



ECS ICT BERHAD
(Company No. 351038-H)



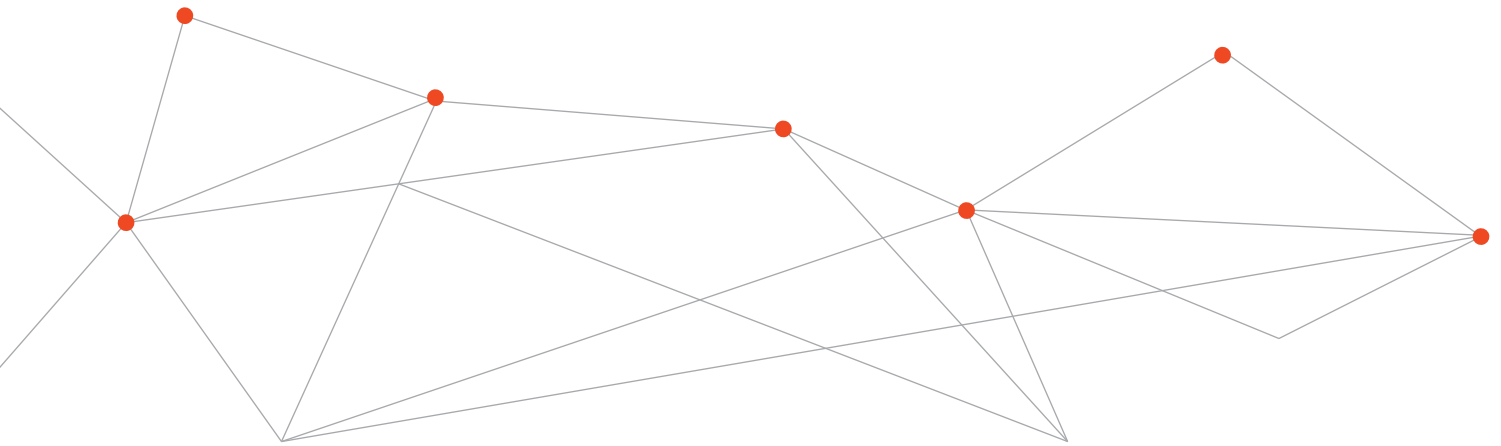
CONNECTING LIFESTYLE

ANNUAL REPORT 2015

OUR 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.



OUR 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



CONNECTING LIFESTYLE

The wonder of technology lies in its unique ability to bring the distant closer, make the intelligent smarter, and accelerate progress quicker than ever before.

Through numerous technological evolutions in the past 30 years, we at ECS ICT Berhad ("ECSB") remain devoted to ushering both Consumers and Enterprises into the era of hyper connectivity.

We aim to enable all to live the connected lifestyle, taking one leap after another.

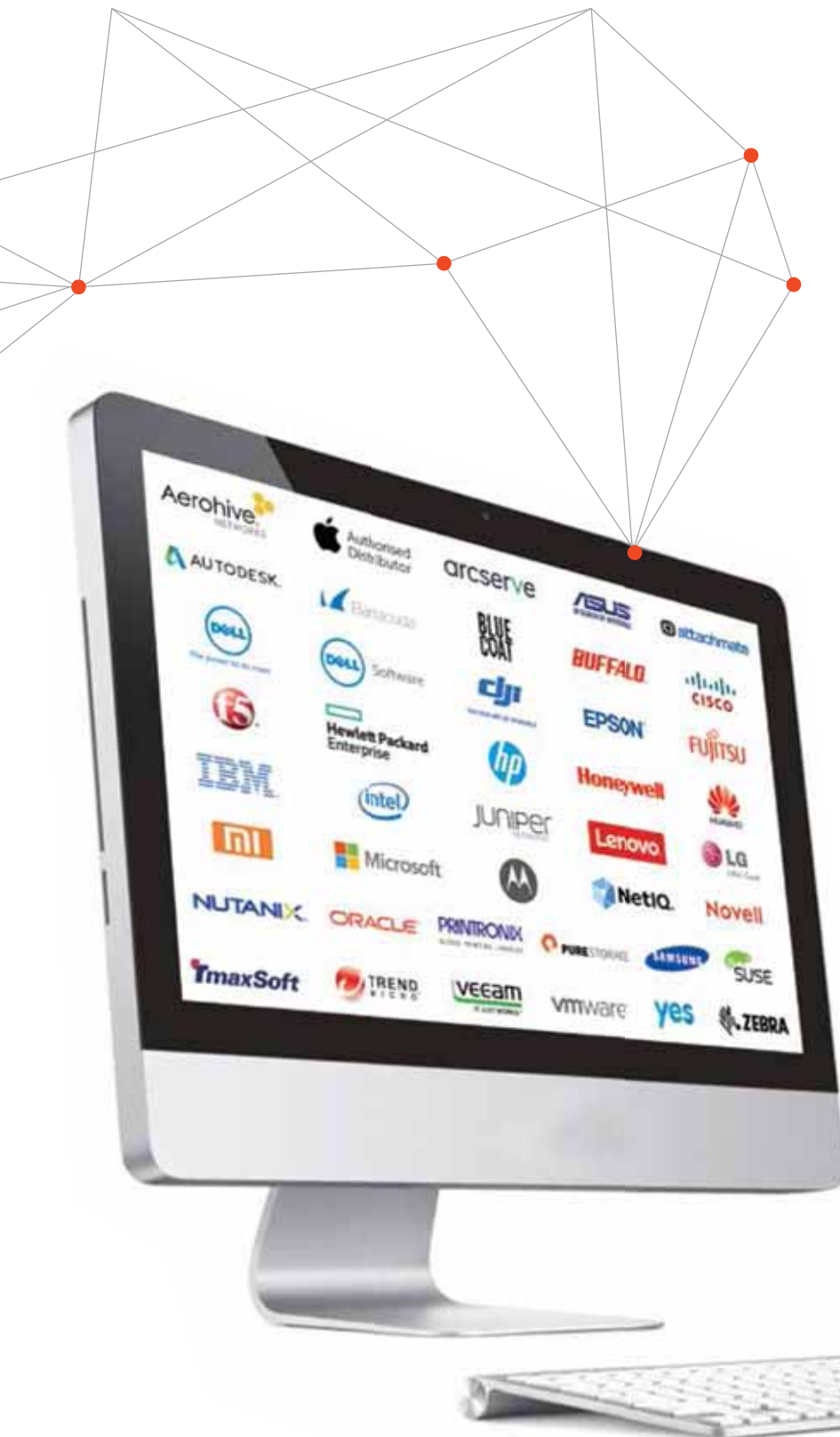
CORPORATE PROFILE

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 Information & Communications Technology ("ICT") products in Malaysia via ECS ASTAR Sdn. Bhd. ("ECS Astar") and ECS PERICOMP Sdn. Bhd. ("ECS Pericomp").

