(s) served on</b>	: Member of the Audit Committee
<b>Academic/Professional Qualification(s)</b>	: Chartered Accountant: Member of the Institute of Chartered Accountants in Australia and the Malaysian Institute of Accountants; and Diploma in Management Studies from University of Chicago Graduate School of Business
<b>Present Directorship(s) in Other Public Listed Companies</b>	: Nil
<b>Working experience</b>	: Wong began his working career in Coopers & Lybrand in Australia and in Malaysia. He had previously served as an Executive Director of ECOSH, Boustead Singapore Limited, QAF Limited and Sunshine Allied Investments Limited. His working experience during the last 40 years spanned over diverse industries including Information Technology, engineering, food-manufacturing, retail and wholesale, trading and auditing.
<b>Time Committed</b>	: Wong attended all the 4 Board Meetings.

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### Quah Chek Tin, 63

Senior Independent Non-Executive Director  
Malaysian

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (as at 29 April 2015)</b>	: 5 years 0 month
<b>Board Committee(s) served on</b>	: Chairman of the Nominating Committee; and Member of the Audit Committee
<b>Academic/Professional Qualification(s)</b>	: Bachelor of Science (Honours) Degree in Economics from the London School of Economics and Political Science; Fellow of the Institute of Chartered Accountants in England and Wales; and Member of the Malaysian Institute of Accountants
<b>Present Directorship(s) in Other Public Listed Companies</b>	: Genting Malaysia Berhad Genting Plantations Berhad Batu Kawan Berhad Paramount Corporation Berhad
<b>Working experience</b>	: Quah 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.
<b>Time Committed</b>	: Quah attended all the 4 Board Meetings.

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### Ahmad Subri Bin Abdullah, 65

Independent Non-Executive Director  
Malaysian

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (as at 29 April 2015)</b>	: 5 years 0 month
<b>Board Committee(s) served on</b>	: Chairman of the Remuneration Committee; and Member of the Nominating Committee
<b>Academic/Professional Qualification(s)</b>	: Chartered Insurer and Fellow of the Chartered Insurance Institute in the United Kingdom and a Fellow of the Malaysian Insurance Institute
<b>Present Directorship(s) in Other Public Listing Companies</b>	: Nil
<b>Working experience</b>	: Subri is a Director of KDU Management Development Centre Sdn. Bhd., Chairman of RCL International Sdn. Bhd., Director of SBI Offshore Limited, Singapore and is now serving as the Managing Director of Emerio (Malaysia) Sdn. Bhd., an NTT Communications Company.

Subri is a Director of KDU Management Development Centre Sdn. Bhd., Chairman of RCL International Sdn. Bhd., Director of SBI Offshore Limited, Singapore and is now serving as the Managing Director of 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.

<b>Time committed</b>	: Subri attended all the 4 Board Meetings.
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## BOARD OF DIRECTORS' PROFILE

*cont'd*

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**Ho Chee Kit, 67**

*Independent Non-Executive Director  
Malaysian*

<b>Date of appointment as Director</b>	: 17 December 2009
<b>Length of service as director since listing on 15 April 2010 (as at 29 April 2015)</b>	: 5 years 0 month
<b>Board Committee(s) served on</b>	: Chairperson of the Audit Committee; Member of the Nominating Committee; and Member of the Remuneration Committee
<b>Academic/Professional Qualification(s)</b>	: Advocate and Solicitor Bachelor of Arts at the University of New England, Australia in 1971
<b>Present Directorship(s) in Other Public Listed Companies</b>	: Nil
<b>Working experience</b>	: Ho 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 proceeding to read law at Inner Temple, England in September 1975. She was called to the English Bar in June 1978 and Malaysian Bar in September 1979. Since then, she has been in private legal practice in Malaysia and is the consultant of a legal firm in Kuala Lumpur. She is an experienced lawyer specializing in corporate, banking and property law.  She has previously served as an Independent Director and member of the audit committee of Fiamma Holdings Berhad.
<b>Time committed</b>	: Ho attended all the 4 Board Meetings.

9

**Ong Wei Hiam, 43**

*Non-Independent Non-Executive Director  
Malaysian*

<b>Date of appointment as Director</b>	: 4 June 2013
<b>Length of service as director since appointment (as at 29 April 2015)</b>	: 1 year 10 months
<b>Board Committee(s) served on</b>	: Nil
<b>Academic/Professional Qualification(s)</b>	: Bachelor Degree in Economics from University College London; Master Degree in Analysis, Design & Management of Information Systems from London School of Economics and Political Science; Fellow of the Hong Kong Institute of Certified Public Accountants; and Fellow of Institute of Chartered Accountants in England and Wales
<b>Present Directorship(s) in Other Public Listed Companies</b>	: Nil
<b>Working experience</b>	: Ong was appointed as the Group CEO of ECSH on 1 January 2013 and was appointed as an Executive Director of the ECSH on 16 April 2012. Ong is concurrently the Group Chief Financial Officer and Executive Director of VST Holdings Limited, the parent company of ECSH.
<b>Time committed</b>	: Ong attended all the 4 Board Meetings.

**Notes:-**

Save as disclosed above, none of the Directors has:-

- (a) any family relationship with any Director and/or major shareholder of the Company;
- (b) any conflict of interest with the Company; and
- (c) any conviction for offences (other than traffic offences) within the past ten (10) years.

# SOLUTIONS FOR SMART LIVING





Mankind has dreamed of the day when technology would be integral to our daily lifestyles in enhancing our work and play. With the advent of wearable technologies and the 'Internet of Things', this dream would soon be realised.

Tap into the wondrous possibilities of the digital community.

# PROFILE OF SENIOR MANAGEMENT TEAM



**Foo Sen Chin**  
*Executive Chairman*



**Soong Jan Hsung**  
*Executive Director/  
Chief Executive Officer*



**Tee Ang Kuan**  
*Group General Manager*



**Chan Puay Chai**  
*Financial Controller*



**Chia Chin Pooi**  
*General Manager of ECS Astar*



**Chang Yew Hwa**  
*General Manager of ECS Pericomp*



**Tan Say Meng**  
*General Manager of ECS Ku*

## PROFILE OF SENIOR MANAGEMENT TEAM

*cont'd*

1

### Foo Sen Chin

Foo is the co-founder of ECSB and assumed the position of Managing Director in 2000. He is a substantial shareholder of ECSB through his substantial shareholdings in Sengin Sdn. Bhd. He was also a Director of ECSH, which was previously listed on the Singapore Stock Exchange. He was elected as the Chairman of the Board of ECSB, carrying designation of "Executive Chairman" on 1 January 2015.

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 30 years. He has served as a Councillor, Treasurer and Deputy Chairman in PIKOM from 1995 to 2005, and was appointed as an Advisor of PIKOM from 2006 onwards.

Foo has played a pivotal role in growing the Group to become one of the largest ICT distributors in Malaysia and established it as the leading distribution hub in supplying ICT products for Malaysia's knowledge based economy.

2

### Soong Jan Hsung

Soong began his career as a Sales Executive with ECS Pericomp in 1987. During the next seven years, Soong's hard work and dedication led to several promotions in sales and marketing position to become the General Manager in 1994. Soong was promoted to Executive Director in 2001 and was appointed as a Deputy Chief Executive Officer of ECSB on 1 January 2014. Subsequently, Soong has been promoted to Executive Director/CEO of ECSB with effect from 1 January 2015 to lead and manage the Group, in conjunction with the elevation of Foo as the Executive Chairman of the Board.

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. Soong has been 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 the Group in becoming the leading ICT distributor in Malaysia.

3

### Tee Ang Kuan

Tee was promoted to Group General Manager in 2015 in-charge of the overall distribution and services businesses of the Group. Previously, he was the General Manager of ECS Astar 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 a computer company in sales line. From 1986 to 1995, Tee worked with several ICT distributors in the sales and marketing of ICT products, such as notebook and desktop PCs, printers and software.

In 1996, he joined ECS Astar as a Business Manager and was promoted to General Manager in 1999. 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.

## PROFILE OF SENIOR MANAGEMENT TEAM

cont'd

4

### 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. 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 20 years. His major responsibilities include financial planning & control, financial compliances, credit management, risk management, and other finance related operations.

5

### Chia Chin Pooi

Chia was promoted to General Manager of ECS Astar in 2015 in-charge of operations, namely, the design and development of business and marketing strategies, marketing and distribution of our ICT products, and sales staff management. Previously, he was the Assistant General Manager for Marketing of ECS Astar since 2010. He graduated with a Diploma in Computer Science from TAR College, Malaysia in 1990. He joined ECS Pericomp as a Sales Executive in 1990, responsible for the marketing activities of our ICT products. In 1994, he was promoted to Product Manager and subsequently to Group Product Manager in 1996. He was transferred to ECS Astar as a Sales Manager in 1998 and was promoted to Senior Manager of Marketing in 2002.

6

### Chang Yew Hwa

Chang was promoted to General Manager of ECS Pericomp in 2015 in-charge of the operations, namely, the design and development of business and marketing strategies, marketing and distribution of our ICT products, and sales staff management. Previously, he was the General Manager of Marketing in ECS Pericomp. He graduated with a Bachelor of Science in Economics from Portland State University, U.S.A, in 1988. In 1991, he joined ECS Pericomp as a Product Manager and subsequently promoted to Group Product Manager in 1997, Marketing Manager in 1998, Assistant General Manager in 2001 and General Manager in 2008.

7

### Tan Say Meng

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 a computer company 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 in charge of IT sales and services.

# PROFILE OF MANAGEMENT TEAM



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**Foo Lek Choong**  
*Chief Technology Officer*



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**Chin Sai Leong**  
*Senior Logistics Manager*



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**Wee Ailin**  
*Senior Inventory Manager*



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**Yee Chee Yoon**  
*Human Resource Manager*



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**Lwee Wen Ling**  
*Senior Executive Secretary/Company Secretary*



## PROFILE OF MANAGEMENT TEAM

cont'd

1

### Foo Lek Choong

Foo is the Chief Technology Officer of our Group responsible for the overall IT strategy and technology implementations within the Group. A graduate from Cornell University in 1998 with a degree in Electrical Engineering, he brings a combined 15 years of experience in systems Integration of LAN/WAN systems in the ICT industry and market engagement strategies including product development, management and product life-cycle evolution in a national Tier-1 Telco/ISP environment. In his previous roles in the Telco industry, his responsibilities included partnership and alliance management, engagement in analysis and strategic direction of corporate strategy and various market engagement strategies. Foo's experience extends to product development, management, and service life-cycle sustenance with in-depth experience relating to wired and wireless broadband access services.

2

### Chin Sai Leong

Chin is the Senior Logistics Manager of our Group responsible for the entire warehouse operation of the Group. He obtained a Certificate in Electronics from TAR College in 1979 and joined a computer company as a Technician, providing technical services to customers. He joined a trading company in 1990 as a Service Supervisor in-charge of assisting and supervising the service team. In 1985, he joined ECS Ku as a Service Supervisor and subsequently promoted to Technical Manager in 1991, Logistics Manager in 1997 and Senior Logistics Manager in 2006.

3

### Wee Ailin

Wee is the Senior Inventory Control Manager of our Group responsible for the inventory management of the Group. She graduated with a Diploma in Accounting from the International Institute of Commerce, Malaysia in 1977. In 1983, she joined a multinational company as an Administrative Executive before joining ECS Kush as an Administration Manager in 1995. She was later promoted to Inventory Manager in 2005.

4

### Yee Chee Yoon

Yee is the Human Resource Manager of our Group responsible for the Human Resource Management. She graduated with an Advanced Diploma in Business Administration from Stamford College in 2001 and a Diploma in Human Resource Management from Malaysia Institute of Human Resource Management in 2004. In 1994, she joined a local bank as a Personal Assistant and was subsequently promoted to Human Resource Officer in 1997. In 2002, she joined a multinational company as an Associate Officer assisting in all HR matters. In 2009, she joined a computer company as a Human Resource & Admin Manager prior to joining ECS Kush as a Human Resource Manager in 2014.

5

### Lwee Wen Ling

Lwee is the Senior Executive Secretary of ECSB and appointed as a Joint Company Secretaries of the Group in 2014. She was elected as an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") in year 2006. Lwee obtained Diploma in Business Studies (Business Administration) and Advance Diploma in Commerce (Business Management) in year 2000 and 2002 respectively from Tunku Abdul Rahman College. She started her career in a management services firm providing secretarial and accounting services to corporate clients. In 2009, she joined ECS Kush as Senior Executive Secretary responsible of corporate affairs, investors relations and administrative support of the Group.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Chairman*

Foo Sen Chin

### *Executive Director/Chief Executive Officer*

Soong Jan Hsung

### *Senior Independent Non-Executive Director*

Quah Chek Tin

### *Non-Independent Non-Executive Director*

Dato' Teo Chiang Quan, *DPTJ*

Tay Eng Hoe

Ong Wei Hiam

Tan Teck Thye (Resigned w.e.f. 30 November 2014)

### *Independent Non-Executive Director*

Wong Heng Chong

Ahmad Subri Bin Abdullah

Ho Chee Kit

## AUDIT COMMITTEE

Ho Chee Kit - *Chairperson*

Quah Chek Tin

Wong Heng Chong

## NOMINATING COMMITTEE

Quah Chek Tin - *Chairman*

Dato' Teo Chiang Quan, *DPTJ*

Tay Eng Hoe

Ahmad Subri Bin Abdullah

Ho Chee Kit

## REMUNERATION COMMITTEE

Ahmad Subri Bin Abdullah - *Chairman*

Foo Sen Chin

Ho Chee Kit

## SECRETARIES

Chua Siew Chuan (MAICSA 0777689)

Cheng Chia Ping (MAICSA 1032514)

Lwee Wen Ling (MAICSA 7058065)

## REGISTERED OFFICE

Level 7, Menara Milenium, Jalan Damanlela  
Pusat Bandar Damansara, Damansara Heights  
50490 Kuala Lumpur, Wilayah Persekutuan

Telephone : 03-2084 9000

Facsimile : 03-2094 9940

## SHARE REGISTRAR

Tricor Investor Services Sdn. Bhd.  
Level 17, The Gardens North Tower  
Mid Valley City

Lingkar Syed Putra

59200 Kuala Lumpur

Telephone : 03-2264 3883

Facsimile : 03-2282 1886

## AUDITORS

KPMG, Chartered Accountants

Level 10, KPMG Tower

8 First Avenue, Bandar Utama

47800 Petaling Jaya

Selangor Darul Ehsan

## PRINCIPAL BANKERS

CIMB Bank Berhad

Citibank Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Securities  
on 15 April 2010

Stock Code : 5162

Stock Name : ECS

Sector : Technology

# GROUP FINANCIAL HIGHLIGHTS

Financial year ended 31 December	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
<b>Key Operating Results</b>					
Revenue	1,271,512	1,250,687	1,276,120	1,326,266	<b>1,591,117</b>
Gross Profit	83,390	81,293	85,040	81,438	<b>86,735</b>
Profit Before Tax	39,367	40,934	40,251	36,582	<b>39,202</b>
Profit For The Year	29,030	30,143	29,864	26,888	<b>29,432</b>
<b>As at 31 December</b>					
<b>Key Financial Data</b>					
Total Assets	266,822	323,603	331,520	348,715	<b>411,831</b>
Total Liabilities	119,455	150,893	143,946	144,153	<b>187,737</b>
Total Equity	147,367	172,710	187,574	204,562	<b>224,094</b>
<b>Financial Ratio</b>	%	%	%	%	%
Revenue Growth/(Decline)	(5.5)	(1.6)	2.0	3.9	<b>20.0</b>
Return on Equity	25.2	18.8	16.6	13.7	<b>13.7</b>
Dividend Yield <sup>(1)</sup>	6.0	6.4	5.3	4.7	<b>5.1 <sup>(3)</sup></b>
Dividend Payout Ratio <sup>(2)</sup>	33.1	31.8	33.2	36.8	<b>36.7 <sup>(3)</sup></b>

(1) Based on dividend as a percentage of ECSB share price as at 31 December

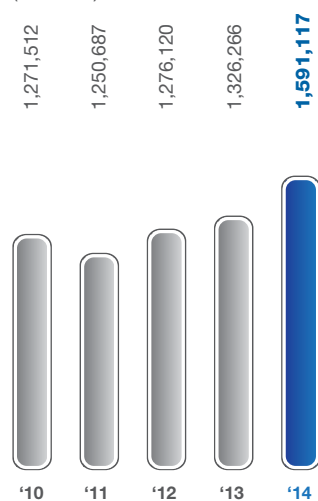
(2) Based on dividend as a percentage of Basic Earning Per Share

(3) Subject to shareholders' approval on final dividend

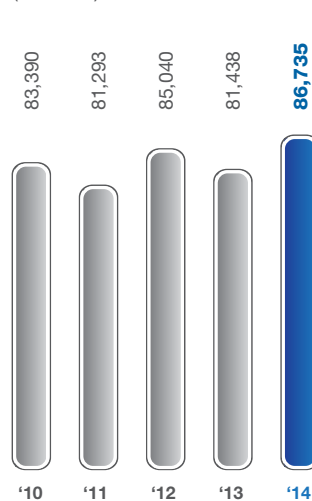
## GROUP FINANCIAL HIGHLIGHTS

*cont'd*

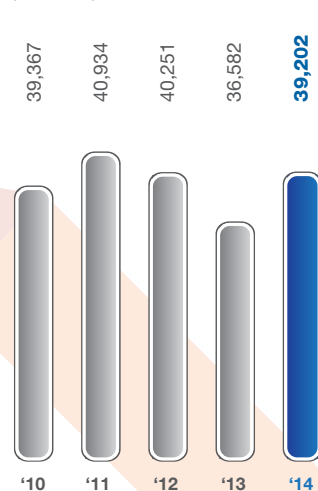
### REVENUE (RM'000)



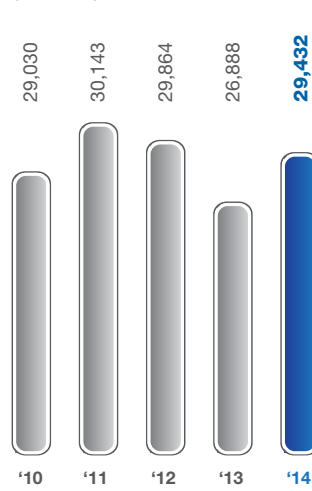
### GROSS PROFIT (RM'000)



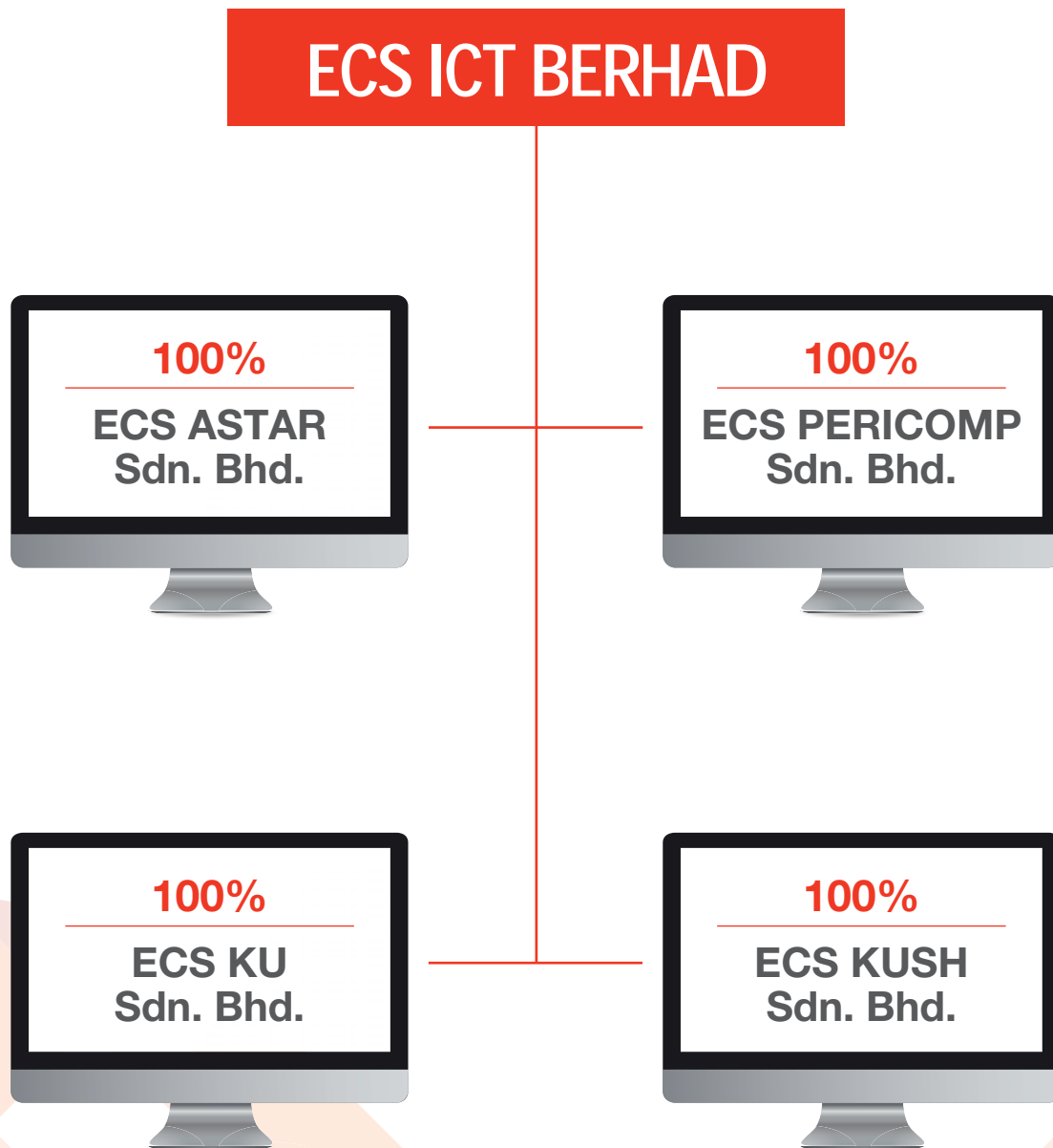
### PROFIT BEFORE TAX (RM'000)



### PROFIT FOR THE YEAR (RM'000)



# GROUP CORPORATE STRUCTURE



# STATEMENT ON CORPORATE GOVERNANCE

The Group is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board is pleased to present this statement to provide investors with an overview of the extent of compliance with the Principles as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") under the stewardship of the Board. It demonstrates the Board's emphasis to show the manner in which the Company has applied the Principles and the Recommendations of the MCCG 2012.

This statement also serves as a compliance with Paragraph 15.25 of the Main Market Listing Requirements ("Main LR") of Bursa Securities.

## **(I) ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

### **(1) Clear Functions of the Board and Management**

The Board is responsible for the leadership, oversight and the long-term success of the Group. The Board has established a Board Charter to provide guidance and clarity for Directors and Management with regard to the role of the Board and its Committees. In addition, the Board will also agree with the Management, the corporate objectives, which include performance targets during the review of yearly budget, to be met by the Management.

The Board has reserved a formal schedule of matters for its decision making to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, material acquisition and disposal of assets, capital expenditure, risk management policies, appointment of auditors and review of the financial statements, financing and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

### **(2) Clear Roles and Responsibilities of the Board**

The Board is overall responsible for corporate governance, strategic direction, establishing corporate goals and monitoring the achievement of these goals. It provides effective leadership and manages overall control of the Group's affairs through the discharge of the following principal duties and responsibilities:-

#### **(a) *Reviewing and adopting a strategic plan for the Group***

The Board plays an active role in the development of the Group's strategic plan. It has in place a strategic plan whereby Management gives update to the Board on the progress of implementation of the plan in every quarterly meeting. At this session, the Board reviews and deliberates upon both Management's and its own perspectives, as well as challenges Management's views to deliver the best outcomes.

#### **(b) *Overseeing the conduct of the Group's business***

The Board monitors the performance of Management on a regular basis vide the insertion of a regular agenda item in the Board Meetings in relation to "Reviewing the performance of the Group for the current quarter ended and current year-to-date". For the financial year ended 31 December 2014, Mr Foo Sen Chin, the Managing Director ("MD") was responsible for presenting the agenda item to the Board for review and consideration; while for the current financial year ending 31 December 2015, the task has been handed over to Mr Soong Jan Hsung, the newly appointed CEO, with effect from 1 January 2015.

#### **(c) *Identification of principal risks and implementation of appropriate internal controls and mitigation measures***

Mindful of its duties in terms of identification of principal risks as well as the need to institute risk management and internal control measures, the Board has adopted an Enterprise Risk Management ("ERM") Framework to manage its risks and opportunities. A Management Committee known as the ERM Committee which reports directly to the Audit Committee was established by the Board, with the primary responsibility of ensuring the effective functioning of the adopted ERM Framework.

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (I) ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

#### (2) Clear Roles and Responsibilities of the Board *cont'd*

##### (d) Succession Planning

The Board has formalised a Succession Planning Policy to ensure the Group's continuity in leadership for all key positions.

##### **Succession Move 2015**

Guided by the Succession Planning Policy, the Board has undertaken a structured process known as "Succession Move 2015" to ensure the orderly succession of top management as follows:-

- Re-designation of Dato' Teo Chiang Quan to Non-Independent Non-Executive Director from Non-Independent Non-Executive Chairman;
- Re-designation of Mr. Foo Sen Chin to Executive Chairman from MD; and
- Re-designation of Mr. Soong Jan Hsung to Executive Director/CEO from Executive Director/Deputy CEO.

##### (e) **Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems**

The Board has established key control processes to ensure there is a sound framework of reporting on internal controls and regulatory compliance.

The Statement on Risk Management and Internal Control of the Group as set out on pages 56 to 58 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

#### (3) Code of Conduct

One of the key role of the Board is to establish a corporate culture which engenders ethical conduct that permeates throughout the Group. Consequently, the Board has formalised the following codes/policy to ensure the implementation of appropriate internal systems by the Management to support, promote and ensure its compliance:-

##### (a) **Directors' Code of Ethics**

This Code is formulated for the Board and each Director to be committed on areas of ethical risk; to provide guidance to Directors to help them recognise and deal with ethical issues; to provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability.

This Code is designed to enhance the standard of corporate governance and corporate behaviour with the intention of, amongst others to uphold the spirit of professionalism, objectivity, transparency, and accountability in line with the legislation, regulations and environmental and social responsibility guidelines governing a company.

A full copy of this Code is available for viewing under the "Corporate Governance" section of the Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my)



## STATEMENT ON CORPORATE GOVERNANCE *cont'd*

### (I) **ESTABLISH CLEAR ROLES AND RESPONSIBILITIES** *cont'd*

#### (3) **Code of Conduct** *cont'd*

##### (b) **ECS's Code of Conduct**

This Code is established to promote a corporate culture which engenders ethical conduct that permeates throughout the Group. All Directors, management and employees of the Group are to adhere to this Code and comply with the letter and spirit of the following items:

- (i) Human Rights;
- (ii) Health And Safety;
- (iii) Environment;
- (iv) Gifts And Business Courtesies;
- (v) Company Records and Internal Controls;
- (vi) Company Assets;
- (vii) Exclusive Service;
- (viii) Integrity And Professionalism;
- (ix) Personal Appearance;
- (x) Confidential Information; and
- (xi) Compliance Obligations.

A full copy of this Code is available for viewing under the "Corporate Governance" section of the Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my)

##### (c) **Whistle-Blowing Policy**

Whistle-blowing is an act of voluntary disclosure/reporting to the Management of the Group for further action of any improper conduct committed or about to be committed by an employee, officer or management of the Group.

The Board has adopted a Whistle-Blowing Policy with the following objectives:-

- Provide an avenue for all employees and member of the public to disclose any improper conduct or any action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders;
- Provide proper internal reporting channel to disclose any improper or unlawful conduct in accordance with the procedures as provided for under this policy;
- Address a disclosure in an appropriate and timely manner;
- Provide protection for the whistle-blower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality; and
- Treat both the whistle-blower and the alleged wrongdoer fairly.

This policy shall also similarly apply to any vendors, partners, associates or any individuals, including the general public, in the performance of their assignment or conducting the business for or on behalf of the Group.

##### **Handling of Reported Allegation(s)**

The Audit Committee is responsible for the interpretation and supervision of the enforcement of this Policy. The action to be taken by the Group in response to a report of concern under this Policy will depend on the nature of the concern. The Audit Committee shall receive information on each report of concern and ensure that follow-up actions be taken accordingly.

## STATEMENT ON CORPORATE GOVERNANCE

cont'd

### (I) ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

#### (3) Code of Conduct *cont'd*

##### (c) Whistle-Blowing Policy *cont'd*

##### **Communication and Feedback Channels**

Report(s) can be made in verbal or in writing/email and forwarded in a sealed envelope to the below mentioned designated person(s) labelling with a legend such as "To be opened by the Audit Committee Chairman/Executive Chairman/CEO or Head of Human Resources only" (where applicable):-

For matters relating to financial reporting, unethical or illegal conduct, one can report directly to the following designated persons:-

**(1) Audit Committee Chairperson**

Ms Ho Chee Kit at email address: [hocheekit@inyk.com](mailto:hocheekit@inyk.com); or

**(2) Executive Chairman**

Mr Foo Sen Chin at email address: [scfoo@ecsm.com.my](mailto:scfoo@ecsm.com.my); or

**(3) Chief Executive Officer**

Mr Soong Jan Hsung at email address: [jhsoong@ecsm.com.my](mailto:jhsoong@ecsm.com.my)

For employment-related concerns, one can report directly to the following designated persons:-

**(1) Head of Human Resources**

Ms Shirley Yee at email address: [cyyee@ecsm.com.my](mailto:cyyee@ecsm.com.my) or

**(2) Chief Executive Officer**

Mr Soong Jan Hsung at email address: [jhsoong@ecsm.com.my](mailto:jhsoong@ecsm.com.my)

A full copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my)

#### (4) Sustainability Policy

The Board recognised that sustainability encompasses all aspects of ethical business practices and has formulated the Sustainability Policy to address relevant Environment, Social and Governance ("ESG") issues responsibly and profitably.

This policy aims mainly to integrate the principles of sustainability into the Group's strategies, policies and procedures.

A summary of the ESG practices undertaken for the financial year ended 31 December 2014 is set out in the Corporate Responsibility Statement on pages 54 to 55 of this Annual Report.

A full copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my)

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (I) ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

#### (5) Access to Information and Advice

All Directors (Executive and Non-executive) have the same right of access to all information within the Group whether as a full Board or in their individual capacity, in furtherance of their duties and responsibilities as Directors of the Company, subject to a formal written request to the Executive Chairman furnishing satisfactory and explicit justification for such request.

Formal agendas, papers and reports are supplied to Directors in a timely manner, prior to Board Meetings. 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.

Where changes to regulations and/or accounting standards which are important and have significant bearing on the Group and its disclosure obligations, the Board are briefed by the Management or External Advisors (where applicable) either at the Board Meetings, at specially-convened sessions or via circulation of Board papers. The Joint Company Secretaries works together with the Executive Chairman and the Management to ensure that Board and/or Board Committee papers and agenda are provided to each Director ahead of meetings of Board and/or Board Committees to enable the Board and/or Board Committees to familiarise themselves with the matters prior to their respective meetings.

The full Board or in their individual capacity, in furtherance of their duties, shall be able to obtain an independent professional advice at the Company's expenses through an agreed procedure laid down formally.

The above right of access by the Board has been encapsulated under Section 6.4 - Access to Information and Independent Professional Advice of the Board Charter of the Company

#### (6) Company Secretaries

The appointment and removal of the Company Secretaries is a matter for the Board. All Directors have access to the advice and services of the Company Secretaries, who are responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Also, the Company Secretaries ensure that the deliberations at the Board meetings are well captured and minuted.

All three (3) appointed Company Secretaries are members of MAICSA and are qualified to act as Company Secretary under Section 139A of the Companies Act, 1965.

#### (7) Board Charter

The Group has adopted a Board Charter which governs how the Group conducts its affairs. The Board Charter is applicable to all Directors of the Company and, amongst other things, provides that all Directors must avoid conflicts of interest between their private financial activities and their part in the conduct of company business.

The Board Charter sets out the authority, responsibilities, membership and operation of the Board of the Company, adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia. The Board Charter entails, inter alia, the following main items:-

- Objectives of the Board;
- Roles of the Board;
- Board Structure; and
- Board Processes.

The Board Charter is to be regularly reviewed by the Board as and when required.

To facilitate the implementation of the Succession Move 2015, the Board Charter has been duly updated and approved by the Board on 11 February 2015.

A full copy of the updated Board Charter is available for viewing under the "Corporate Governance" section of the Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my)

## STATEMENT ON CORPORATE GOVERNANCE

cont'd

### (II) STRENGTHEN COMPOSITION

#### (1) Board Committees

The Board has put in place the following Board Committees to assist in carrying out its fiduciary duties:-

- Audit Committee;
- Nominating Committee; and
- Remuneration Committee.

All of these Committees have written Terms of Reference clearly outlining their objectives, duties and powers. The final decisions on all matters are determined by the Board as a whole.

#### (2) Audit Committee

The membership and Terms of Reference of the Audit Committee are stated in the Audit Committee Report of this Annual Report. A summary of the activities of the Audit Committee during the year, including an evaluation of the independent audit process, is set out in the Audit Committee Report on pages 59 to 63 of this Annual Report.