Listed on the Main Market of Bursa Malaysia Securities Berhad ("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, smartwatches, 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 5,500 resellers comprising of retailers, system integrators and corporate dealers, ECSB also provides value-added product support and technical services. For more information, please visit www.ecsm.com.my







MAKING THINGS CLOSER

The increasing mobility and speed of the modern lifestyle have granted us freedom in our corresponding actions; no longer are we confined to a specific place or time to undertake certain tasks and respond to situations. With rapid advancements in wearable technologies, we are constantly in touch with information that matters most to us.

Keep at hand what is truly vital, directly through your devices.

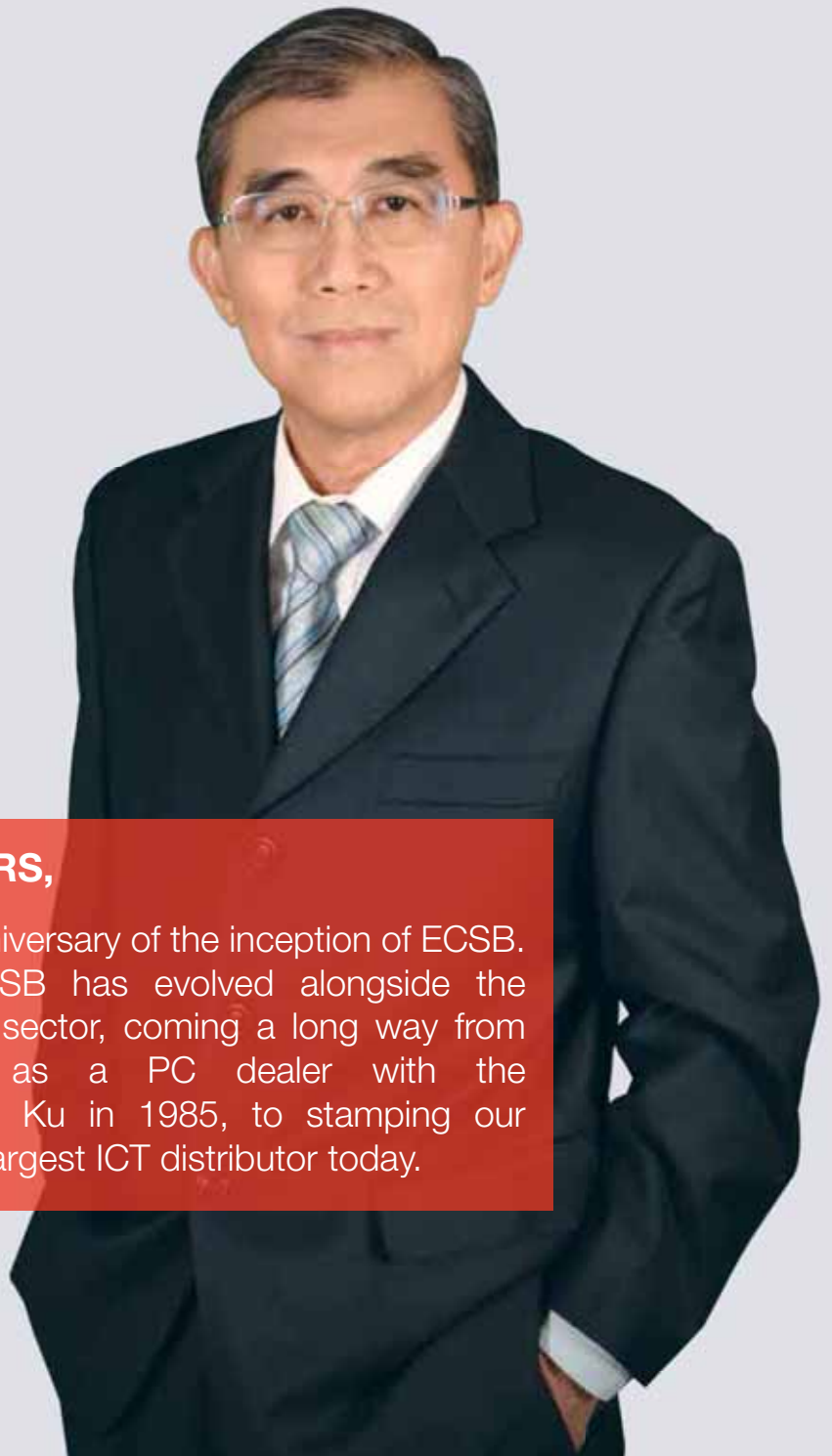
CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

2015 marked the 30th anniversary of the inception of ECSB. For three decades, ECSB has evolved alongside the constantly-changing ICT sector, coming a long way from our early beginnings as a PC dealer with the commencement of ECS Ku in 1985, to stamping our reputation as Malaysia's largest ICT distributor today.

FOO SEN CHIN

Executive Chairman



CHAIRMAN'S STATEMENT

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Our adaptability and foresight have enabled us to successfully manoeuvre the Group through several economic recessions and fast advances in technology.

This experience certainly worked to our advantage in 2015, even as the local economy faced an extremely challenging environment at many fronts.

One of the most impactful events during that year was the implementation of the Goods and Services Tax ("GST") in Malaysia, where most goods and services became 6% dearer from 1st April 2015 onwards. As a result, consumer and corporations' spending charted a sharp spike in the first quarter in order to enjoy goods at lower prices, only to taper off in the subsequent quarters as these segments adjusted consumption patterns in the higher-cost environment.

The overall sentiment was also adversely affected by macroeconomic uncertainties, brought on by the steep decline of crude oil prices in the year under review. As an oil exporter, Malaysia was confronted with the prospect of decreased oil revenues, bringing fears of insufficient revenue to sustain the nation's growth. These accumulated concerns resulted in a weaker Ringgit versus major international currencies, including the United States Dollar ("USD").

Unsurprisingly, the Malaysian Gross Domestic Product ("GDP") grew at a slower pace of 5.0% in 2015, versus 6.0% recorded in 2014.

Nonetheless, the local ICT industry bucked the general trend, rising 15.0% to US\$8.9 billion¹ in 2015 versus US\$7.7 billion in the previous year, according to International Data Corporation ("IDC"). The double-digit growth was propelled mainly by sales of smartphones, which mitigated the slowdown in purchases of hardware and software for Enterprise Systems from the public and private sectors.

Hence, ECSB capped our 30th year by achieving our best-ever financial performance in the financial year ended 31 December 2015 ("FY2015").