#### (3) Nominating Committee

For FY2014, the Nominating Committee comprises exclusively of Non-Executive Directors, majority being Independent Non-Executive Directors, i.e. three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Chairman and one (1) Non-Independent Non-Executive Director as follows:

Nominating Committee	Number of Nominating Committee Meetings attended/held in the financial year under review
Quah Chek Tin ( <i>Chairman</i> )	4/4
Dato' Teo Chiang Quan ( <i>Member</i> )	4/4
Tay Eng Hoe ( <i>Member</i> )	3/4
Ahmad Subri Bin Abdullah ( <i>Member</i> )	4/4
Ho Chee Kit ( <i>Member</i> )	4/4

The Nominating Committee met four (4) times during the financial year under review.

The Chair of the Nominating Committee is Mr Quah Chek Tin, a Senior Independent Director identified by the Board and assumed the role of "Senior Independent Non-Executive Director" since 20 February 2013.

The principal duties of the Nominating Committee are to assist the Board in developing, maintaining and reviewing the criteria to be used in the recruitment process as well as conducting an annual assessment of Directors.

## STATEMENT ON CORPORATE GOVERNANCE *cont'd*

### (II) **STRENGTHEN COMPOSITION** *cont'd*

#### (3) **Nominating Committee** *cont'd*

##### (a) **Activities conducted during the financial year**

For FY2014, the Nominating Committee has undertaken the following activities:-

- (i) Conduct of the online assessment of the Board, the Committees of the Board and the contribution of the MD;
- (ii) Review the skills and competencies of the Board;
- (iii) Reviewed the attendance of the Board Members at Board and Board Committee Meetings;
- (iv) Reviewed the Directors' training programmes attended by the Board;
- (v) Nomination and recommendation to the Board, the appointment of Mr Tan Teck Thye as "Non-Independent Non-Executive Director" in view of his vast experience in accounting and finance;
- (vi) Nomination and recommendation to the Board, the following re-designation positions with effect from 1 January 2015:
  - Re-designation of Dato' Teo Chiang Quan to Non-Independent Non-Executive Director from Non-Independent Non-Executive Chairman;
  - Re-designation of Mr. Foo Sen Chin to Executive Chairman from MD; and
  - Re-designation of Mr. Soong Jan Hsung to Executive Director/CEO from Executive Director/Deputy CEO;
- (vii) Reviewed the roles and responsibilities of the Executive Chairman and Executive Director/CEO; and
- (viii) Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming Annual General Meeting ("AGM") of the Company.

##### (b) **Develop, maintain and review criteria for recruitment and annual assessment of Directors**

###### (i) **Directors' Assessment Policy**

The policies and procedures for recruitment and appointment of Directors are formalised in the form of a Directors' Assessment Policy, adopted by the Board since 20 February 2013.

The Nominating Committee is guided by the Directors' Assessment Policy, which sets out the criteria to be used in the assessment of Directors and CEO, to ensure that each of its Directors has the character, experience, integrity, competence and time to effectively discharge his/her role as a Director.

This Policy provides guidance to the Nominating Committee in the Board nomination and election/re-election/re-appointment process of Directors, using the following criteria:-

###### (1) **Criteria to be used in the assessment of Board and Board Committees:**

- Board Committees;
- Board Structure;
- Board Operations;
- Board's Roles and Responsibilities; and
- Board Chairman's Roles and Responsibilities.

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (II) **STRENGTHEN COMPOSITION** *cont'd*

#### (3) **Nominating Committee** *cont'd*

##### (b) **Develop, maintain and review criteria for recruitment and annual assessment of Directors** *cont'd*

##### (i) **Directors' Assessment Policy** *cont'd*

##### (2) **Criteria used in the assessment of Directors:**

- Strategical consideration;
- Ethical and Value-Driven;
- Competence and Capability; and
- Commitment rendered.

##### (3) **In addition, the Independent Directors are subject to the following assessment criteria:**

- Tenure; and
- Test of Independence.

##### (c) **Re-election/Re-appointment to the Board**

##### **Re-election of Directors**

All Directors are subject to election by shareholders at the first opportunity after their appointment in the next AGM. At least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. The Company's Articles of Association ensures that all Directors stand for re-election at least once in every three years.

Pursuant to Article 102 of the Articles of Association of the Company, the following Directors are to retire at the forthcoming Nineteenth AGM of the Company (hereinafter referred to as "the Retiring Directors"):-

- Mr. Foo Sen Chin; and
- Mr. Wong Heng Chong.

The Nominating Committee, as guided by the Directors' Assessment Policy, has undertaken a formal assessment of Retiring Directors using the abovementioned criteria and was satisfied with the performance of the Retiring Directors. Mr Wong Heng Chong, as the Independent Director, has been subject to further assessment of his length of services on Board as well as the test of independence. Upon assessment, the Nominating Committee was satisfied that Mr Wong Heng Chong met the criteria for an independent director as prescribed under the Main LR of Bursa Securities and that based on his diverse past commercial and financial experience, he could continue to bring independent and objective judgement to board deliberations and proposals.

Mr Quah Chek Tin, a Director who retires by rotation in accordance with Article 102 of the Company's Articles of Association, has expressed his intention not to seek for re-election. Therefore, he will retain office until the close of the Nineteenth AGM of the Company.

##### **Re-appointment to the Board**

Pursuant to Article 109 of the Company's Articles of Association, any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next AGM and shall then be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are or over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM.

There is no Director subject to re-appointment under either one of the abovementioned conditions at the forthcoming Nineteenth AGM of the Company.

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (II) **STRENGTHEN COMPOSITION** *cont'd*

#### (3) **Nominating Committee** *cont'd*

##### (d) **Annual Assessment of the Board**

The Nominating Committee conducted the following assessments annually:-

##### (i) **Directors' self-assessment and peer assessment survey**

In conducting the Survey, the following main criteria were adopted by the Nominating Committee:-

- (i) Contribution to interaction;
- (ii) Quality of Input; and
- (iii) Understanding of Role.

Based on the Survey conducted for FY2014, the Nominating Committee was satisfied with the performance of the individual Board of Directors.

##### (ii) **Evaluation on the effectiveness of the Board of Directors and the Committees of the Board**

In conducting the Evaluation, the following main criteria were adopted by the Nominating Committee:-

- Board Structure;
- Board Operations;
- Board Roles and Responsibilities;
- Board Chairman's Roles and Responsibilities; and
- MD/CEO Role and Responsibilities.

Based on the Evaluation conducted for FY2014, the Nominating Committee overall performance in five (5) areas have improved as compared to the results of the financial year ended 31 December 2013. The Nominating Committee was therefore satisfied with the performance of the Board and Committees of the Board.

##### (iii) **Evaluation on the contribution of the MD**

The Nominating Committee also conducted an evaluation on the contribution of the MD for FY2014 and was satisfied with the performance of the MD.

##### (e) **Board Diversity Policy**

The Board affirms its commitment to boardroom diversity as a truly diversified Board can enhance the Board's effectiveness, creativity and capacity to thrive in good times and weather tough times.

Bearing in mind that an appointment to the Board is a long term commitment to the Company, the Board has not set any short term target or measure for boardroom diversity but nevertheless works to ensure that there is no discrimination on the basis of, but not limited to, ethnicity, race, age, gender, nationality, political affiliation, religious affiliation, sexual orientation, marital status, education, physical ability or geographic region, during the recruitment of new Board members.

##### **Gender Diversity**

Ms. Ho Chee Kit, an Independent Non-Executive Director, serves as the Chairperson of Audit Committee, as well as a member of the Nominating Committee and Remuneration Committee.



## STATEMENT ON CORPORATE GOVERNANCE

cont'd

### (II) STRENGTHEN COMPOSITION *cont'd*

#### (3) Nominating Committee *cont'd*

##### (e) Board Diversity Policy *cont'd*

##### **Ethnicity Diversity**

Encik Ahmad Subri Bin Abdullah, an Independent Non-Executive Director, serves as the Chairman of the Remuneration Committee as well as a member of the Nominating Committee.

##### **Age Diversity**

The Board believes that the Directors with younger age profile will be able to provide a different perspective and bring vibrancy to the Group's strategy making process.

While the general age profile of the majority of the Directors were above sixty years of age, the newly appointed CEO, Mr Soong Jan Hsung is 51 years of age and Mr Ong Wei Hiam, a Non-Independent Non-Executive Director, is 43 years of age, which emphasize the Board's commitment to age diversity at the Board level appointment.

#### (4) Remuneration Committee

The Remuneration Committee comprises mainly of Non-Executive Directors, i.e. two (2) Non-Executive Directors and one (1) Executive Director as follows:-

Remuneration Committee	Number of Remuneration Committee Meetings attended/held in the financial year under review
Ahmad Subri Bin Abdullah ( <i>Chairman</i> )	2/2
Ho Chee Kit ( <i>Member</i> )	2/2
Foo Sen Chin ( <i>Member</i> )	2/2

The Remuneration Committee met twice during the financial year under review.

The principal duties of the Remuneration Committee are to evaluate the remuneration of the Executive Director, Non-Executive Director, CEO and Senior Management and thereby ensuring the level of remuneration sufficient to attract and retain talents.

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

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (II) STRENGTHEN COMPOSITION *cont'd*

#### (4) Remuneration Committee *cont'd*

For FY2014, the aggregate of remuneration received and receivable by the Directors of the Company from the Company and the subsidiaries categorised into appropriate components are as follows:

	Salaries RM'000	Fees RM'000	Benefits-in kind RM'000	Others RM'000	Total RM'000
Executive Directors					
Receivables from:-					
-Company	-	77	-	-	77
-Subsidiaries	2,881	8	72	-	2,961
	2,881	85	72	-	3,038
Non-Executive Directors					
Receivables from:-					
-Company	-	344	-	34	378
-Subsidiaries	-	4	-	-	4
	-	348	-	34	382
	2,881	433	72	34	3,420

*Note: Salary includes bonus and EPF*

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

Range	Executive	Non-Executive
RM50,000 and below	-	6
RM50,001 to RM100,000	-	3
RM1,250,001 to RM1,300,000	1	-
RM1,750,001 to RM1,800,000	1	-

#### (a) Directors' Remuneration Policy

The policies and procedures for determining the remuneration packages of the Directors and CEO of the Group are formalised in the form of a Directors' Remuneration Policy, adopted by the Board since 20 February 2013.

The Remuneration Committee is guided by the Directors' Remuneration Policy which sets out the criteria to be used in recommending the remuneration package of Directors and CEO of the Company and designed to ensure that the Directors and CEO are paid a remuneration commensurate with the responsibilities of their positions.

## STATEMENT ON CORPORATE GOVERNANCE

cont'd

### (III) REINFORCE INDEPENDENCE

#### (1) Annual Assessment of Independence of Directors

As stipulated under the Directors' Assessment Policy, the Board adopts the concept of independence in tandem with the definition of Independent Director in Section 1.01 of the Main LR of Bursa Securities through the assistance of the Nominating Committee.

The Board noted that Letters of Declaration have been executed by the following Independent Non-Executive Directors of the Company, confirming their independence pursuant to relevant Main LR of Bursa Securities as well as the MCCG 2012 and that they have undertaken to inform the Company immediately should there be any change which could interfere with the exercise of their independent judgement or ability to act in the best interest of the Company:-

- Mr Wong Heng Chong;
- Mr Quah Chek Tin;
- Encik Ahmad Subri Bin Abdullah; and
- Ms Ho Chee Kit

Based on the outcome of the Directors' self-assessment and peer assessment survey; the Evaluation on the effectiveness of the Board of Directors and the Committees of the Board, as well as the additional assessment on the independence of the Independent Directors, the Board is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

The Board considers that its Independent Directors provide an objective and independent views on various issues dealt with at the Board and Board Committees level. All Non-Executive Directors are independent of Management and free from any relationship. The Board is of the view that the current composition of Independent Directors fairly reflects the interest of minority shareholders in the Company through the Board representation.

As for Mr Wong Heng Chong, an Independent Non-Executive Director who is eligible for stand for re-election at the forthcoming Nineteenth AGM of the Company, the Nominating Committee was satisfied that Mr Wong Heng Chong met the criteria for an independent director as prescribed under the Main LR of Bursa Securities and as well as his ability to continue to bring independent and objective judgement to board deliberations and proposals.

The Board therefore recommends and supports the re-election of Mr Wong Heng Chong, the Independent Non-Executive Director who retires in accordance with Article 102 of the Articles of Association of the Company at forthcoming Nineteenth AGM of the Company.

#### (2) Tenure of Independent Directors

The Board is mindful that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years unless it is recommended by the Nominating Committee and the Board is then satisfied that he or she is able to continue to bring independent judgement to the Board's deliberations.

The Board noted that none of its Board members have attained such tenure as at the date of this Statement.

#### (3) Separation of Position of the Chairman and CEO

The Board recognises the importance of having a clearly accepted division of roles and responsibilities at the Head of the Company to ensure a balance of power and authority.

Following the successful execution of the Succession Move 2015 with effect from 1 January 2015, the Board has maintained the separation of the position of the Chairman and CEO with Mr Foo Sen Chin being the Executive Chairman while Mr Soong Jan Hsung has been promoted to CEO to be responsible for the management of the Groups' day to day operations.

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (III) REINFORCE INDEPENDENCE *cont'd*

#### (3) Separation of Position of the Chairman and CEO *cont'd*

Mr Foo Sen Chin, the Executive Chairman, although not an Independent Director, provides strong leadership and objective judgement with regard to ensuring the adequacy and effectiveness of the Board's governance process.

The Board is of the view that the separation of the positions of the Chairman and the CEO together with the Independent Directors, provides further assurance that there is a balance of power and authority on the Board and effective stewardship of the Company in terms of strategies and business performance.

#### (4) Board Composition and Balance

The Board of the Company consists of nine (9) members comprising two (2) Executive Directors and seven (7) Non-Executive Directors, four (4) of whom are Independent and therefore 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 Directors' Profile section on pages 18 to 21 of this Annual Report.

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.

Notwithstanding the non-adherence to Recommendation 3.5 of the MCCG 2012 which recommends that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director, the Board is of the view that the separation of the positions of the Chairman and the CEO together with the four (4) Independent Directors, provides the required checks and balances on the decision-making process of the Board. In addition, pursuant to the Evaluation on the effectiveness of the Board of Directors and the Committees of the Board conducted for FY2014, the Board is satisfied with the mix of skills and board composition level.

### (IV) FOSTER COMMITMENT

#### (1) Time Commitment

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors of the Company, and to use their best endeavours to attend meetings, irregardless of their principal place of residence. This time committed factor also forms one of the criteria for determining the quantum of the meeting allowance payable to the Board members.

For FY2014, the Board had convened a total of four (4) Board Meetings for the purposes of deliberating on the Group's quarterly financial results at the end of every quarter and discussing important matters which demanded immediate attention and decision-making. During the Board Meetings, the Board reviewed the operation and performance of the Group and other strategic issues that may affect the Group's business. Relevant employees were invited to attend some of the Board Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (IV) FOSTER COMMITMENT *cont'd*

#### (1) Time Commitment *cont'd*

##### ***Review of attendance by the Nominating Committee***

The Nominating Committee has been tasked to review the attendance of the Directors at Board and/or Board Committees' Meetings. Upon review, the Nominating Committee noted the Board members have devoted sufficient time and effort to attend Board and/or Board Committee meetings for FY2014.

For FY2014, the Board members achieved a 100% attendance at the Board Meetings held, notwithstanding that four (4) of its Board members were residing out of Malaysia. The attendance record of each Director at Board Meetings during the last financial year is as follows:-

Directors	Attendance	% of Attendance
Foo Sen Chin	4 out of 4	100
Soong Jan Hsung	4 out of 4	100
Dato' Teo Chiang Quan	4 out of 4	100
Tay Eng Hoe	4 out of 4	100
Wong Heng Chong	4 out of 4	100
Quah Chek Tin	4 out of 4	100
Ahmad Subri bin Abdullah	4 out of 4	100
Ho Chee Kit	4 out of 4	100
Ong Wei Hiam	4 out of 4	100
Tan Teck Thye	2 out of 2	100
<i>(Resigned on 30 November 2014)</i>		

The Board will also meet on an ad-hoc basis to deliberate urgent issues and matters that require expeditious Board direction or approval. In the intervals between Board Meetings, any matters requiring urgent Board decisions and/or approval can be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

##### ***Protocol for Acceptance of New Directorships***

The Board has formalised vide the Board Charter its expectations on time commitment for its members as well as the requirement to notify the Executive Chairman prior to accepting any new directorship. Such notification also includes an indication of time that will be spent on the new appointment.

As at the date of this Statement, two (2) written notifications have been received from two (2) individual Directors and duly tabled to the Board for notation.

##### ***Annual Meeting Timetable***

In facilitating the schedule of the Directors, in particular the Directors whose principal place of residences are out of Malaysia, the Company Secretaries will prepare and circulate in advance an annual meeting timetable, which includes all the proposed meeting dates for Board and Board Committee Meetings, as well as the AGM. Upon the concurrence by all the Board members, the annual meeting timetable will be adopted for the applicable financial year.

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (IV) FOSTER COMMITMENT *cont'd*

#### (2) Trainings

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

All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

For FY2014, the Directors had participated in the following training programmes in addressing their own training needs (hereinafter referred to as the "2014 Directors' Trainings"):-

Name of Directors	Description of Training Programmes
Foo Sen Chin	<ul style="list-style-type: none"> <li>Enhancing Directors and Board effectiveness by MIRA</li> <li>Malaysia 2014 ICT Market Trends and Updates by IDC</li> <li>PIKOM Leadership Summit</li> <li>Presentation on GST by KPMG</li> </ul>
Soong Jan Hsung	<ul style="list-style-type: none"> <li>Governance, Risk &amp; Compliance by MIRA</li> <li>Malaysia 2014 ICT Market Trends and Updates by IDC</li> <li>Presentation on GST by KPMG</li> </ul>
Dato' Teo Chiang Quan	<ul style="list-style-type: none"> <li>Directors Breakfast Series: Great Companies deserve Great Boards by Bursa Securities</li> <li>Roundtable on the Malaysia Code for Institutional Investors 2014 by Minority Shareholder Watchdog Group and Securities Commission</li> <li>Briefing on GST by PricewaterhouseCoopers</li> <li>Roundtable on Graduate Employability by KDU College</li> <li>Anti-Money Laundering Workshop by AmBank</li> </ul>
Tay Eng Hoe	<ul style="list-style-type: none"> <li>Malaysia 2014 ICT Market Trends and Updates by IDC</li> </ul>
Quah Chek Tin	<ul style="list-style-type: none"> <li>Audit Committee Institute Breakfast Roundtable by Audit Committee Institute</li> <li>LSE insights on the Financial Crisis &amp; Financial Reforms and China's Foreign Affairs under Xi Jin Ping by LSE</li> <li>2014 Roundtable Discussion on Financial Reporting by Malaysian Accounting Standard Board</li> <li>The impact of cyber security at board levels by KPMG</li> <li>Understanding how effective your fraud risk management program is by KPMG</li> <li>Minority Shareholder Watchdog Group's appreciation and application of ASEAN Corporate Governance Scorecard</li> <li>Directors Breakfast Series: Great Companies deserve Great Boards by Bursa Securities</li> <li>Briefing on Goods and Services Tax by PriceWaterHouseCoopers</li> <li>US Gaming markets and global trends by JP Morgan</li> <li>UK and European gaming including impact of UK internet gaming by JP Morgan</li> <li>Evolving travel, hotels and resorts landscape</li> <li>The future of gaming</li> <li>Economic update by Royal Bank of Scotland</li> <li>Investment Climate by Royal Bank of Scotland</li> <li>Malaysia 2014 ICT Market Trends and Updates by IDC</li> <li>Driving Innovation and productivity to meet industry Challenges</li> </ul>
Wong Heng Chong	<ul style="list-style-type: none"> <li>Malaysia 2014 ICT Market Trends and Updates by IDC</li> </ul>

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (IV) FOSTER COMMITMENT *cont'd*

#### (2) Trainings *cont'd*

For FY2014, the Directors had participated in the following training programmes in addressing their own training needs (hereinafter referred to as the "2014 Directors' Trainings"):- *cont'd*

Name of Directors	Description of Training Programmes
Ahmad Subri Bin Abdullah	<ul style="list-style-type: none"> <li>2nd Annual Technology &amp; Innovation – Future of Banking &amp; Financial Services</li> <li>Minority Shareholder Watchdog Group's appreciation and application of ASEAN Corporate Governance Scorecard</li> <li>UUM Corporate Partnership Forum 2014</li> <li>3rd Insurance CIO (Technology) Summit</li> <li>Malaysia 2014 ICT Market Trends and Updates by IDC</li> <li>PIKOM Leadership Summit</li> <li>International Green IT Conference 2014</li> </ul>
Ho Chee Kit	<ul style="list-style-type: none"> <li>Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers by Bursa Securities</li> <li>Minority Shareholder Watchdog Group's appreciation and application of ASEAN Corporate Governance Scorecard</li> <li>International Law Conference by Malaysian Bar Council</li> <li>63rd Council Meeting of Asian Patent Attorneys Association</li> <li>6th Malaysian La Sallian Educator Conference</li> <li>Malaysia 2014 ICT Market Trends and Updates by IDC</li> </ul>
Ong Wei Hiam	<ul style="list-style-type: none"> <li>Malaysia 2014 ICT Market Trends and Updates by IDC</li> </ul>
Tan Teck Thye (resigned on 30 November 2014)	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies</li> </ul>

In addition, the Company Secretaries 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.

Upon review, the Board concluded that the 2014 Directors' Trainings were adequate.

#### **2015 Directors' Training**

Upon review of the training needs of the Directors for the financial year ending 31 December 2015 and recognising the need to keep abreast with the fast changing ICT business environment, the Board has requested Management to arrange for training courses in relation to new technology and emerging industry trend to be organised as part of the Directors' continuing education programmes for the current financial year.

### (V) UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### (1) Compliance with Applicable Financial Reporting Standards

The Audit Committee assists the Board to oversee the financial reporting process and the quality of its financial reporting by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy prior to endorsing the same to the Board for release to Bursa Securities and Securities Commission Malaysia.

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### (V) UPHOLD INTEGRITY IN FINANCIAL REPORTING *cont'd*

#### (1) Compliance with Applicable Financial Reporting Standards *cont'd*

The Audit Committee has received assurance that the financial statements of the Group and of the Company for FY2014 had been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. Consequently, the Audit Committee has recommended the audited financial statement for FY2014 of the Group and the Company to the Board for approval and the Board upon its review, has approved the same vide a Directors' Circular Resolution In Writing dated 12 March 2015.

The Board ensures that shareholders are presented with a clear, balanced, meaningful assessment of the Group's financial performance and prospects through the issuance of the audited financial statements and quarterly announcements of financial results and vide corporate announcements on significant development in accordance with the Main LR of Bursa Securities on a timely basis and in compliance with the applicable financial reporting standards.

#### (2) Assessment of Sustainability and Independence of External Auditors

For FY2014, the Audit Committee has formalised the procedures to assess the suitability and independence of External Auditors vide an annual assessment of the suitability and independence of the External Auditors.

The Audit Committee noted for FY2014, Messrs. KPMG, the External Auditors of the Company confirmed that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

The Audit Committee also noted that having served the requisite years, the engagement partner of Messrs. KPMG be rotated during FY2014.

Upon completion of its assessment, the Audit Committee was satisfied with Messrs. KPMG's technical competency and audit independence during the financial year under review and recommended to the Board the re-appointment of Messrs. KPMG as External Auditors for the financial year ending 31 December 2015. The Board has in turn, has recommended the same for shareholders' approval at the forthcoming Nineteenth AGM of the Company.

### (VI) RECOGNISE AND MANAGE RISKS

#### (1) Sound Framework to Manage Risks

The Directors are responsible for the Group's system of internal controls and 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 the Company's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.

The Board has adopted an ERM Framework to manage its risk and opportunities. A Management Committee known as the ERM Committee which reports directly to the Audit Committee was established by the Board, with the primary responsibility of ensuring the effective functioning of the adopted ERM Framework.

The ERM Committee is responsible for implementing processes in identifying, evaluating, monitoring and reporting of risks and internal controls. The risk profile covering risk assessment, classification and risk ranking followed by action plans taken to mitigate the risks identified are then presented to the Audit Committee for review on a quarterly basis. The ERM Committee together with the operating units will ensure the timely resolution of outstanding issues and implementation of action plans that are to be carried out and completed within the reasonable timeframe to mitigate the risks level.



## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### **(VI) RECOGNISE AND MANAGE RISKS** *cont'd*

#### **(1) Sound Framework to Manage Risks** *cont'd*

The internal controls are tested for effectiveness and efficiency two cycles per financial year via an independent outsourced Internal Audit function. The report of the Internal Audit is tabled for the Audit Committee's review and comments, and the audit findings will then be communicated to the Board.

The Statement on Risk Management and Internal Control of the Group as set out on Pages 56 to 58 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

As part of the risk mitigation measures, the Board has established the following policies:-

##### **(i) Insider Dealing Policy**

Insider dealing or trading is defined as the purchase or sale of the Company's securities affected by or on behalf of a person with knowledge of relevant but non-public material information regarding that company. The insider is in a position to make massive gains by selling or buying securities before information that might affect the price of the Company's securities (price-sensitive information) is made public.

This policy aims mainly to prevent insider dealing of securities and ensure transparency and fairness in dealing with all stakeholders of the Group.

##### **(ii) Succession Planning Policy**

The Succession Planning Policy is intended to address the Group's continuity in leadership for all key positions.

Succession planning is an on-going process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunities.

##### **(iii) Related Party Transaction Policy**

The Company is principally an investment holding company which is also involved in the provision of E-Commerce systems and solutions. It is anticipated that the Group would, in ordinary course of business, enter into transactions of a revenue or trading nature with a related party or parties.

The Board has formalised a Related Party Transactions ("RPT") Policy which is designed to ensure the RPTs carried out in the ordinary course of business, are made at arm's length and on normal commercial terms which are not more favourable to the related party or parties than those generally available to the public and are not on terms that are detrimental to the minority shareholders of the Company.

This policy also aims to comply with the Part E, Paragraphs 10.08 and 10.09 of the Main LR of Bursa Securities

#### **(2) Internal Audit Function**

The outsourced Internal Auditors communicate regularly with and report directly to the Audit Committee. For FY2014, the outsourced Internal Auditors' representative met up twice with the Audit Committee.

The Group's Internal Audit Review of the Group's operations encompasses an independent assessment of the Group's compliance with its internal controls and makes recommendations for improvement.

## STATEMENT ON CORPORATE GOVERNANCE *cont'd*

### (VII) ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

#### (1) Corporate Disclosure Policy

The Board recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations.

The Board has developed internal corporate disclosure practices to ensure communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

The Board has also adopted an Investor Relation Policy to ensure only designated spokespersons will be authorised to disseminate information to ensure consistent and accurate flow of information disclosure to the stakeholders.

#### (2) Leverage on Information Technology for Effective Dissemination of Information

The Group's website at [www.ecsm.com.my](http://www.ecsm.com.my) provides a plethora of information to the public, which includes, inter alia, corporate information, business activities, corporate governance matters, latest press releases, annual reports, financial results, news listing, B2B online and etc.

The Group has created two (2) dedicated sections/notices to ensure more effective dissemination of information:-

(a) A dedicated “**Investor Relations**” section which provides all relevant information on the Group and is accessible by the public. It includes the announcements made by the Company and Annual Reports. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information.

(b) A dedicated “**Corporate Governance**” section which provides access to various policies and statements (as mentioned in the various section of this Statement), duly made available for the ease of reference by stakeholders.

#### (c) Notice pursuant to Personal Data Protection Act, 2010 (“PDPA”)

A dedicated notice issued pursuant to the requirements of PDPA in both English and Bahasa Malaysia has been made available in the “Corporate Governance” section of the Group's website, in compliance with the PDPA.

#### (d) Notice on Goods and Services Tax (“GST”)

A dedicated notice on the GST registration number of the Group has been made available to inform the public on the levy of GST by 1 April 2015 by the Company and its Group of subsidiaries, together with the transitional arrangement (where applicable).

### (VIII) STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### (1) Shareholders' Participation at General Meetings

The Company communicates regularly with shareholders and investors through annual reports, quarterly financial reports and various announcements made via Bursa LINK as the Board acknowledges the importance of accurate and timely dissemination of information to its shareholders, potential investors and the public in general.

Several channels are used to disseminate information on a timely basis, such as:-

- the AGM which is used as the main forum of dialogue for shareholders to raise any issues pertaining to the Group;
- annual report, quarterly financial results and various announcements made via Bursa LINK; and
- the Group's website [www.ecsm.com.my](http://www.ecsm.com.my) which provides corporate information on the Group.

## STATEMENT ON CORPORATE GOVERNANCE

*cont'd*

### **(VIII) STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS** *cont'd*

#### **(1) Shareholders' Participation at General Meetings** *cont'd*

##### ***Statement on Rights of Shareholders***

The Board has developed a "Statement on Rights of Shareholders" since 20 February 2013 to inform shareholders of their rights accorded under the Companies Act, 1965 in relation to the following areas:-

- Rights to request for general meetings;
- Appointment of proxy for general meetings;
- Poll voting request; and
- Access to corporate statutory information.

A copy of this Statement is available for viewing under the "Corporate Governance" section of the Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my)

#### **(2) Poll Voting**

The Board noted the Recommendation 8.2 of the MCCG 2012 states that the Board should encourage poll voting. In line with this recommendation, the Board has undertaken the following measures:-

- The adoption of the "Statement on Rights of Shareholders" since 20 February 2013 which advised the shareholders on their rights, inter alia, on poll voting request; and
- The Chairman of the AGM will inform the shareholders of their right to demand a poll vote at the commencement of the AGM.

The Board will consider and explore the suitability and feasibility of adopting electronic voting in coming years to facilitate greater shareholders participation at general meeting, and to ensure accurate and efficient outcomes of the poll voting process.

#### **(3) Shareholders' Communication and Investor Relations**

The Company is committed to on-going communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports and the AGM and timely dissemination of information on significant company developments and price sensitive information in accordance with the Main LR of Bursa Securities. Most of the Directors were present at the Eighteenth AGM of the Company held on 22 May 2014 to engage with the shareholders personally and proactively.

The Company provides regular investor briefings with the research analysts and fund managers, to promote clear and transparent communications to the investment community. The Group's website at [www.ecsm.com.my](http://www.ecsm.com.my) contains corporate information updated on a regular basis.

The Company's AGM 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 AGM.

##### ***Investor Relations Policy***

In view thereof, the Board has established an Investor Relations ("IR") Policy to develop an effective IR programme and strategy to communicate the Corporate vision, strategies, developments, financial plans and prospects to investors, financial community and other stakeholders fairly and accurately and to obtain feedback from the stakeholders.

## STATEMENT ON CORPORATE GOVERNANCE *cont'd*

### (VIII) STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS *cont'd*

#### (3) Shareholders' Communication and Investor Relations *cont'd*

The Company has established the following IR structure and responsibility for the implementation of IR programme and strategy:-

**Primary Spokespersons:**

- i) Executive Chairman
- ii) Chief Executive Officer

The Company's Executive Chairman and Chief Executive Officer have been appointed to communicate with audience constituents and respond to questions in relation to the corporate vision, strategies, developments, future prospects, financial plans and operation matters.

**Secondary spokesperson:**

- i) Financial Controller
- ii) Company Secretary (Internal)

The Financial Controller and the Company Secretary (Internal) may only communicate to audience constituents on information already in the public domain, unless they are authorised by the Primary Spokespersons to undertake broader communications.

A full copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at [www.ecsm.com.my](http://www.ecsm.com.my)

### CONCLUSION

The Board is satisfied that for the financial year ended 31 December 2014, it complies substantially with the principles and recommendations of the MCCG 2012.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors passed on 13 April 2015.

# CORPORATE RESPONSIBILITY STATEMENT

The Group believes that a firm commitment to Corporate Responsibility ("CR") forms the basis of good corporate citizenship and upholds the highest level of corporate governance.

Aligned with the Group's business strategy, we endeavour to manage our business in a socially responsible manner. We strive not only to look after the interests of our key stakeholders – from shareholders, investors, customers, suppliers and employees – but also create a favourable influence on the larger community.

Hence, as part of our commitment to CR, the Group – through our ESG Committee – plans various activities during the year to bring about a positive impact on the wellbeing of our employees, the community, the environment and the marketplace.

## THE WORKPLACE

With a constantly growing workforce and ever-evolving ICT sector, it is imperative that the Group continues to invest in our employees. Training programmes, both internal and external, are organised to deliver an all-round training experience to our employees by upgrading their skills and improving their competency and productivity levels.

The Group employs a diverse workforce consisting of Malaysians across gender, ethnicity and age group, based on their qualifications and experience. The Group practises the principle of equal opportunities in career advancement and gives rewards commensurate with employees' performance and merits. As at 31 March 2015, the Group has a total workforce of 354 employees, with a balanced male to female employee ratio of 53:47.

The Group's employees are aged from 21 years to above 60 years, with 81% within the age group of 21 to 40 years. This ensures that the Group has a healthy combination of a young dynamic workforce as well as highly-experienced industry veterans to manoeuvre this competitive ICT industry.

We continuously strive to provide a safe working environment for our employees. Inspections on office areas are conducted regularly to ensure the safety of our employees within their workplace. Fire safety drills, as well as risk awareness campaigns are held regularly to ensure that everyone is well prepared in the event of an emergency.