PROSPECTS

Admittedly, the tough operating environment in 2015 would inevitably cloud the prospects of the ICT sector in 2016.

This is reflected on IDC's anticipation of marginal growth in Malaysia's ICT spending for 2016, targeting 4.0% expansion year-on-year for hardware and software, and 6.8% increase in smartphone sales; palling in comparison to the strong double-digit growth previously.

Despite this, the ICT sector continues to evolve, with the emergence of new product categories such as wearable devices and devices that can be connected to the Internet. Already, Malaysians have demonstrated rapid adoption of wearables such as fitness bands and smartwatches, and this trend can only accelerate as more choices of such products become available in the market.

At the same time, we are also witnessing a shift in consumer preference towards online shopping, making E-Commerce an increasingly important distribution channel for both principals and resellers.

We at ECSB are certainly mindful of such trends and would align our strategies in order to sustain our successful business model into the future.

ACKNOWLEDGEMENTS AND APPRECIATION

Celebrating our 30th anniversary with another record-breaking year was certainly a testament to the commitment, perseverance and loyalty by every member within the ECSB family.

Therefore, I gladly extend my gratitude to the Board of Directors ("the Board"), management team and valued employees of ECSB for taking the Group to the next level of our growth story. Your efforts in the year under review have paid off and I look forward to us once again achieving greater milestones in the coming years.

At this juncture, I would like to express our heartfelt appreciation to Dato' Teo Chiang Quan for his contributions, not only as ECSB's former Chairman and Non-Independent Non-Executive Director, but also as a co-founder of the Group. Dato' Teo stepped down from the Board on 7th January 2016 in order to focus on other commitments, and we wish him all the best in his future endeavours.

Lastly, I would also like to thank our principals and resellers who continue to give us their vote of confidence each year. We look forward to have you on board with us to chart through another exciting year in the ICT industry.

Thank you.

FOO SEN CHIN
Executive Chairman

¹ Comprising sales of ICT hardware, software and smartphones

REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER



I am very pleased to report that ECSB posted record-high financial performance in FY2015, a fitting tribute to our 30th anniversary.

SOONG JAN HSUNG

Executive Director /
Chief Executive Officer

REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER

cont'd

FINANCIAL PERFORMANCE

Group revenue attained a new height of RM1.9 billion in FY2015, increasing 19.6% from RM1.6 billion in FY2014. The revenue jump not only marked the Group's second consecutive year of breaking our topline record, but also demonstrated our market leadership within a highly competitive industry.

The remarkable achievement was propelled by strong growth within ECSB's ICT Distribution segment, where sales expanded by 28.5% to RM1.4 billion in the year under review, from RM1.1 billion previously on higher demand for PCs, notebooks and mobility products, namely tablets and smartphones. This was backed by an exceptionally positive first quarter in FY2015, leveraging on the tremendous demand boost prior to the implementation of the GST on 1st April 2015.

Meanwhile, the slower project implementations from the private and public sectors resulted in a slight dip in revenue from the Enterprise Systems segment to RM426.3 million in FY2015, versus RM427.6 million previously. Revenue from the ICT Services segment declined in tandem with slower implementation of Enterprise Systems to RM48.1 million, against RM51.2 million a year ago.

Still, the Group's healthy turnover growth and lean operating structure resulted in net profit increasing 10.4% to RM32.5 million in FY2015, compared to RM29.4 million in FY2014.

Corresponding to the strong bottomline expansion, basic earnings per share ("EPS") grew 9.8% in FY2015 to 18.0 sen from 16.4 sen in FY2014.

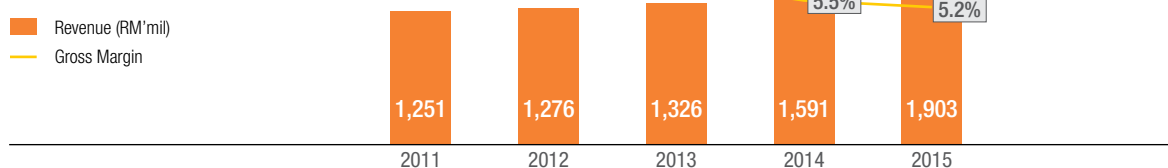
Furthermore, ECSB maintained a robust balance sheet with zero borrowings, and cash and cash equivalents rising to RM116.2 million in FY2015 from RM89.7 million previously, leading to the Group being in a strong net cash position. This accords us sufficient funds for working capital to further expand the business as well as the financial stability to face any headwinds ahead.

The Group incurred approximately RM1.5 million on capital expenditure ("CAPEX") mainly for the enhancement of ICT infrastructure and warehouse facilities in the year under review. As at 31st December 2015, the Group has a light fixed asset totalling RM3.4 million against group revenue of RM1.9 billion.

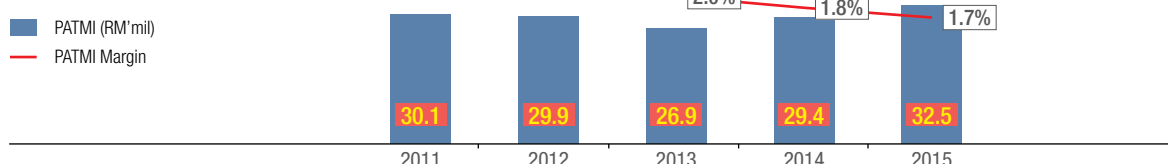
As for exposures to foreign exchange, the Group continued its strategy of hedging forward our USD-denominated purchases as protection against currency fluctuations. This policy effectively shielded the Group from major bottomline impact in FY2015.

ECSB's Return on Shareholders' Equity in FY2015 increased to 14.1%, while Return on Assets was sustained at 7.7%.