The Group also continued to promote healthy lifestyles by ensuring that well-balanced meals are provided at our office canteen and setting up a health corner for measurement of weight and blood pressure. Employees are encouraged to do simple physical activities, such as using the stairs instead of the elevator within the office. Additionally, the

Group distributed pedometers or "step counters" to enable employees to be proactive in tracking their progress of their lifestyle.

In addition, our Sports Club actively organises various activities such as yoga classes, badminton and futsal matches to not only build strong team spirit amongst our employees, but also encourage physical activity and social interaction.

Also, to emphasise the importance of excellence even in our employees' families, the Group introduced an Employee Children Education Incentive Scheme during the year under review, to motivate employees' children to pursue good academic results in their education.

## THE ENVIRONMENT

The Group believes it has a moral and social responsibility in reducing the carbon footprint by contributing towards a greener environment. In adherence to this, we constantly implement energy-saving measures such as minimising the usage of air-conditioning, lighting and other equipment during lunch hours.

Our ESG Committee is tasked to look for solutions to help the Group streamline the usage of electricity, water and other consumables. The Group is pleased to report that in the year under review, we implemented a consolidation of printers in the office which resulted to a 40% reduction of toner usage. We will continue to monitor our monthly consumption of utilities and office supplies in order to further reduce wastage.

We have also implemented a 'Recycling and Waste Management' initiative whereby recycle bins are placed in every floor to spur waste segregation for proper recycling and disposal purposes. Our employees are educated on the concept of "Reduce, Reuse and Recycle" and are urged to adopt this approach into their daily lives to help reduce environmental pollution. It is encouraging to note that our employees are using our recycling facilities to properly dispose off waste such as used batteries and lamps.

Our Logistics Department is also encouraged to reuse and recycle packaging materials, such as pallets, carton boxes, shrink and bubble wraps, plastic bags and scrap papers. We are pleased to say that in 2014, approximately 2,000 units of wooden pallets and 6 tonnes of carton boxes were reused for repackaging purposes, while around 20 tonnes of papers, 2 tonnes of plastic wraps and 7,000 wooden pallets were collected for recycling.

The Group remains committed to ensuring that we play our role in sustaining a greener environment. Therefore, we shall continue to expand our waste management programme.

## CORPORATE RESPONSIBILITY STATEMENT

*cont'd*

### THE COMMUNITY

In reaching out to the community, the Group paid a visit to the Selangor Family Aid Association in Ulu Yam, Selangor, a non-profit organization providing a home for the aged, handicapped, mentally-challenged and orphans during the year under review. During the visit, we contributed food and basic necessities to the Association to help them meet the daily needs.

In keeping with our past programmes, we collaborated with the National Blood Bank once again to organise a blood donation drive on our premises. We are pleased to receive tremendous support from our employees who participated in this programme and did their bit for the community. We are proud to have contributed up to 50 units of blood bags for this campaign in FY2014.

As a responsible corporate citizen, the Group recognises the importance of meeting the environmental and social needs of the community and will endeavour to take proactive action in relation to our CR activities.

### THE MARKETPLACE

The Group recognises the importance of timely and thorough dissemination of accurate and useful information relating to our operations to stakeholders. In this regard, we strictly adhere to the disclosure requirements of Bursa Securities and the Malaysian Accounting Standards Board. In fact, this Annual Report contains comprehensive information pertaining to the Group, while various disclosures on financial results provide stakeholders with the latest financial information on the Group.

Apart from the mandatory public announcements through Bursa Securities, the Group's website at [www.ecsm.com.my](http://www.ecsm.com.my) provides the public with convenient and timely access to business updates, and financial and non-financial information. Furthermore, stakeholders are able to direct queries to the Group via this website.

In order to provide clear and transparent communications to our stakeholders and the investment community, the Group's Executive Chairman, CEO and other Senior Management are actively involved in the Group's investor relations activities, including conducting regular investor briefings with the research analysts and institutional fund managers.

The objective of our investor relations activities is to develop and promote a positive relationship with all stakeholders via active two-way communication and enhance our stakeholders' understanding of the Group's core businesses and operations thus enabling investors to make informed decisions.

The Group intends to continue improving communications to ensure that we continue to relay pertinent information to investors in a transparent and consistent manner.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of ECSB is pleased to present its Statement on Risk Management and Internal Control for FY2014, which has been prepared pursuant to Paragraph 15.26 (b) of the Main LR of Bursa Securities and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of internal control of the Group (comprising the Company and its subsidiaries) during the financial year.

## BOARD'S RESPONSIBILITY

The Board of Directors acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard the shareholders' investment and the Group's assets, and to discharge their stewardship responsibilities in identifying risks and ensuring the implementation of appropriate systems to manage these risks in accordance with the best practices of the Malaysian Code on Corporate Governance.

The Board further recognises its responsibility for reviewing the adequacy and integrity of the Group's internal control systems and management information systems.

In view of the limitations that are inherent in any systems of internal control, the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is a continuous process in place to identify, evaluate and manage the significant risks that may affect the achievement of business objectives. The process which has been instituted throughout the Group is updated and reviewed from time to time to be relevant to the changes in the business environment, and this on-going process has been in place for the whole financial year under review and up to the date of adoption of this Annual Report.

## ENTERPRISE RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group's business objectives and is critical for the Group to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Group has adopted an ERM Framework to manage its risk and opportunities. The ERM Committee which reports directly to the Audit Committee was established by the Board, with the primary responsibility of ensuring the effective functioning of ERM Framework.

The ERM Committee assists the Audit Committee and the Board in the continuous process of identifying, measuring, controlling, monitoring, and reporting significant and material risks affecting the achievement of the Group's business objectives. It provides the Board and the Senior Management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment, the Group's strategies and functional activities throughout the year.

The ERM Committee meeting is held every quarter to identify, assess, evaluate and manage risks of the Group. Principal risks are identified and appropriate risk mitigations are planned for implementation. These are reviewed on quarterly basis to ensure on-going effectiveness, adequacy and integrity. Enhancements are made in line with the Board's commitment to improve the Group's governance, risk management and control framework, and effective control culture and environment for the Group's business operations. The on-going ERM exercise is presented quarterly to the Audit Committee for the Board to be updated on the risk management.

## BUSINESS CONTINUITY MANAGEMENT

The Board is aware of the importance of an effective Business Continuity Management ("BCM") programme particularly in identifying potential threats to the organisation and the impact such threats may have on business operations. Additionally, it provides a framework for building organisational resilience that safeguard the interests of its stakeholders, reputation and value creating activities.

The Group has successfully launched its BCM plan to all business units in prior year. The Group has also communicated its group wide awareness on BCM to form the organisation's core values and effective management in order to enhance the realisation of the business unit's responsibility and accountability in ensuring the readiness of the organisation's resiliency to crisis.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

*cont'd*

### BUSINESS CONTINUITY MANAGEMENT *cont'd*

The Group has a disaster recovery facility for its Enterprise Resource Planning and other core systems at a data centre in Cyberjaya, Selangor to cater for mishap in the event of a disaster occurring at its Head Office.

### INTERNAL AUDIT FUNCTION

The Board through the Audit Committee endorsed and approved the scope of work for the internal audit function through review of its one year detailed audit plan.

Regular internal audits are outsourced to an independent professional firm to review the key internal control revolving the auditable areas in terms of sufficiency and adequacy, to highlight any weaknesses in internal control of the current standard practice and to provide recommendations to improve the internal control within the Group.

The internal audit function reports directly to the Audit Committee on improvement measures pertaining to internal control, including subsequent follow-up to determine the extent of their recommendations that have been implemented by the Management. Internal audit reports are submitted to the Audit Committee, who reviews the findings with Management at its quarterly meetings.

In addition, the deficiencies noted by the External Auditors and management's responsiveness to the control recommendations on deficiencies noted during financial audits provide added assurance that control procedures on functions with financial impact are in place, and are being followed. In assessing the adequacy and effectiveness of the system of internal control and accounting control procedures of the Group, the Audit Committee reports to the Board its activities, significant results, findings and the necessary recommendations for improvements.

### KEY INTERNAL CONTROL PROCESSES

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

- i) The Board has established an organisational structure with clearly defined lines of responsibilities, authority limits and accountability aligned to business and operations requirements which support the maintenance of a strong control environment;
- ii) The Board has established the Board Committees with clearly defined delegation of responsibilities within the definition of terms of reference. These committees include Audit Committee, Remuneration Committee and Nominating Committee which have been set up to assist the Board to perform its oversight functions. These committees have the authority to examine all matters within their scope and report to the Board their recommendations; and
- iii) Operational Committees have also been established with appropriate empowerment to ensure effective management and supervision of the Group's core business operations. These committees include the Management Committee, Operation Committee, Credit Control Committee, Inventory Control Committee and Logistic Committee.

### OTHER KEY ELEMENTS OF INTERNAL CONTROL

- i) 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;
- ii) The annual budget is reviewed and approved by the Board. The actual performance would be reviewed against the targets on a quarterly basis allowing timely response and necessary action plans to be taken to improve the performance;
- iii) Comprehensive financial accounts and management reports are prepared and reviewed by the Management Committee monthly for effective monitoring and decision-making;



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

*cont'd*

### OTHER KEY ELEMENTS OF INTERNAL CONTROL *cont'd*

- iv) Policies and procedures of core business processes are documented in a series of Standard Operating Procedures and implemented throughout the Group. These policies and procedures are subject to periodic reviews, updates and continuous improvements to reflect the changing risks and operational needs;
- v) Necessary actions have been taken on the weaknesses identified in the internal control systems with the implementation of improved control measures and processes;
- vi) Professionalism and competence of employees are maintained through a recruitment process, and a performance appraisal and review system;
- vii) Employees' professionalism, industrial skill sets and job competency are progressively developed through broad based training and development programmes;
- viii) The Code of Conduct is implemented within the Group for Directors, Management and employees of the Group. This code is established to promote a corporate culture which produces ethical conduct throughout the Group; and
- ix) Sufficient insurance coverage and physical safeguards over major assets are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised) and Guidance for Auditors on Engagements to Report on Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 31 December 2014, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

### CONCLUSION

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this statement for inclusion in the annual report, and is of the view that the Group's risk management and internal control systems are generally satisfactory and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

The Board has received assurance from the CEO and Financial Controller that the company's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

The Board and Management will continue to take necessary measure to strengthen the control environment and monitor the effectiveness of the internal control framework of the Group.

This Statement on Risk Management and Internal Control is made in accordance with the Resolution of the Board of Directors passed on 11 February 2015.

# REPORT OF THE AUDIT COMMITTEE

The Board of Directors of ECS ICT Berhad is pleased to issue the following Audit Committee Report and its activities for the year ended 31 December 2014.

## MEMBERS AND MEETINGS

The Audit Committee comprises three (3) Independent Non-Executive Directors.

Four (4) meetings were held during the year and the attendance of the committee members are as follows:

Directors		Designation	Attendance
Ho Chee Kit	<i>Chairperson</i>	<i>Independent Non-Executive Director</i>	4 out of 4 meetings
Quah Chek Tin	<i>Member</i>	<i>Senior Independent Non-Executive Director</i>	4 out of 4 meetings
Wong Heng Chong	<i>Member</i>	<i>Independent Non-Executive Director</i>	4 out of 4 meetings

## Terms of Reference

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

### Introduction

The Audit Committee (the "Committee") of ECSB was formed by the Board of Directors of the Company. Its primary function, in line with the MCCG 2012, is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Committee shall:

- Oversee and appraise the quality of the audits conducted both by the Company's Internal and External Auditors;
- Maintain open lines of communication between the Board of Directors, the Internal Auditors and the External Auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- Determine the adequacy of the Group's administrative, operating and accounting controls.

### Composition

The Committee shall be appointed by the Directors from among their numbers (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- a) the Committee must compose of no fewer than three (3) members;
- b) all members of the Committee should be Non-Executive Directors;
- c) a majority of the Committee must be Independent Directors; and
- d) all members of the Committee should be financially literate and at least one (1) member of the Committee:-
  - must be a member of the Malaysian Institute of Accountants; or
  - if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountant Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
    - he must be a person who fulfils the requirements as may be prescribed or approved by the Bursa Securities and/or other relevant authorities from time to time.
- e) No alternate Director of the Board shall be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.

In the event of any vacancy in the Committee resulting in the non-compliance of items (a) to (d) above, the vacancy must be filled within three (3) months of that event.

## REPORT OF THE AUDIT COMMITTEE

*cont'd*

### MEMBERS AND MEETINGS *cont'd*

#### Frequency of Meetings

Meetings shall be held at least four (4) times in each financial year. More meetings may be conducted if the need arises.

The meetings shall have a quorum of two (2) 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 conclusion on issues discussed during meetings and report to the Board at the quarterly Board meetings.

#### Secretaries

The Secretaries of the Company shall be Secretaries (the "Secretaries") of the Committee.

#### Circular Resolutions

A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effective as it has been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by email, telex, telegram, cable, facsimile, or other electrical or digital written message/application to include a signature of a Committee member.

#### Functions

The functions of the Audit Committee are as follows:-

- a) To review the following and report the same to the Board:
  - with the External Auditors, the audit plan;
  - with the External Auditors, the evaluation of the system of internal controls;
  - with the External Auditors, the audit report;
  - the assistance given by the Company's employees to the External Auditors; and
  - any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management's integrity.
- b) To consider the appointment and independence of the External Auditors, the audit fee and any questions of resignation or dismissal, and the letter of resignation from external auditors, if applicable;
- c) 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;
- d) To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the External Auditors. The contracts cannot be entered into should include:
  - Management consulting;
  - Strategic decision;
  - Internal Audit; and
  - Policy and standard operating procedures documentation.
- e) To review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - integrity of financial statements; and
  - compliance with accounting standards and other legal requirements.

## REPORT OF THE AUDIT COMMITTEE

*cont'd*

### MEMBERS AND MEETINGS *cont'd*

#### Functions *cont'd*

- f) To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- g) To review the External Auditors' management letter and management's response;
- h) To review the adequacy of Group's Risk Management framework and assess the resources and knowledge of the Management and employees involved in the risk management process;
- i) To review the Group's risk profile and risk tolerance;
- j) To assess the sound system of internal controls by conducting the following:
  - 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;
  - 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;
  - Review any appraisal or assessment of the performance of members of the Internal Audit function;
  - Approve any appointments or termination of senior auditor of the internal audit function; and
  - Inform itself of resignations of internal auditors and provide the resigning Internal Auditors an opportunity to submit their reasons for resigning.
- k) To consider the major findings of internal investigations and Management's response;
- l) To consider any related party transactions that may arise within the Company or Group;
- m) To ensure the Internal Audit function is independent of the activities it audits and the Internal Auditors reports directly to the Committee. The Internal Auditors will be responsible for the regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Company;
- n) To report promptly any matters resulting in the breach of the Main LR of Bursa Securities to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Securities; and
- o) To consider other topics deemed fit by the Committee within its terms of reference and/or as defined by the Board.

#### Rights of the Committee

The Committee shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company and Group;
- d) have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit function or activity (if any);
- e) be able to obtain independent professional or other advice, at the expense of the Company; and
- f) be able to convene meetings with External Auditors (without the presence of executive Board members) at least twice a year and whenever deemed necessary.

The Chairman of the Committee shall engage on a continuous basis with Senior Management, such as the Chairman, the CEO, the Financial Controller, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Group.

## REPORT OF THE AUDIT COMMITTEE

*cont'd*

### MEMBERS AND MEETINGS *cont'd*

#### Reporting of Breaches to the Exchange

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 the Main LR of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

#### Reporting

The Chairman of the Committee shall report on each meeting to the Board.

#### Review of the Committee

The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee and members have carried out their duties in accordance with the terms of reference.

### ACTIVITIES OF THE AUDIT COMMITTEE

The following is a summary of the main activities carried out by the Committee in FY2014:

- 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, 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 recommend to the Board;
- 3) Reviewed the External Auditors' Report for FY2014;
- 4) Reviewed updates on the introduction of MFRSs and how they will impact the Group and has monitored progress in meeting the new reporting requirements;
- 5) The Committee was also updated by the External Auditors on changes to the relevant guidelines on the regulatory and statutory requirements;
- 6) Met with the External Auditors without the presence of Management to discuss on any matters that they may wish to present;
- 7) Reviewed and approved the Internal Audit Scope;
- 8) Reviewed the status report and recommendations for corrective action plans submitted by the Internal Auditors;
- 9) Reviewed the related party transactions entered into by the Company and the Group;
- 10) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before submitting for the Board's approval and inclusion in the Company's Annual Report; and
- 11) Reported to the Board of Directors on its activities, any significant issues and results.

## REPORT OF THE AUDIT COMMITTEE

*cont'd*

### INTERNAL AUDIT FUNCTION AND ACTIVITIES

#### Internal Audit Function

The Group has outsourced its Internal Audit function to a professional company. The Internal Auditors report 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.

#### Activities

During FY2014, the outsourced 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 Committee for discussion.

The review on related party transactions were conducted on a regular basis to ensure the transactions were disclosed appropriately.

The total cost incurred for the Internal Audit function for FY2014 was RM38,160.

# OTHER INFORMATION

required by the Main LR of Bursa Securities

In compliance with the Main LR of Bursa Securities, the following are provided:-

## 1. Utilisation of Proceeds

During the financial year, no proceeds were raised by the Company from any corporate proposal.

## 2. Share Buybacks

The Company did not undertake any share buy-back exercise during the financial year.

## 3. Options or Convertibles Securities

The Company has not issued any options or convertible securities during the financial year.

## 4. Depository Receipt Programme

During the financial year, the Company did not sponsor any Depository Receipt programme.

## 5. Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year under review.

## 6. Non-audit Fees

For FY2014, Messrs. KPMG, the External Auditors has rendered certain non-audit services to the Company and the Group, a breakdown of which is listed as below for information:-

Non-audit services rendered	Group (RM)	Company (RM)
(1) Report on Directors' Statement on Risk Management and Internal Control	10,000/-	10,000/-
(2) Report on breakdown of realised and unrealised retained earnings	2,000/-	2,000/-
(3) Tax services provided by its local affiliates	26,000/-	5,000/-
TOTAL	38,000/-	17,000/-

## 7. Variation in Results

The Group did not make any release on the profit estimate, forecast or projection for the financial year. There were no variance of 10% or more between the results for the financial year and the unaudited results previously announced.

## 8. Profit Guarantee

During the year, there were no profit guarantees given by the Company.

## 9. Material Contracts and Contracts Relating to Loan

None of the Directors and/or major shareholders had any material contract with the Company and/or its subsidiaries either still subsisting at the end of the financial year ended 31 December 2014 or entered into since the end of the previous financial year.

## 10. Directors' Training and Education

The Directors attended numerous trainings during the financial year ended 31 December 2014 and the details of trainings are disclosed the Statement on Corporate Governance on pages 47 and 48 of this Annual Report.

**OTHER  
INFORMATION**

required by the Main LR of Bursa Securities  
*cont'd*

In compliance with the Main LR of Bursa Securities, the following are provided:- *cont'd*

**11. Related Party Transactions of a Revenue or Trading Nature**

Significant related party transactions of the Group for the financial year are disclosed in Note 25 to the Financial Statements.

**12. Share Issuance Scheme for Employees**

The Group did not offer any share scheme for employees during FY2014.

**13. List of Properties**

The Group did not own any properties as at 31 December 2014.



# STATEMENT OF DIRECTORS' RESPONSIBILITY

in relation to the preparation of the financial statements

This statement is prepared as required by the Main LR of Bursa Securities.

The Directors are required to prepare annual financial statements which are in accordance with applicable approved accounting standards; to 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 of the Group and the Company for FY2014:

- the Group and the Company have adopted appropriate accounting policies and applied them consistently;
- reasonable and prudent judgements and estimates were made;
- all applicable approved accounting standards in Malaysia, including but not limited to MFRSs and International Financial Reporting Standards have been followed; and
- prepared the abovementioned financial statements on a going concern basis.

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

This Statement on Directors' Responsibility is made in accordance with a resolution of the Board of Directors passed on 13 April 2015.



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# DIRECTORS' REPORT

for the year ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as stated in Note 5 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 for the year attributable to:		
Owners of the Company	29,432	980

## 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:

- i) a single tier final dividend of 2.5 sen per ordinary share, totaling RM4,500,000 in respect of financial year ended 31 December 2013 on 19 June 2014; and
- ii) a single tier interim dividend of 3.0 sen per ordinary share, totaling RM5,400,000 in respect of the financial year ended 31 December 2014 on 11 December 2014.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2014 is a single tier dividend of 3.0 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  
 Wong Heng Chong  
 Quah Chek Tin  
 Ahmad Subri bin Abdullah  
 Ho Chee Kit  
 Ong Wei Hiam  
 Eddie Foo Toon Ee (resigned on 31.03.2014)  
 Tan Teck Thye (appointed on 16.06.2014 and resigned on 30.11.2014)

# DIRECTORS' REPORT

for the year ended 31 December 2014  
*cont'd*

## DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
<b>Dato' Teo Chiang Quan</b>				
<i>Own interest in the Company</i>				
- indirect	15,450,000	-	-	15,450,000
<b>Foo Sen Chin</b>				
<i>Own interest in the Company</i>				
- indirect	21,997,200	-	-	21,997,200
<b>Soong Jan Hsung</b>				
<i>Own interest in the Company</i>				
- direct	225,000	-	-	225,000
<b>Tay Eng Hoe</b>				
<i>Own interest in the Company</i>				
- direct	375,000	-	-	375,000
<b>Wong Heng Chong</b>				
<i>Own interest in the Company</i>				
- direct	225,000	-	-	225,000

None of the other Directors holding office at 31 December 2014 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 25 to the financial statements.

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

## DIRECTORS' REPORT

for the year ended 31 December 2014  
*cont'd*

### 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 financial statements 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 financial statements of the Group and of the Company 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 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **DIRECTORS' REPORT**

for the year ended 31 December 2014  
*cont'd*

### **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

Date: 12 March 2015

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Assets</b>					
Plant and equipment	3	3,303	4,036	857	53
Intangible asset	4	571	571	-	-
Investments in subsidiaries	5	-	-	77,022	77,022
Investment in club membership		62	62	-	-
Deferred tax assets	13	1,414	1,450	-	-
<b>Total non-current assets</b>		<b>5,350</b>	<b>6,119</b>	<b>77,879</b>	<b>77,075</b>
Inventories	6	119,359	85,569	-	-
Receivables and deposits	7	196,285	172,596	13,623	4,697
Prepayments		454	379	42	14
Derivative financial assets	8	634	352	-	-
Cash and cash equivalents	9	89,749	83,700	28,138	46,750
<b>Total current assets</b>		<b>406,481</b>	<b>342,596</b>	<b>41,803</b>	<b>51,461</b>
<b>Total assets</b>		<b>411,831</b>	<b>348,715</b>	<b>119,682</b>	<b>128,536</b>
<b>Equity</b>					
Share capital	10	90,000	90,000	90,000	90,000
Reserves	11	134,094	114,562	28,789	37,709
<b>Total equity attributable to owners of the Company</b>		<b>224,094</b>	<b>204,562</b>	<b>118,789</b>	<b>127,709</b>
<b>Liabilities</b>					
Deferred tax liabilities	13	-	-	22	1
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>22</b>	<b>1</b>
Payables and accruals	12	185,211	142,093	818	778
Tax payable		2,526	2,060	53	48
<b>Total current liabilities</b>		<b>187,737</b>	<b>144,153</b>	<b>871</b>	<b>826</b>
<b>Total liabilities</b>		<b>187,737</b>	<b>144,153</b>	<b>893</b>	<b>827</b>
<b>Total equity and liabilities</b>		<b>411,831</b>	<b>348,715</b>	<b>119,682</b>	<b>128,536</b>

The notes on pages 77 to 117 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Revenue</b>	14	<b>1,591,117</b>	1,326,266	<b>1,625</b>	26,609
Cost of sales		<b>(1,504,382)</b>	(1,244,828)	-	-
<b>Gross profit</b>		<b>86,735</b>	81,438	<b>1,625</b>	26,609
Other income		<b>676</b>	776	-	-
Distribution expenses		<b>(30,116)</b>	(28,834)	-	-
Administrative expenses		<b>(19,489)</b>	(18,162)	<b>(1,972)</b>	(1,669)
<b>Results from operating activities</b>	15	<b>37,806</b>	35,218	<b>(347)</b>	24,940
Finance income	16	<b>1,400</b>	1,398	<b>1,735</b>	1,550
Finance costs	17	<b>(4)</b>	(34)	-	-
<b>Net finance income</b>		<b>1,396</b>	1,364	<b>1,735</b>	1,550
<b>Profit before tax</b>		<b>39,202</b>	36,582	<b>1,388</b>	26,490
Tax expense	19	<b>(9,770)</b>	(9,694)	<b>(408)</b>	(6,826)
<b>Profit for the year/Total comprehensive income for the year attributable to owners of the Company</b>		<b>29,432</b>	26,888	<b>980</b>	19,664
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	20	<b>16.4</b>	14.9		

The notes on pages 77 to 117 are an integral part of these financial statements.



# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2014

Attributable to owners of the Company				
Note	Non-distributable		Distributable	
	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	Total equity RM'000
<b>Group</b>				
<b>At 1 January 2013</b>	90,000	-	97,574	187,574
Profit for the year/Total comprehensive income for the year	-	-	26,888	26,888
Dividends to owner of the Company	21	-	(9,900)	(9,900)
<b>At 31 December 2013/1 January 2014</b>	90,000	-	114,562	204,562
Profit for the year/Total comprehensive income for the year	-	-	29,432	29,432
Dividends to owner of the Company	21	-	(9,900)	(9,900)
<b>At 31 December 2014</b>	<b>90,000</b>	<b>-</b>	<b>134,094</b>	<b>224,094</b>
Note 10				
<b>Company</b>				
<b>At 1 January 2013</b>	90,000	22,961	4,984	117,945
Profit for the year/Total comprehensive income for the year	-	-	19,664	19,664
Dividends to owner of the Company	21	-	(9,900)	(9,900)
<b>At 31 December 2013/1 January 2014</b>	90,000	22,961	14,748	127,709
Profit for the year/Total comprehensive income for the year	-	-	980	980
Dividends to owner of the Company	21	-	(9,900)	(9,900)
<b>At 31 December 2014</b>	<b>90,000</b>	<b>22,961</b>	<b>5,828</b>	<b>118,789</b>
Note 10		Note 11.1		

The notes on pages 77 to 117 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2014

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	<b>39,202</b>	36,582	<b>1,388</b>	26,490
Adjustments for:				
Depreciation of plant and equipment	<b>1,415</b>	1,748	<b>105</b>	20
Loss on disposal of plant and equipment	-	(203)	-	-
(Gain)/Loss on foreign exchange				
- Unrealised	<b>(113)</b>	927	-	-
Finance costs	<b>4</b>	34	-	-
Finance income	<b>(1,400)</b>	(1,398)	<b>(1,735)</b>	(1,550)
Dividend income	-	-	-	(25,668)
Plant and equipment written off	<b>9</b>	5	-	-
Fair value changes on financial instruments	<b>(282)</b>	(502)	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>38,835</b>	37,193	<b>(242)</b>	(708)
Changes in working capital:				
Inventories	<b>(33,790)</b>	(5,768)	-	-
Receivables, deposits and prepayments	<b>(23,764)</b>	(1,080)	<b>(28)</b>	5
Payables and accruals	<b>43,231</b>	178	<b>(293)</b>	209
<b>Cash generated from/(used in) operations</b>	<b>24,512</b>	30,523	<b>(563)</b>	(494)
Tax paid	<b>(9,268)</b>	(10,346)	<b>(383)</b>	(422)
<b>Net cash generated from/(used in) operating activities</b>	<b>15,244</b>	20,177	<b>(946)</b>	(916)
<b>Cash flows from investing activities</b>				
Purchase of plant and equipment	<b>(691)</b>	(1,144)	<b>(909)</b>	(46)
Proceeds from disposal of plant and equipment	-	214	-	-
Dividends received	-	-	-	19,251
<b>Net cash (used in)/generated from investing activities</b>	<b>(691)</b>	(930)	<b>(909)</b>	19,205

## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2014  
cont'd

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Cash flows from financing activities</b>				
(Repayments to)/Advances from subsidiaries	-	-	(8,592)	21,867
Interest paid	(4)	(34)	-	-
Interest received	1,400	1,398	1,735	1,550
Dividends paid to owners of the Company	(9,900)	(9,900)	(9,900)	(9,900)
<b>Net cash (used in)/generated from financing activities</b>	<b>(8,504)</b>	<b>(8,536)</b>	<b>(16,757)</b>	<b>13,517</b>
Net increase/(decrease) in cash and cash equivalents	6,049	10,711	(18,612)	31,806
Cash and cash equivalents at 1 January	83,700	72,989	46,750	14,944
<b>Cash and cash equivalents at 31 December</b>	<b>89,749</b>	<b>83,700</b>	<b>28,138</b>	<b>46,750</b>

### CASH AND CASH EQUIVALENTS

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

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	9	29,623	17,618	839	750
Deposits with licensed banks	9	59,598	65,567	27,299	46,000
Liquid investment	9	528	515	-	-
		<b>89,749</b>	<b>83,700</b>	<b>28,138</b>	<b>46,750</b>

The notes on pages 77 to 117 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 Securities. 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 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Wilayah Persekutuan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 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 financial year ended 31 December 2014 do not include any other entities.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 12 March 2015.

## **1. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 1. BASIS OF PREPARATION cont'd

#### (a) Statement of compliance cont'd

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, *Financial Instruments: Disclosures* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plant*
- Amendments to MFRS 119, *Employee Benefits* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting* (Annual Improvements 2012-2014 Cycle)

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- MFRS 15, *Revenue from Contracts with Customers*

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, *Financial Instruments* (2014)

The Group and the Company plan to apply the above mentioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for MFRS 140, *Investment Properties* (Annual Improvements 2011-2013 cycle) which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 5, Amendments to MFRS 11 and MFRS 14, *Regulatory Deferral Accounts* which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2017 for accounting standard is effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for accounting standard is effective for annual periods beginning on or after 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

## 1. BASIS OF PREPARATION *cont'd*

### (a) Statement of compliance *cont'd*

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group and the Company except as mentioned below:

#### (i) MFRS 15, *Revenue from contracts with customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### (ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

### (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 is presented in RM and 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 MFRSs 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 4 - Measurement of recoverable amounts of cash-generating units

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and had been applied consistently by the Group entities, unless otherwise stated.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

##### (ii) 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.

For new acquisitions, the Group measures the cost of 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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

##### (iii) Acquisition of non-controlling interests

The Group accounts for 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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (a) Basis of consolidation *cont'd*

##### (iv) Loss of control

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 former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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.

##### (v) Transactions eliminated on consolidation

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

#### (b) 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 the end of the 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.

#### (c) Financial instruments

##### (i) Initial recognition and measurement

A financial asset or a financial liabilities 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.



## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (c) Financial instruments *cont'd*

##### (ii) Financial instrument categories and subsequent measurement

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.

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 (Note 2(i)(i)).

##### *Financial liabilities*

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

Fair value through profit or loss category comprises financial liabilities that are 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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (c) Financial instruments *cont'd*

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

###### *Financial liabilities cont'd*

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise 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) Financial guarantee contracts

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

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

##### (iv) Regular way purchase or sale of financial assets

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

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

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

##### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (d) Plant and equipment

##### (i) Recognition and measurement

Items of plant and equipment are measured 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.

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

##### (ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group or the Company will obtain ownership by the end of the lease term. 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 at the end of the reporting period, and adjusted as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (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 on 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. 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

##### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, 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 associates.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired.

#### (g) Inventories

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

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

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

The fair value of 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 on hand, balances and deposits with banks and highly liquid investment which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables 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 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) **Other assets**

The carrying amounts of other 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 cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated 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 cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (i) Impairment *cont'd*

##### (ii) Other assets *cont'd*

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 financial 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.

##### (i) Issue expenses

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

##### (ii) Ordinary shares

Ordinary shares are classified as equity.

##### (iii) Distributions of assets to owners of the Company

The Group measures a liability to distribute 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 period and at the settlement date, with any changes recognised 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 amounts of the assets distributed and the carrying amount of the liability in profit or loss.

#### (k) Employee benefits

##### (i) 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.

##### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 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 not recognised in the statements of financial position and 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 in the course of ordinary activities 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 persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

##### (ii) Services

Revenue from service maintenance contracts are recognised in profit or loss over the period of the contracts.

##### (iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

##### (iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

##### (v) Interest income

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

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (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.

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

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

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

#### (o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 or receivable on the taxable income or loss 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 financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied 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 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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentive that is not a tax base of an asset is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.



## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### (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. Operating segments' 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.