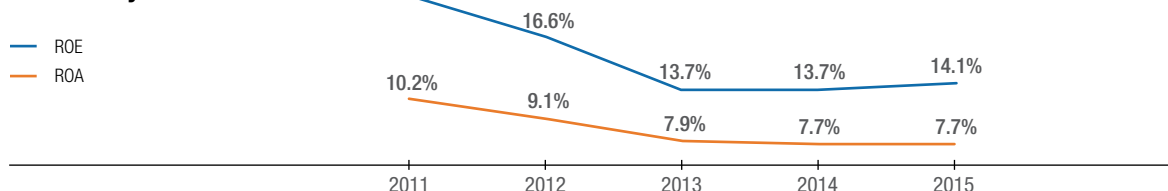
Revenue & Gross Margin



PATMI & PATMI Margin



Profitability



REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER *cont'd*

OPERATIONS REVIEW BY BUSINESS SEGMENT

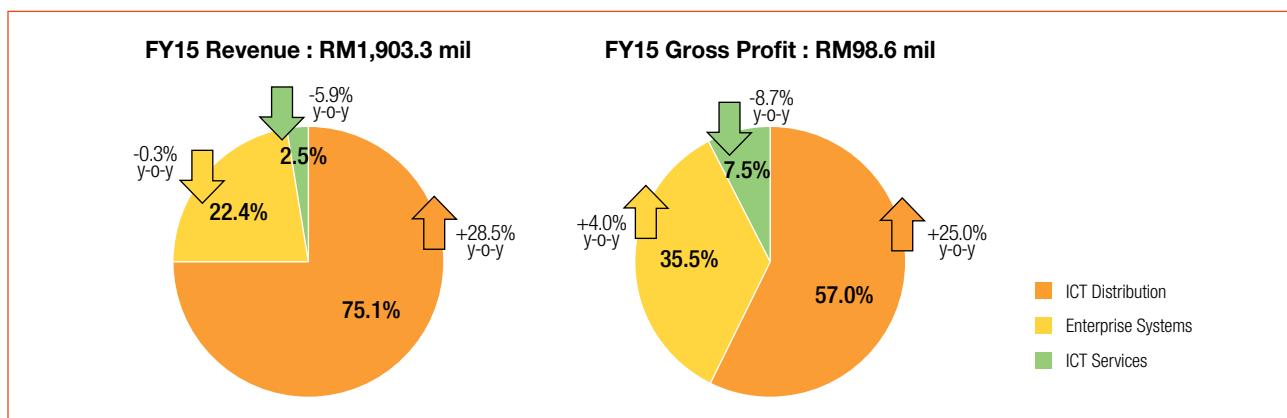
While mindful of the challenging economic landscape in FY2015, ECS remained resolute in building our business, particularly in the new segment of mobility products.

To that end, we kept our focus on enhancing our mobile portfolio with new products. We were also selective in partnering potential market leaders in the mobility market, so as to gain first-mover advantage and the widest customer appeal.

In addition, we sought to strengthen our mobility distribution channel by expanding our mobile channel into tier-1 and tier-2 cities nationwide, as well as establishing strong working relationships with major mobile retailers to maximise our last-mile reach.

More significantly, our overall strategies enabled us to outpace the growth of the ICT market, which expanded by 15.0% in 2015. This is no mean feat, considering the presence of other distributors and the fast-evolving nature of ICT products within a year.

The first fruits of these plans are further elaborated below.



ICT Distribution

While many predicted a slowdown in consumer demand for ICT products post-GST, the ICT Distribution segment exceeded expectations to post respectable year-on-year growth in all four quarters of FY2015. This speaks volumes of our ability to distribute products that proved to be immensely popular with end-users, even amidst a dampened overall environment.

In the year under review, our wholly-owned subsidiary ECS Astar continued to boost our ICT Distribution portfolio by securing new product lines from existing principals as well as attracting new brands.

Firstly, ECS Astar was appointed by Microsoft Mobile Oy's subsidiary, Microsoft Mobile Sales International Oy, as the authorised distributor for its Lumia range of smartphones in Malaysia. These smartphones are available via our IT channel and Consumer Electronics chain stores nationwide.

Additionally, we extended our relationship with ASUS Global Pte Limited ("ASUS") after ECS Astar secured the rights to distribute its ASUS ZenFone 2 range of smartphones to the IT and mobile channels in Malaysia.

More excitingly, ECS Astar scored a market first, by becoming the authorised distributor of Xiaomi Singapore Pte Ltd ("Xiaomi") to distribute its Xiaomi MiPad tablets to the IT and mobile channels. Prior to this, Xiaomi had exclusively sold its products online via its web store, hence establishing a strong vote of confidence for ECSB's market reach to target end-users.

ECS Astar, in August 2015, entered into a distribution agreement with Nutanix Netherlands, B.V. ("Nutanix") to distribute its enterprise hyper converged platform through our nationwide network of resellers. Nutanix's hyper converged platform provides an integrated solution that benefits end-users via cost savings, easy-to-manage and scalable systems.

Besides broadening our product range, we also continued to strengthen our reseller base in the year under review. These were helped by efforts to expand our mobile channel nationwide, thus bringing the Group's total distribution touchpoints to over 5,500 resellers across the country.

REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER

cont'd

OPERATIONS REVIEW BY BUSINESS SEGMENT *cont'd*

Enterprise Systems and ICT Services

The uncertain economic outlook resulted in public and private sector corporations adopting a cautious approach on ICT spending in the year under review, as business expansion and system upgrading projects were mostly undertaken on a 'need-to' basis.

The slower pace of project implementations had a corresponding impact on the ICT Services segment, as there were fewer opportunities for provision of implementation, after-sales and other value-added services. Nevertheless, our wholly-owned subsidiary ECS Pericomp continued to work closely with systems integrators to serve the requirements of their corporate customers.

ECS Pericomp was also appointed by Veeam Pty Ltd to provide its range of availability solutions for the modern data centre to the selected resellers. The addition of a renowned brand such as Veeam into our portfolio motivates us to build upon our fundamentals and provide corporations with the latest technologies to allow for a more efficient business practice.

Additionally, ECS Pericomp also signed up with TmaxSoft Singapore Pte Ltd in August 2015, to distribute its database solutions and mainframe modernisation, as well as middleware and web applications.

AWARDS

In spite of a challenging year, we are proud that ECSB strived harder than ever to achieve the best-possible outcomes for our principals. To this end, these initiatives were given due recognition as demonstrated by the accolades attained.

The awards for ECS Astar include:

- "Best SME Cash Management Solution Malaysia" by OCBC Malaysia under the Asset Asian Awards 2015
- "Overall Best Performance Distributor FY14/FY15 – Overall Segment" by Lenovo
- "Best Achiever Distributor FY14/FY15 – Tablet" by Lenovo
- "Lenovo Smartphone Authorised Dealer FY14/FY15" by Lenovo
- "FY15 Best Renewal Distributor (Maintenance Subscription Renewal Rate)" by Autodesk
- "Intel Branded Distributor Award for Intel Tablet Volume FY2014" by Intel
- "Intel Branded Distributor Award for Intel Notebook Volume FY2014" by Intel
- "ASUS Top Notebook & PC Contribution Distributor 2015" by ASUS
- "Top Consumer Desktop Distributor in FY2015" by HP
- "Top Consumer Notebook Distributor in FY2015" by HP
- "Distributor of the year 2015 (Highest Share of Wallet) HPE Hardware" by HP Enterprise
- "Excellence in Best Coverage Growth 2015 (Mobile category)" by ASUS

These awards surely fuel our drive to achieve the next level of expansion alongside our principals' support.

REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER

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Dividend

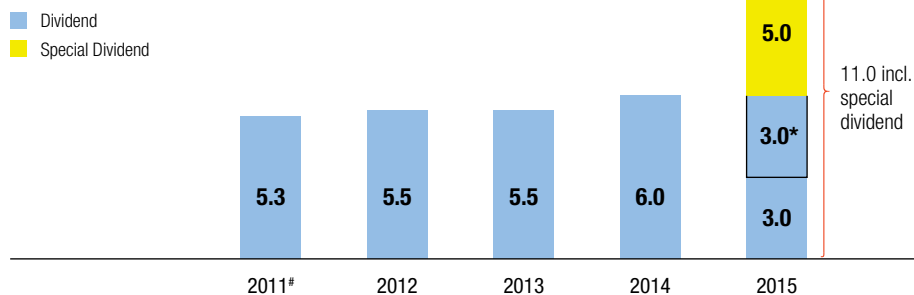
The Group paid the first interim dividend of 3.0 sen per ordinary share in respect of FY2015 to shareholders in December 2015. The Group also distributed in December 2015 a special dividend of 5.0 sen per ordinary share in conjunction with ECSB's 30th anniversary.

The Board is also pleased to propose a final single-tier dividend of 3.0 sen per ordinary share in respect of FY2015, subject to shareholders' approval at the forthcoming Annual General Meeting scheduled on 19th May 2016.

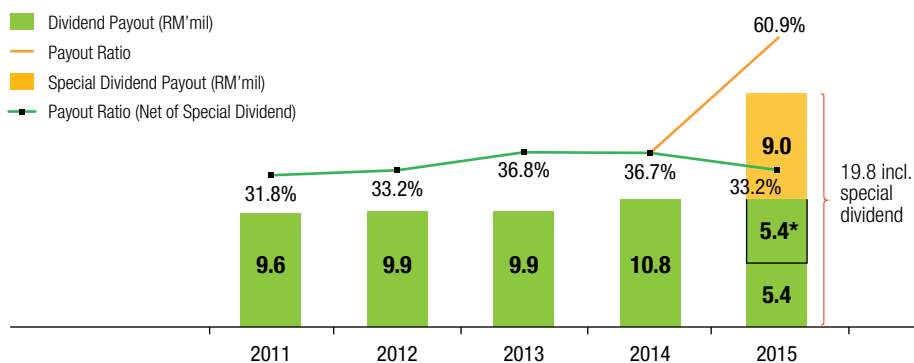
On this backdrop, the Group has declared total dividends (including the special dividend) of 11.0 sen per ordinary share in FY2015. This translates to a total dividend payout of RM19.8 million or 60.9% of net profit in FY2015.

Netting off the special dividend of 5.0 sen per ordinary share, the Group has declared total dividends of 6.0 sen in respect of FY2015, translating to a dividend payout of RM10.8 million or 33.2% of total net profit in the year under review. This adheres to the Group's policy of distributing minimum 30% of net profit as dividends to shareholders.

Dividend Payout (sen) per share



Total Dividend Payout (RM'mil)



Adjusted for 1-for-2 bonus issue

* Subject to shareholders' approval at AGM

REVIEW OF OPERATIONS BY CHIEF EXECUTIVE OFFICER

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BUSINESS OUTLOOK

Going into 2016, we are acutely aware of the various ongoing challenges in the domestic arena that may dampen the overall outlook.

That said, ECSB has weathered the ups and downs of economic cycles in the past three decades. Thus, we intend to stay true to our proven strategy of focusing on business expansion and evolving according to market trends. We seek to always be forward-looking by offering the newest and highest-potential products as well as reaching the relevant market segments.

In line with this objective, ECSB started 2016 with a bang, by being appointed distributor of four smartwatches from renowned brands, namely Apple Watch, Motorola Moto 360, ASUS ZenWatch 2 and Huawei Watch. These are available through the IT and mobile channels, Consumer Electronics chain stores, E-Commerce sites, and our newly-established watch channel.

This not only marks our entry into the wearables market in a big way, but more importantly, indicates our goal to be a prominent distributor for next-generation technologies including Internet of Things ("IoT") devices.

Demonstrating this, ECS Astar was appointed by iFlight Technology Co. Ltd, a holding company of SZ DJI Technology Co. Ltd ("DJI") in March 2016 to be its first distributor of the Phantom and Inspire range of drones and Osmo 4K action camera in Malaysia for the hobbyist as well as the commercial markets. With the launch of DJI products in April 2016, the Group marked its first venture into the IoT space, which would be the first of many in the years to come.

In 2015, we have upgraded our E-Commerce platform with a new business-to-business ("B2B") system to provide better features and functions for our resellers to place orders and make payments online.

Also, we plan to enable our reseller partners to fully tap into the rising popularity of E-Commerce as a complementary channel to reach their end-users more effectively. ECSB has developed a new system link-up for our E-Commerce partners to offer our range of consumer products to their customers. This fully automated system would be an all-win scenario for all parties, namely our principals, resellers and consumers.

Of course, the Group would sustain its efforts to expand the brand diversity in our traditional space, namely PCs and notebooks, as well as mobility products of tablets, smartphones and wearables.

The Enterprise Systems segment is anticipated to face twin challenges. Firstly the dampened economic outlook may constrain expansion-focused CAPEX by public and private sector companies, in favour of maintenance expenditure. Secondly, the Group is not immune to risks of new competition, in the form of the emergence of new players who may affect the channel ecosystem, or new technologies which may impact the ICT market.

That said, ECSB always has our ears to the ground in order to navigate our direction accordingly, and we will continue to work closely with our vendors and system integrators to look for opportunities in the market.

In an effort to continuously broaden our portfolio of Enterprise Systems products, the Group signed a distributorship agreement with Pure Storage Inc. in January 2016 to supply its All-Flash-Array Storage to corporations in Malaysia.

Further to that, we are also on the lookout for new technology to introduce to the Malaysian enterprise market, for instance hyper-convergence infrastructure and hybrid cloud solutions, which would raise the efficiency of corporations in Malaysia to be on par with global standards.

With these strategies in place, I believe that ECSB is poised to further reinforce our position as Malaysia's leading ICT distributor in the coming years.