#### (r) Fair value measurements

The fair value of an asset or a liability, except for shared-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 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 2013	9,610	213	2,011	1,683	13,517
Additions	694	-	429	21	1,144
Disposals	(20)	-	(501)	-	(521)
Written off	(11)	-	-	-	(11)
At 31 December 2013/1 January 2014	10,273	213	1,939	1,704	14,129
Additions	592	46	-	53	691
Disposals	-	-	-	-	-
Written off	(1,342)	-	-	-	(1,342)
At 31 December 2014	<b>9,523</b>	<b>259</b>	<b>1,939</b>	<b>1,757</b>	<b>13,478</b>
<b>Accumulated depreciation</b>					
At 1 January 2013	6,146	58	1,160	1,497	8,861
Charge for the year	1,302	42	327	77	1,748
Disposals	(9)	-	(501)	-	(510)
Written off	(6)	-	-	-	(6)
At 31 December 2013/1 January 2014	7,433	100	986	1,574	10,093
Charge for the year	964	44	341	66	1,415
Disposals	-	-	-	-	-
Written off	(1,333)	-	-	-	(1,333)
At 31 December 2014	<b>7,064</b>	<b>144</b>	<b>1,327</b>	<b>1,640</b>	<b>10,175</b>
<b>Carrying amounts</b>					
At 1 January 2013	3,464	155	851	186	4,656
At 31 December 2013/1 January 2014	2,840	113	953	130	4,036
At 31 December 2014	<b>2,459</b>	<b>115</b>	<b>612</b>	<b>117</b>	<b>3,303</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 2013	218
Additions	46
At 31 December 2013/ 1 January 2014	264
Additions	909
At 31 December 2014	<b>1,173</b>
<b>Accumulated depreciation</b>	
At 1 January 2013	191
Charge for the year	20
At 31 December 2013/ 1 January 2014	211
Charge for the year	105
At 31 December 2014	<b>316</b>
<b>Carrying amounts</b>	
At 1 January 2013	27
At 31 December 2013/1 January 2014	53
At 31 December 2014	<b>857</b>

### 4. INTANGIBLE ASSET

#### Goodwill

	Group	
	2014 RM'000	2013 RM'000
At 1 January/31 December	<b>571</b>	571

#### 4.1 Impairment testing for cash-generating units 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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

#### 4. INTANGIBLE ASSET *cont'd*

##### 4.1 Impairment testing for cash-generating units containing goodwill *cont'd*

Value in use was determined by discounting the future cash flows expected to be 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 6.2% (2013: 7.4%), 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).

The estimate of value in use was determined using a pre-tax discount rate of 5% (2013: 4.5%).

#### 5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	RM'000	RM'000
Unquoted shares - at cost	77,022	77,022

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2014	2013
			%	%
ECS Astar Sdn. Bhd.	Malaysia	All these companies are engaged in the marketing of computers, peripherals, software and the provision of computer maintenance services.	100	100
ECS Pericomp Sdn. Bhd.	Malaysia		100	100
ECS KU Sdn. Bhd.	Malaysia		100	100
ECS Kush Sdn. Bhd.	Malaysia	Provision of management services and letting of properties.	100	100

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 6. INVENTORIES

	Group	
	2014 RM'000	2013 RM'000
Finished goods	117,860	84,345
Goods-in-transit	1,499	1,224
	<b>119,359</b>	<b>85,569</b>
Recognised in profit or loss:		
Inventories recognised as cost of sales	<b>1,526,930</b>	1,265,453
Write down to net realisable value	<b>1,393</b>	336
Reversal of write down	-	(14)

### 7. RECEIVABLES AND DEPOSITS

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Trade</b>					
Trade receivables		181,381	165,053	-	-
Less: Impairment loss	7.1	(1,317)	(3,031)	-	-
		<b>180,064</b>	162,022	-	-
Amounts due from subsidiaries	7.2	-	-	<b>282</b>	122
		<b>180,064</b>	162,022	<b>282</b>	122
<b>Non-trade</b>					
Other receivables		15,339	9,584	244	-
Deposits	7.3	882	990	5	5
Amounts due from subsidiaries	7.4	-	-	<b>13,092</b>	4,570
		<b>16,221</b>	10,574	<b>13,341</b>	4,575
		<b>196,285</b>	172,596	<b>13,623</b>	4,697

#### 7.1 Impairment loss

During the year, trade receivables amounting to RM2,001,056 (2013: Nil) was written off against the impairment loss.

#### 7.2 Amounts due from subsidiaries (Trade)

The amounts due from subsidiaries are unsecured, not interest bearing and subject to normal trade terms.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

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

#### 7.3 Deposits

Included in deposits of the Group is an amount of RM773,000 (2013: RM773,000) paid as rental security deposits to a company in which certain Directors have substantial interests.

#### 7.4 Amounts due from subsidiaries (Non-trade)

Included in the amounts due from subsidiaries is a non-trade short-term loan of RM13,000,000 (2013: RM4,350,000) which is unsecured, bears interest at 4.5% (2013: 4.5%) per annum and repayable on demand.

### 8. DERIVATIVE FINANCIAL ASSETS

Derivatives held for trading at fair value through profit or loss:

	2014			2013		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
- forward exchange contracts	83,609	634	-	37,738	352	-

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

### 9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	29,623	17,618	839	750
Deposits with licensed banks	59,598	65,567	27,299	46,000
Liquid investment*	528	515	-	-
	89,749	83,700	28,138	46,750

\* Liquid investment relates to the investment account which has a face value of RM1 per unit.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 10. SHARE CAPITAL

	Group and Company			
	Amount	Number of shares	Amount	Number of shares
	2014	2014	2013	2013
	RM'000	'000	RM'000	'000
Authorised:				
Ordinary shares of RM0.50 each	500,000	1,000,000	500,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	90,000	180,000	90,000	180,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company.

### 11. RESERVES

	Note	Group		Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Merger reserves	11.1	-	-	22,961	22,961
Retained earnings		134,094	114,562	5,828	14,748
		134,094	114,562	28,789	37,709

#### 11.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 12. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Current</b>					
<b>Trade</b>					
Trade payables		151,118	109,857	-	-
Deferred revenue		39	107	-	-
Amounts due to subsidiaries		-	-	54	-
		151,157	109,964	54	-
<b>Non-trade</b>					
Other payables and accrued expenses	12.1	34,054	32,129	673	723
Amounts due to subsidiaries	12.2	-	-	91	55
		34,054	32,129	764	778
		185,211	142,093	818	778

#### 12.1 Other payables and accrued expenses

Included in other payables and accrued expenses is accrual for advertisement and promotion amounted to RM16,236,706 (2013: RM17,857,831).

#### 12.2 Amounts due to subsidiaries (Non-trade)

The amounts due to subsidiaries are unsecured, not interest bearing and are repayable on demand.



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 13. DEFERRED TAX ASSETS/(LIABILITIES)

#### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Group</b>						
Plant and equipment	149	243	(463)	(613)	(314)	(370)
Provisions	1,827	1,714	-	-	1,827	1,714
Other items	-	106	(99)	-	(99)	106
Tax assets/(liabilities)	1,976	2,063	(562)	(613)	1,414	1,450
Set off of tax	(562)	(613)	562	613	-	-
Net tax assets	1,414	1,450	-	-	1,414	1,450
<b>Company</b>						
Plant and equipment	-	-	(53)	(9)	(53)	(9)
Provisions	31	8	-	-	31	8
Tax assets/(liabilities)	31	8	(53)	(9)	(22)	(1)
Set-off of tax	(31)	(8)	31	8	-	-
Net tax liabilities	-	-	(22)	(1)	(22)	(1)

Movement in temporary differences during the year

	At 1.1.2013 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.12.2013/ 1.1.2014 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.12.2014 RM'000
<b>Group</b>					
Plant and equipment	(264)	(106)	(370)	56	(314)
Provisions	1,748	(34)	1,714	113	1,827
Other items	(38)	144	106	(205)	(99)
	1,446	4	1,450	(36)	1,414
<b>Company</b>					
Plant and equipment	(6)	(3)	(9)	(44)	(53)
Provisions	9	(1)	8	23	31
	3	(4)	(1)	(21)	(22)

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 14. REVENUE

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Sales	1,588,530	1,323,382	-	-
Services	2,587	2,884	1,035	708
Rental income from subsidiaries	-	-	590	233
Dividend income from subsidiaries	-	-	-	25,668
	1,591,117	1,326,266	1,625	26,609

### 15. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Results from operating activities are arrived at after charging:</b>				
Auditors' remuneration				
- Audit fee – KPMG Malaysia	163	146	53	53
- Non audit fee				
KPMG Malaysia	12	12	12	12
Local affiliates of KPMG Malaysia	26	28	5	6
Depreciation of plant and equipment	1,415	1,748	105	20
Impairment loss on trade receivables	671	1,366	-	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	2,248	2,107	59	45
- Wages, salaries and others	30,505	27,793	669	484
Loss on foreign exchange (net):				
- Unrealised	-	927	-	-
Inventories written down	1,393	322	-	-
Plant and equipment written off	9	5	-	-
Rental expense:				
- Office rental	1,345	1,334	17	17
- Warehouse rental	581	576	-	-
<b>and after crediting:</b>				
Dividend income from subsidiaries	-	-	-	25,668
Rental income	-	-	590	233
Gain on foreign exchange (net):				
- Realised	1,829	2,235	-	-
- Unrealised	113	-	-	-
Gain on disposal of plant and equipment	-	203	-	-
Bad debts recovered	400	62	-	-
Fair value gain on financial instruments	282	502	-	-

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 16. FINANCE INCOME

	Group		Company	
	2014	2013	2014	2013
	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	1,400	1,398	1,735	1,550

### 17. FINANCE COSTS

	Group		Company	
	2014	2013	2014	2013
	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	-	28	-	-
- Overdraft	4	6	-	-
	4	34	-	-

### 18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Directors				
- Fees	435	405	421	391
- Remuneration	3,665	3,926	34	21
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	89	68	-	-
	4,189	4,399	455	412
Other key management personnel				
- Remuneration	982	927	218	210
- Contributions to state plans	351	334	62	57
- Other short-term employee benefits	588	571	63	47
	1,921	1,832	343	314
	6,110	6,231	798	726

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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 19. TAX EXPENSE

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Current tax expense</b>				
- Current year	10,173	9,868	380	6,678
- (Over)/Under provision in prior year	(439)	(170)	7	144
<b>Deferred tax expense</b>				
- Reversal and origination of temporary differences	(55)	(190)	26	4
- Under/(Over) provision in prior year	91	186	(5)	-
	9,770	9,694	408	6,826
<b>Reconciliation of tax expense</b>				
Profit for the year	29,432	26,888	980	19,664
Tax expense	9,770	9,694	408	6,826
Profit excluding tax	39,202	36,582	1,388	26,490
Tax at Malaysian tax rate of 25%	9,801	9,146	347	6,623
Non-deductible expenses	439	532	126	60
Non-taxable income	(122)	-	(67)	-
	10,118	9,678	406	6,683
(Over)/Under provision of tax expense in prior year	(439)	(170)	7	143
Under/(Over) provision of deferred tax expense in prior year	91	186	(5)	-
	9,770	9,694	408	6,826

### 20. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share ("EPS") at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2014	2013
	RM'000	RM'000
Profit attributable to owners of the Company	29,432	26,888
	'000	'000
Weighted average number of ordinary shares at 31 December	180,000	180,000
Basic earnings per share (sen)	16.4	14.9

Diluted EPS is not applicable as there were no potential ordinary shares in issue for the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 21. DIVIDENDS

Dividends recognised by the Company:

	Sen per share RM	Total amount RM'000	Date of payment
<b>2014</b>			
Final 2013 ordinary – single tier	2.5	4,500	19 June 2014
Interim 2014 ordinary – single tier	3.0	5,400	11 December 2014
Total		<u>9,900</u>	
<b>2013</b>			
Final 2012 ordinary – single tier	2.5	4,500	14 June 2013
Interim 2013 ordinary – single tier	3.0	5,400	12 December 2013
Total		<u>9,900</u>	

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval of the shareholders at the forthcoming annual general meeting.

	Sen per share RM	Total amount RM'000	Proposed date of payment
Final ordinary	3.0	<u>5,400</u>	19 June 2015

### 22. 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. None of these segments met the quantitative thresholds for reporting segments in 2014 and 2013.

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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 22. OPERATING SEGMENTS *cont'd*

#### 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 on assets of each segment.

#### Segment liabilities

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

Segmental information for the Group is presented as follows:

	ICT distribution		Enterprise systems		ICT services		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	20,642	13,865	14,768	20,837	2,203	658	37,613	35,360
Included in the measure of segment profit are:								
- Depreciation of plant and equipment	(172)	(176)	(373)	(349)	(69)	(22)	(614)	(547)
- Plant and equipments written off	-	(1)	(1)	(2)	(1)	(2)	(2)	(5)
- Finance costs	(909)	(939)	(182)	(264)	(11)	(15)	(1,102)	(1,218)
- Finance income	165	123	484	880	89	42	738	1,045
Segment assets	283,072	191,053	94,588	103,435	3,367	3,490	381,027	297,978
Revenue from external customers	1,112,342	842,138	427,579	469,478	51,196	14,650	1,591,117	1,326,266
Inter-segment revenue	4,260	5,089	5,235	5,616	4,940	4,553	14,435	15,258

#### Reconciliation of reportable segment revenue, profit or loss, assets and other material items:

	Group	
	2014	2013
	RM'000	RM'000
Total profit for the reportable segments	37,613	35,360
Other non-reportable segments profit	1,583	26,874
Elimination of inter-segments loss/(profit)	6	(25,652)
Consolidated profit before tax	39,202	36,582

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 22. OPERATING SEGMENTS *cont'd*

Reconciliation of reportable segment revenue, profit or loss, assets and other material items: *cont'd*

	External revenue RM'000	Depreciation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Additions to non-current assets RM'000
<b>Group</b>						
<b>2014</b>						
Total reportable segments	1,605,552	(614)	(1,102)	738	381,027	298
Other non-reportable segments	13,973	(818)	(1)	1,761	125,220	1,287
Elimination of inter-segment transactions or balances	(28,408)	17	1,099	(1,099)	(94,416)	(894)
Consolidated total	1,591,117	(1,415)	(4)	1,400	411,831	691
<b>2013</b>						
Total reportable segments	1,341,524	(547)	(1,218)	1,045	297,978	778
Other non-reportable segments	38,662	(1,224)	(13)	1,550	133,842	372
Elimination of inter-segment transactions or balances	(53,920)	23	1,197	(1,197)	(83,105)	(6)
Consolidated total	1,326,266	(1,748)	(34)	1,398	348,715	1,144

#### Geographical segments

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

### 23. OPERATING LEASES

#### Leases as lessee

Operating lease rentals are payable as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Less than one year	2,085	1,805	8	16
Between one and three years	3,993	1	-	-
	6,078	1,806	8	16

The Group leases its office and warehouse under operating leases. The leases run for an initial period of 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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 24. CAPITAL COMMITMENTS

	Group	
	2014 RM'000	2013 RM'000
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
Contracted but not provided for	288	303

### 25. 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 or jointly 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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.

The Group had related party relationship with its subsidiaries, significant investors, Directors and key management personnel.

#### Transactions with key management personnel

There are no other transactions with key management personnel other than key management personnel compensation as disclosed in Note 18.



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 25. RELATED PARTIES *cont'd*

#### Other related party transactions

	Transaction value			
	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Subsidiaries				
Dividend income	-	-	-	25,668
Interest income	-	-	998	1,197
Rental income	-	-	590	234
Support services income	-	-	1,035	708
Purchase of equipment	-	-	(24)	(3)
Support service expense	-	-	(168)	(252)
Transactions with companies in which certain Directors have interests:				
Rental expense	(1,744)	(1,728)	-	-
Sales	535	513	-	-
Professional fee	(3)	(4)	-	-

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 had been established on negotiated terms.

### 26. FINANCIAL INSTRUMENTS

#### 26.1 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) Financial liabilities measured at amortised cost ("FL").