MAKING THINGS SMARTER

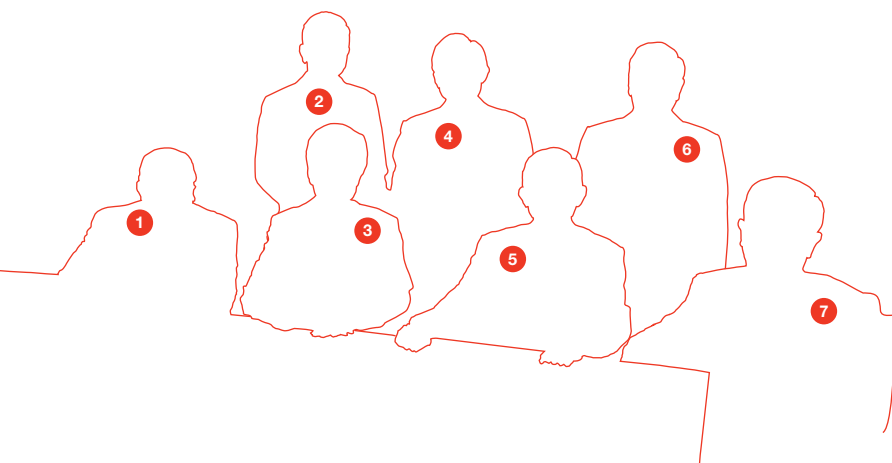
While timely access to information is important, the key differentiator today is the speed and accuracy of analysis to harness its true power. The pervasiveness of smartphones and plethora of applications have given rise to the seamless collection and analysis of crucial data, empowering users with real-time accuracy to take the next course of action with utmost confidence.

Create pathways towards smarter decisions, every time.





BOARD OF DIRECTORS



1. **Ahmad Subri Bin Abdullah**
Independent Non-Executive Director
2. **Ong Wei Hiam**
Non-Independent Non-Executive Director
3. **Ho Chee Kit**
Senior Independent Non-Executive Director
4. **Tay Eng Hoe**
Non-Independent Non-Executive Director



5. Foo Sen Chin
Executive Chairman

6. Wong Heng Chong
Independent Non-Executive Director

7. Soong Jan Hsung
Executive Director/Chief Executive Officer

BOARD OF DIRECTORS

cont'd



FOO SEN CHIN

Executive Chairman



SOONG JAN HSUNG

*Executive Director/
Chief Executive Officer*



WONG HENG CHONG

Independent Non-Executive Director



AHMAD SUBRI BIN ABDULLAH

Independent Non-Executive Director

BOARD OF DIRECTORS

cont'd



DATO' TEO CHIANG QUAN

*Non-Independent Non-Executive Director
(resigned on 7th January 2016)*



TAY ENG HOE

Non-Independent Non-Executive Director



HO CHEE KIT

Senior Independent Non-Executive Director



ONG WEI HIAM

Non-Independent Non-Executive Director

PROFILE OF BOARD OF DIRECTORS

1

Foo Sen Chin, 68

*Executive Chairman
Malaysian*

Date of appointment as Director	: 21 July 1995
Length of service as director since listing on 15 April 2010 (as at 27 April 2016)	: 6 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	:
<p>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 elected as the Chairman of the Board of ECSB, carrying designation of "Executive Chairman" on 1 January 2015.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
Time committed	: Foo attended all the 4 Board Meetings.

2

Soong Jan Hsung, 52

*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 27 April 2016)	: 6 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 in 1987
Present Directorship(s) in Other Public Listed Companies	: Nil
Working experience	:
<p>Soong began his career as a Sales Executive with ECS Pericomp Sdn. Bhd. 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/Chief Executive Officer 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.</p> <p>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.</p> <p>Soong has contributed significantly to the Group in becoming the leading ICT hub in Malaysia.</p>	
Time committed	: Soong attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

cont'd

3

Dato' Teo Chiang Quan, DPTJ 66

(resigned on 7th January 2016)

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 7 January 2016)	: 5 years 8 months
Board Committee(s) served on	: Member of the Nominating Committee; and Member of the Remuneration 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 40 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 was appointed as the member of the Remuneration Committee on 5 August 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 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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4

Tay Eng Hoe, 64

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 27 April 2016)	: 6 years 0 month
Board Committee(s) served on	: Nil
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.	
He resigned as a member of the Nominating Committee on 21 May 2015.	
Time committed	: Tay attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

cont'd

5

Wong Heng Chong, 65

*Independent Non-Executive Director
Malaysian*

Date of appointment as Director	: 17 December 2009
Length of service as director since listing on 15 April 2010 (as at 27 April 2016)	: 6 years 0 month
Board Committee(s) served on	: Chairman of the Audit Committee; and Member of the Nominating Committee
Academic/Professional Qualification(s)	: Chartered Accountant:- Chartered Accountants Australia and New Zealand and Malaysian Institute of Accountants Diploma in Management Studies from University of Chicago Graduate School of Business
Present Directorship(s) in Other Public Listed Companies	: Nil
Working experience	: Wong began his working career in Coopers & Lybrand in Australia and in Malaysia. He had previously served as an Executive Director of ECSH, Boustead Singapore Limited, QAF Limited and Sunshine Allied Investments Limited. His working experience during the last 40 years spanned over diverse industries including ICT, engineering, food-manufacturing, retail and wholesale, trading and auditing. On 21 May 2015, he was re-designated from the member to the Chairman of the Audit Committee and appointment as member of the Nominating Committee.
Time committed	: Wong attended all the 4 Board Meetings.

6

Ahmad Subri Bin Abdullah, 66

*Independent Non-Executive Director
Malaysian*

Date of appointment as Director	: 17 December 2009
Length of service as director since listing on 15 April 2010 (as at 27 April 2016)	: 6 years 0 month
Board Committee(s) served on	: Chairman of the Remuneration Committee; Member of the Audit Committee; and Member of the Nominating Committee
Academic/Professional Qualification(s)	: Chartered Insurer and Fellow of the Chartered Insurance Institute in the United Kingdom and a Fellow of the Malaysian Insurance Institute
Present Directorship(s) in Other Public Listed Companies	: Nil
Working experience	: 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. He was appointed as the member of the Audit Committee on 21 May 2015.
Time committed	: Subri attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

cont'd

7

Ho Chee Kit, 68

Senior Independent Non-Executive Director
Malaysian

Date of appointment as Director	: 17 December 2009
Length of service as director since listing on 15 April 2010 (as at 27 April 2016)	: 6 years 0 month
Board Committee(s) served on	: Chairperson of the Nominating Committee; Member of the Audit Committee; and Member of the Remuneration Committee
Academic/Professional Qualification(s)	: Advocate and Solicitor Bachelor of Arts at the University of New England, Australia in 1971
Present Directorship(s) in Other Public Listed Companies	: Nil
Working experience	:
Ho has been re-designated as the Senior Independent Non-Executive Director with effect from 21 May 2015.	
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.	
On 21 May 2015, she was re-designated from member to chairperson of the Nominating Committee and re-designated from chairperson to member of the Audit Committee.	
Time committed	: Ho attended all the 4 board meetings.