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
<b>2014</b>				
<b>Financial assets</b>				
<b>Group</b>				
Receivables and deposits	196,285	196,285	-	-
Cash and cash equivalents	89,749	89,749	-	-
Club membership	62	-	-	62
Derivative financial assets	634	-	634	-
	<b>286,730</b>	<b>286,034</b>	<b>634</b>	<b>62</b>
<b>Company</b>				
Receivables and deposits	13,623	13,623	-	-
Cash and cash equivalents	28,138	28,138	-	-
	<b>41,761</b>	<b>41,761</b>	-	-
<b>Financial liabilities</b>				
<b>Group</b>				
Payables and accruals	(185,172)	(185,172)	-	-
<b>Company</b>				
Payables and accruals	(818)	(818)	-	-
<b>2013</b>				
<b>Financial assets</b>				
<b>Group</b>				
Receivables and deposits	172,596	172,596	-	-
Cash and cash equivalents	83,700	83,700	-	-
Club membership	62	-	-	62
Derivative financial assets	352	-	352	-
	<b>256,710</b>	<b>256,296</b>	<b>352</b>	<b>62</b>
<b>Company</b>				
Receivables and deposits	4,924	4,924	-	-
Cash and cash equivalents	46,750	46,750	-	-
	<b>51,674</b>	<b>51,674</b>	-	-
<b>Financial liabilities</b>				
<b>Group</b>				
Payables and accruals	(141,986)	(141,986)	-	-
<b>Company</b>				
Payables and accruals	(778)	(778)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on:				
Loans and receivables	1,129	95	1,735	1,550
Financial liabilities measured at amortised cost	1,938	1,274	-	-
Fair value through profit and loss - held for trading	282	502	-	-
	<b>3,349</b>	1,871	<b>1,735</b>	1,550

#### 26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

#### 26.4 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 and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

##### (i) **Receivables**

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

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

*Exposure to credit risk, credit quality and collateral*

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 end of the reporting period, there were no significant concentrations of credit risk except for 5 individual debtors which forms 19.0% (2013: 22.9%) of the total trade receivables of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.4 Credit risk *cont'd*

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

##### **Impairment losses**

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
<b>Group</b>				
<b>2014</b>				
Not past due	104,920	-	-	104,920
Past due 0 - 30 days	56,319	(29)	-	56,290
Past due 31 - 60 days	12,752	(12)	-	12,740
Past due 61 - 90 days	5,513	(4)	-	5,509
Past due 91 - 120 days	673	-	(239)	434
Past due more than 120 days	1,204	(944)	(89)	171
	<b>181,381</b>	<b>(989)</b>	<b>(328)</b>	<b>180,064</b>
<b>2013</b>				
Not past due	86,097	-	-	86,097
Past due 0 - 30 days	50,700	-	-	50,700
Past due 31 - 60 days	15,246	(1)	-	15,245
Past due 61 - 90 days	6,996	-	-	6,996
Past due 91 - 120 days	2,186	-	(757)	1,429
Past due more than 120 days	3,828	(2,058)	(215)	1,555
	<b>165,053</b>	<b>(2,059)</b>	<b>(972)</b>	<b>162,022</b>

Included in other payables and accruals is an amount of RM5,990,000 (2013: RM3,850,000) collected as security deposits to hedge against credit risk from customers with purchases in excess of allowable credit limits.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.4 Credit risk *cont'd*

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

##### **Impairment losses** *cont'd*

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

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>3,031</b>	1,357
Impairment loss recognised	<b>671</b>	1,366
Bad debts recovered	<b>(384)</b>	(62)
Impairment loss written (off)/back	<b>(2,001)</b>	370
At 31 December	<b>1,317</b>	3,031

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

##### (ii) **Investments and other financial assets**

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

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

##### (iii) **Financial guarantees**

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

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

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

*Exposure to credit risk, credit quality and collateral*

No exposure to credit risk as there is no outstanding banking facility from 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.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.4 Credit risk *cont'd*

##### (iv) *Inter-company loans and advances*

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

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

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

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

*Impairment losses*

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 current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current loans to subsidiaries are not overdue.

#### 26.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.5 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 %	Contractual cash flows RM'000	Under 1 year RM'000
<b>2014</b>				
<b>Group</b>				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	185,172	Nil	185,172	185,172
<b>Company</b>				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	818	Nil	818	818
<b>2013</b>				
<b>Group</b>				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	141,986	Nil	141,986	141,986
<b>Company</b>				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	778	Nil	778	778

#### 26.6 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.

##### 26.6.1 Foreign currency risk

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

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. Approximately 33.8% (2013: 36.5%) of the Group's purchases are priced in US Dollar ("USD"). The Group hedges a portion of these exposures by purchasing forward currency contracts. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.6 Market risk *cont'd*

##### 26.6.1 Foreign currency risk *cont'd*

###### *Exposure to foreign currency risk*

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

	Denominated in USD	
	2014 RM'000	2013 RM'000
Cash and cash equivalents	488	367
Trade payables	(90,529)	(43,061)
Forward exchange contracts (Nominal amount)	83,609	37,738
Net exposure	(6,432)	(4,956)

###### *Currency risk sensitivity analysis*

A 10% (2013: 10%) strengthening of Ringgit Malaysia ("RM") against the following currency at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group Profit or loss		Company Profit or loss	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
USD	2,493	3,230	-	-

A 10% (2013: 10%) weakening of Ringgit Malaysia ("RM") against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remained constant.



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.6 Market risk *cont'd*

##### 26.6.2 Interest rate risk

###### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>				
Financial assets	59,598	65,567	40,299	50,350
<b>Floating rate instruments</b>				
Financial assets	528	515	-	-

###### *Fair value sensitivity analysis for fixed rate instruments*

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

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

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

###### *Effective interest rates and repricing analysis*

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the end of the reporting period and the periods in which they mature, or if earlier, reprice.

	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000
<b>Company</b>			
<b>2014</b>			
<b>Financial assets</b>			
Amounts due from subsidiaries	4.50	13,000	13,000
<b>2013</b>			
<b>Financial assets</b>			
Amounts due from subsidiaries	4.50	4,350	4,350

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.7 Fair value information

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

The carrying amounts of the floating rate borrowings approximate fair values as they are subject to variable interest rates which in turn approximate the current market interest rates for similar loans at the end of the reporting period.

The table below analyses financial instruments carried at fair value, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2014</b>				
<b>Financial assets</b>				
Club membership	-	-	62	62
Forward exchange contracts	-	634	-	634
<b>2013</b>				
<b>Financial assets</b>				
Club membership	-	-	62	62
Forward exchange contracts	-	352	-	352

Fair value of financial instruments not carried at fair value is not applicable to the Group and the Company as the Group and the Company do not have any financial instruments not carried at fair value as at the end of the reporting period.

#### 26.7.1 Fair value hierarchy

##### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

##### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

##### Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted 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).

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### 26.7 Fair value information *cont'd*

##### 26.7.1 Fair value hierarchy *cont'd*

###### *Transfer between Level 1 and Level 2 fair values*

There has been no transfer between Level 1 and 2 fair values during the financial year (2013: no transfer in either directions).

###### **Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

###### *Club membership*

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

### 27. CAPITAL MANAGEMENT

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

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the debt-to-equity ratio at the lower end range. The debt-to-equity ratios were as follows:

	Note	Group	
		2014 RM'000	2013 RM'000
Total borrowings		-	-
Less: Cash and cash equivalents	9	(89,749)	(83,700)
Net cash		89,749	83,700
Total equity		224,094	204,562
Debt-to-equity ratios		N/A	N/A

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

## NOTES TO THE FINANCIAL STATEMENTS

*cont'd*

### 28. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Main LR of Bursa Securities, are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	<b>183,616</b>	164,449	<b>5,850</b>	14,749
- Unrealised	<b>1,841</b>	1,482	<b>(22)</b>	(1)
	<b>185,457</b>	165,931	<b>5,828</b>	14,748
Less: Consolidation adjustments	<b>(51,363)</b>	(51,369)	-	-
Total retained earnings	<b>134,094</b>	114,562	<b>5,828</b>	14,748

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 Securities 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 72 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 on page 117 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Securities.

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

**FOO SEN CHIN**

**SOONG JAN HSUNG**

Petaling Jaya

Date: 12 March 2015

# STATUTORY DECLARATION

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

I, **Chan Puay Chai**, the Financial Controller primarily responsible for the financial management of ECS ICT Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 117 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 12 March 2015.

**CHAN PUAY CHAI**

Before me:

**MANOHARAN A/L SELLAMUTHU**

Commissioner for Oaths

W656

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 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 72 to 116.

### ***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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## INDEPENDENT AUDITORS' REPORT

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

### 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 28 on page 117 to the financial statements has been compiled by the Company as required by the Bursa Securities Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International 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 Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Securities.

### 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

Petaling Jaya

Date: 12 March 2015

#### LEE YEE KENG

Approval Number: 2880/04/15(J)  
Chartered Accountant

# ANALYSIS OF SHAREHOLDINGS

as at 31 March 2015

## SHARE CAPITAL

Authorised capital : RM500,000,000  
 Issued and fully paid-up : RM90,000,000  
 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	29	1.17	1,084	0.00
100 – 1,000	221	8.93	166,715	0.09
1,001 – 10,000	1,522	61.49	8,248,401	4.58
10,001 – 100,000	633	25.58	17,572,400	9.76
100,001 – 8,999,999*	66	2.67	35,430,400	19.69
9,000,000 and above**	4	0.16	118,581,000	65.88
<b>Total</b>	<b>2,475</b>	<b>100.00</b>	<b>180,000,000</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	72,000,000	40.00
2. Sengin Sdn Bhd	21,231,000	11.80
3. Oasis Hope Sdn Bhd	15,450,000	8.58
4. Dasar Technologies Sdn Bhd	9,900,000	5.50
5. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Deutsche Bank AG Singapore for Pangolin Asia Fund</i>	8,624,650	4.79
6. Melco Holdings Inc.	3,000,000	1.67
7. CIMSEC Nominees (Asing) Sdn Bhd <i>Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)</i>	1,867,750	1.04
8. RHB Nominees (Asing) Sdn Bhd <i>RHB Securities Singapore Pte Ltd for SIS Investment Holdings Ltd (93501)</i>	1,500,000	0.83
9. Gan Kho @ Gan Hong Leong	1,440,000	0.80
10. More Omega Sdn Bhd	1,422,850	0.79
11. Federlite Holdings Sdn Bhd	1,013,700	0.56
12. Gan Kho @ Gan Hong Leong	914,850	0.51
13. Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Gan Tee Jin</i>	900,000	0.50
14. Maybank Nominees (Asing) Sdn Bhd <i>DBS Bank for See Lop Fu James @ Shi Lap Fu James (142437)</i>	750,000	0.42



## ANALYSIS OF SHAREHOLDINGS

as at 31 March 2015

cont'd

### THIRTY (30) LARGEST SHAREHOLDERS cont'd

Name of Shareholders	No. of Shareholdings	%
15. Chee Ah Ngoh	700,000	0.39
16. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Fong Siling (CEB)</i>	700,000	0.39
17. Migan Sdn Bhd	510,750	0.28
18. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Sengin Sdn Bhd (PB)</i>	459,000	0.25
19. Tan Tiang Choon	427,000	0.24
20. Maybank Nominees (Tempatan) Sdn Bhd <i>Jincan Sdn Bhd</i>	400,500	0.22
21. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lau Ha Mooi</i>	400,000	0.22
22. Ti Lian Ker	385,000	0.21
23. Affin Hwang Nominees (Asing) Sdn Bhd <i>DBS Vickers Secs (S) Pte Ltd for Tay Eng Hoe</i>	375,000	0.21
24. Wong Sin Kiew	375,000	0.21
25. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for General Technology Sdn. Bhd. (PB)</i>	313,600	0.17
26. Wah Tong Holdings Sdn Bhd	310,000	0.17
27. Foo Lek Choong	307,200	0.17
28. Lee Kuok Keong	300,000	0.17
29. Lim Guan Teik	300,000	0.17
30. Lim Keng Hoo	300,000	0.17
	146,577,850	81.43

### SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2015

Name	No. of shareholdings		Percentage of issued share capital
	Direct	Indirect	%
ECS Holdings Limited	73,833,750	-	41.02
Sengin Sdn Bhd	21,690,000	-	12.05
Foo Sen Chin	-	21,997,200 <sup>(1)</sup>	12.22
Lee Marn Fong	-	21,997,200 <sup>(2)</sup>	12.22
Oasis Hope Sdn Bhd	15,450,000	-	8.58
Dato' Teo Chiang Quan	-	15,450,000 <sup>(3)</sup>	8.58
Dasar Technologies Sdn Bhd	9,900,000	-	5.50

## ANALYSIS OF SHAREHOLDINGS

as at 31 March 2015

*cont'd*

### DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2015

	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
Foo Sen Chin	-	-	21,997,200 <sup>(1)</sup>	12.22
Dato' Teo Chiang Quan	-	-	15,450,000 <sup>(3)</sup>	8.58
Soong Jan Hsung	225,000	0.13	-	-
Tay Eng Hoe	375,000	0.21	-	-
Wong Heng Chong	225,000	0.13	-	-

#### Notes:

1. 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.
2. 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.
3. By virtue of his substantial shareholdings in Oasis Hope Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

# NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Nineteenth Annual General Meeting of ECS ICT Berhad ("ECS" or "the Company") will be held at Greens III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 21 May 2015 at 10:30 a.m. or at any adjournment thereof for the following purposes:-

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and the Auditors thereon. *(refer to Note 1)*
2. To approve the declaration of a single-tier final dividend of 3.0 sen per share in respect of the financial year ended 31 December 2014. *(Resolution 1)*
3. To re-elect the following Directors who retire in accordance with Article 102 of the Articles of Association of the Company:-
  - (a) Mr. Foo Sen Chin; and *(Resolution 2)*
  - (b) Mr. Wong Heng Chong. *(Resolution 3)*
4. To re-appoint Messrs. KPMG as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. *(Resolution 4)*

### As Special Business

To consider and, if thought fit, with or without any modification, to pass the following Ordinary Resolutions:-

5. **ORDINARY RESOLUTION NO. 1**  
**- PAYMENT OF DIRECTORS' FEES**  

"THAT the Directors' Fees amounting to RM420,665/- (Ringgit Malaysia: Four Hundred and Twenty Thousand and Six Hundred and Sixty Five only) for the financial year ended 31 December 2014, be and is hereby approved for payment."

*(Resolution 5)*
6. **ORDINARY RESOLUTION NO. 2**  
**- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**  

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

*(Resolution 6)*
7. To transact any other business of which due notice shall have been given.

# NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

*cont'd*

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN** that a single-tier final dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2014 will be payable on 19 June 2015 to depositors whose names appear in the Record of Depositors at the close of business on 5 June 2015 if approved by the members at the Nineteenth Annual General Meeting of the Company.

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 5 June 2015 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

## By Order of the Board

**CHUA SIEW CHUAN** (MAICSA 0777689)  
**CHENG CHIA PING** (MAICSA 1032514)  
**LWEE WEN LING** (MAICSA 7058065)  
 Company Secretaries

Kuala Lumpur  
 Dated: 29 April 2015

## ***Explanatory Notes to Special Business:***

### 1. Payment of Directors' Fees

*The Resolution 5, if approved, will authorise the payment of Directors' Fees pursuant to Article 110 of the Articles of Association of the Company.*

### 2. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

*The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 at the Nineteenth Annual General Meeting ("AGM") of the Company (hereinafter referred to as the "General Mandate").*

*The Company had been granted a general mandate by its shareholders at the Eighteenth AGM of the Company held on 22 May 2014 (hereinafter referred to as the "Previous Mandate").*

*The Previous Mandate granted by the shareholders had not been utilised and hence no proceed was raised therefrom.*

*The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next AGM. The proceeds raised from 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 purpose of funding future investment project(s), working capital and/ or acquisitions.*

## NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

cont'd

### Notes:-

1. *This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval for the Audited Financial Statements from the shareholders. Therefore, this Agenda item is not put forward for voting.*
2. *Mr. Quah Chek Tin, a Director who retires by rotation in accordance with Article 102 of the Company's Articles of Association, has expressed his intention not to seek for re-election. Hence, he will retain office until the close of the Nineteenth Annual General Meeting of the Company.*
3. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 14 May 2015 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
4. *A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies in respect of each securities account the member holds in the ordinary shares of the Company standing to the credit of the said securities account to attend and vote instead of him/her. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
5. *A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(a)&(b) of the Companies Act, 1965 need not be complied with. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his/her proxy to attend and vote instead of the member at the Meeting without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
6. *In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
7. *Where a member of the Company is an exempt authorised nominee which holds ordinary 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.*
8. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing and must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.*

## PROXY FORM

No. of Shares Held	CDS Account No.

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 Nineteenth Annual General Meeting of the Company to be held at Greens III, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 21 May 2015 at 10:30 a.m. and at any adjournment thereof.

The proportion of \*my/our holdings to be represented by \*my/our proxy(ies) are as follows:-

First Proxy	%
Second	%
	100%

In the case of a vote by a show of hands, my proxy \_\_\_\_\_ (one only) shall vote on \*my/our behalf.

Please indicate with an "X" in the spaces provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Resolutions	For	Against
Resolution 1 Declaration of a Final Dividend		
Resolution 2 Re-election of Mr. Foo Sen Chin as Director		
Resolution 3 Re-election of Mr. Wong Heng Chong as Director		
Resolution 4 Re-appointment of Messrs. KPMG as Auditors and to fix their remuneration		
Resolution 5 Ordinary Resolution No. 1 – Payment of Directors' Fees		
Resolution 6 Ordinary Resolution No. 2 – Authority to Issue Shares		

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2015.

\_\_\_\_\_  
Signature of Member/Common Seal

**Notes:-**

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 14 May 2015 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies in respect of each securities account the member holds in the ordinary shares of the Company standing to the credit of the said securities account to attend and vote instead of him/her. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(a)&(b) of the Companies Act, 1965 need not be complied with. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his/her proxy to attend and vote instead of the member at the Meeting without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- Where a member of the Company is an exempt authorised nominee which holds ordinary 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.
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Fold This Flap For Sealing

Then Fold Here

AFFIX  
STAMP

The Company Secretary

**ECS ICT BERHAD** (351038-H)

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur

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