Notes:-

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

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

8

Ong Wei Hiam, 44

Non-Independent Non-Executive Director
Malaysian

Date of appointment as Director	: 4 June 2013
Length of service as director since appointment (as at 27 April 2016)	: 2 years 10 months
Board Committee(s) served on	: Member of the Audit Committee; and Member of the Nominating Committee
Academic/Professional Qualification(s)	: 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
Present Directorship(s) in Other Public Listed Companies	: Nil
Working experience	:
Ong was appointed as the Group Chief Executive Officer 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.	
He was appointed as member of the Nominating Committee on 21 May 2015 and member of the Audit Committee on 5 August 2015.	
Time committed	: Ong attended all the 4 board Meetings.





MAKING THINGS BETTER

The ultimate power of connectivity would enable us to fulfil our hearts' every desire; to experience life to the fullest, right before our very eyes. The tremendous evolution presented by the Internet of Things would have the ability to respond to our every whim, grant us insight on our own behaviour, and open our eyes to appreciate the magnificence around us.

Embrace boundless opportunities, beyond your imagination.

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
Chief Financial Officer



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

For the profile of Foo, please refer to page 20 of the annual report.

2

Soong Jan Hsung

For the profile of Soong, please refer to page 20 of the annual report.

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.

4

Chan Puay Chai

Chan was promoted to Chief Financial Officer of our Group in 2016 to take charge of financial planning and control, financial compliances, credit management, risk management, and other financial related functions. 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 management and its related functions. 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. With his vast experience in finance and ICT industry, he has contributed significantly to the success of our Group.

5

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 Product Manager and subsequently promoted to Group Product Manager in 1997, Marketing Manager in 1998, Assistant General Manager of Marketing in 2001 and General Manager of Marketing in 2008.

6

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



FOO LEK CHOONG

Chief Technology Officer



CHIN SAI LEONG

Senior Logistics Manager



WEE AILIN

Senior Inventory Manager



YEE CHEE YOON

Human Resource Manager



LWEE WEN LING

*Corporate Services Manager/
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 an electronic 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 Kush 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 joining ECS Kush as a Human Resource Manager in 2014.

5

Lwee Wen Ling

Lwee is the Corporate Services Manager and Joint Company Secretaries of the Group responsible for the overall corporate affairs, investor relations and corporate secretarial functions within the Group. She was elected as an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators in year 2006. She 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, investor relations and administrative support of the Group.

ACKNOWLEDGEMENT



The late Chia Chin Pooi

Note of appreciation from the Management to the memory of the late Mr Chia Chin Pooi, General Manager of ECS Astar.

The untimely demise of Chia in Dec 2015 was a great loss to the Group. He joined the Group 25 years ago and contributed significantly for the growth of our Group.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman

Foo Sen Chin

Executive Director/Chief Executive Officer

Soong Jan Hsung

Senior Independent Non-Executive Director

Ho Chee Kit

Non-Independent Non-Executive Director

Dato' Teo Chiang Quan, DPTJ
(Resigned w.e.f. 7th January 2016)

Tay Eng Hoe
Ong Wei Hiam

Independent Non-Executive Director

Wong Heng Chong
Ahmad Subri Bin Abdullah

AUDIT COMMITTEE

Wong Heng Chong - *Chairman*
Ho Chee Kit
Ahmad Subri Bin Abdullah
Ong Wei Hiam

NOMINATING COMMITTEE

Ho Chee Kit - *Chairperson*
Dato' Teo Chiang Quan (Ceased w.e.f. 7th January 2016)
Ahmad Subri Bin Abdullah
Wong Heng Chong
Ong Wei Hiam

REMUNERATION COMMITTEE

Ahmad Subri Bin Abdullah - *Chairman*
Foo Sen Chin
Dato' Teo Chiang Quan (Ceased w.e.f. 7th January 2016)
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 & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Telephone : 03-2783 9299
Facsimile : 03-2783 9222

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 Malaysia Securities
Berhad on 15 April 2010
Stock Code : 5162
Stock Name : ECS
Sector : Technology

GROUP FINANCIAL HIGHLIGHTS

REVENUE
+19.6%

RM1,903.3 million
2014: RM1,591.1 million

PROFIT FOR THE YEAR
+10.4%

RM32.5 million
2014: RM29.4 million

RETURN ON EQUITY
+2.9%

14.1%
2014: 13.7%

EARNINGS PER SHARE
+9.8%

18.0 sen
2014: 16.4 sen

DIVIDENDS PER SHARE
+83.3%

11.0 sen
(including special dividend of 5.0 sen)
2014: 6.0 sen

GROUP FINANCIAL HIGHLIGHTS

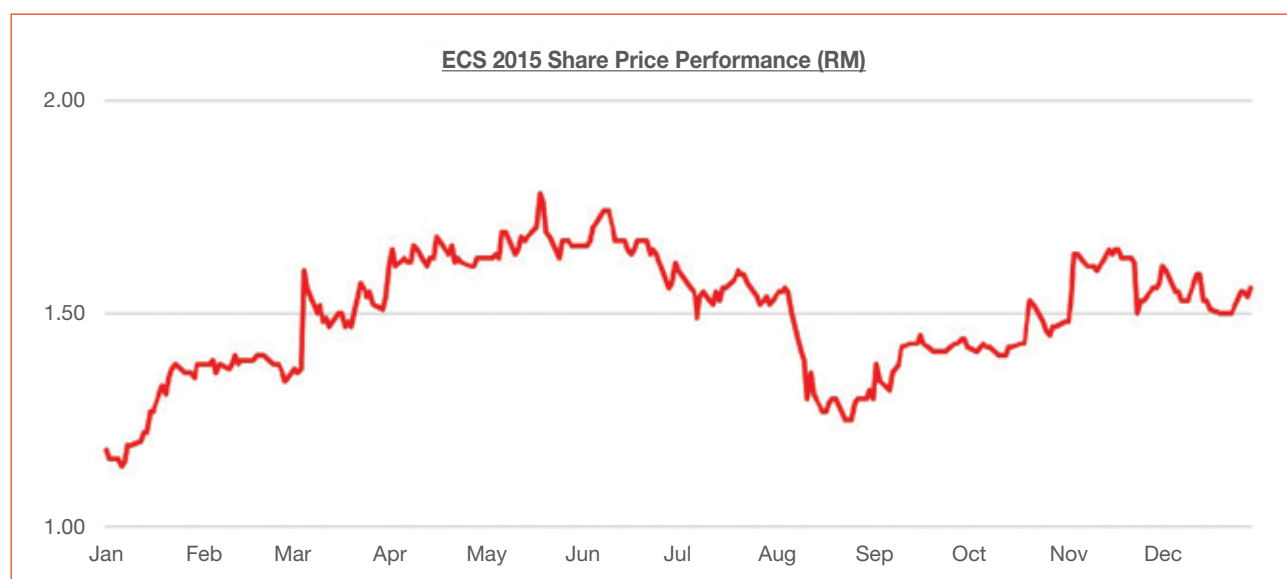
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Financial year ended 31 December	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Key Operating Results					
Revenue	1,250,687	1,276,120	1,326,266	1,591,117	1,903,299
Gross Profit	81,293	85,040	81,438	86,735	98,621
Profit Before Tax	40,934	40,251	36,582	39,202	43,614
Profit For The Year	30,143	29,864	26,888	29,432	32,488
As at 31 December					
Key Financial Data					
Total Assets	323,603	331,520	348,715	411,831	430,102
Total Liabilities	150,893	143,946	144,153	187,737	193,320
Total Equity	172,710	187,574	204,562	224,094	236,782
Financial Ratio	%	%	%	%	%
Revenue Growth/(Decline)	(1.6)	2.0	3.9	20.0	19.6
Return on Equity	18.8	16.6	13.7	13.7	14.1
Dividend Yield ⁽¹⁾	6.4	5.3	4.7	5.1	7.1 ⁽³⁾
Dividend Payout Ratio ⁽²⁾	31.8	33.2	36.8	36.7	60.9 ⁽³⁾

(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

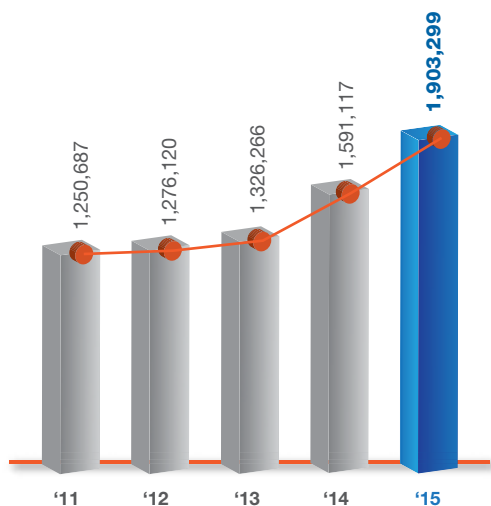


Source : Data extracted from Yahoo! Finance.

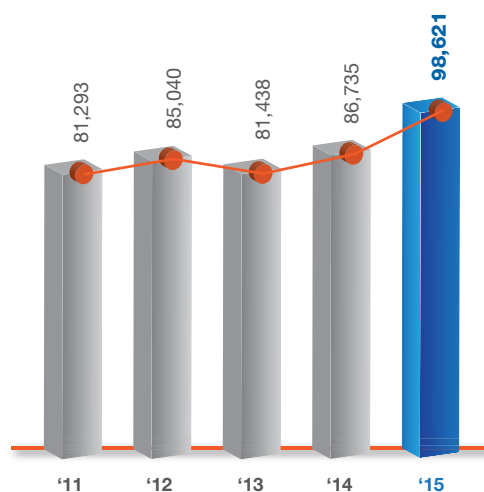
GROUP FINANCIAL HIGHLIGHTS

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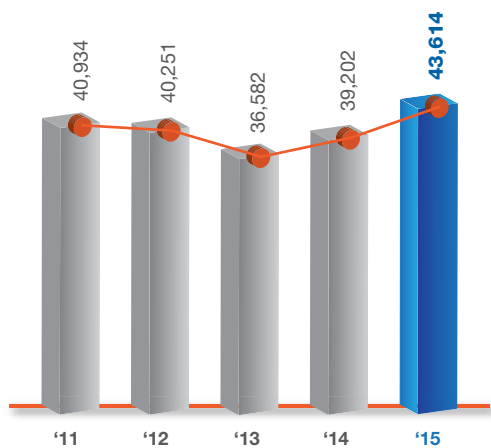
REVENUE
(RM'000)



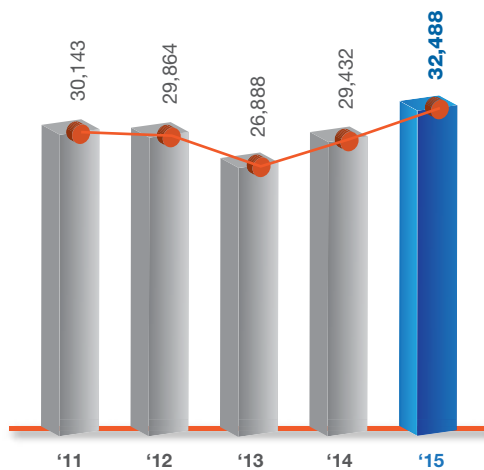
GROSS PROFIT
(RM'000)



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 Company*

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 regularly. Mr. Soong Jan Hsung ("Mr. Soong"), the Chief Executive Officer ("CEO") updated the Board on the progress of the implementation of the strategic initiatives by the Management at every quarterly Board 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.

At the Board Meeting held on 11 February 2015, Mr. Soong presented the 2015 Growth Plan which carry the following main themes and the same has been approved by the Board:-

- Grow Breadth and Depth;
- New Market Segment; and
- New Organisation Chart.

(b) *Overseeing the conduct of the Company'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 FY2015, Mr. Soong, the CEO, was responsible for presenting the above agenda item to the Board for review and consideration.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

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

(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 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 advises the AC and the Board on a regular basis on areas of high risk and the adequacy of compliance and control procedures throughout the Group.

For FY2015, there were four (4) number of ERM meetings conducted.

(d) *Succession Planning*

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

The Board recognises that succession planning is an ongoing 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.

With carefully planned succession move, the elevation of Mr. Foo Sen Chin from Managing Director to Executive Chairman, as well as the promotion of Mr. Soong from Deputy CEO to Executive Director/ CEO of the Company to lead and manage the Group, both of which taken effect from 1 January 2015, have been smooth transitions without any disruption to the Group's business operations.

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(e) *Overseeing the development and implementation of a shareholder communications policy for the Company*

To ensure the effective communication with the Company's shareholders and stakeholders, the Board has established an Investor Relations ("IR") Policy. The IR Policy serves as guide to the Board to oversee the development of an effective IR programme and strategy to communicate the Corporate's vision and mission, strategies, development, financial plans and prospects to investors, financial community and other stakeholders fairly and accurately and to obtain feedback from the stakeholders.

(f) *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 61 to 64 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

(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 copy of this Code is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(b) ECSB'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.

Consequent to the global change of job designation of the Executive Chairman and/or CEO, the ECSB's Code of Conduct has been revised and updated by the Board on 11 February 2015.

A copy of this Code is available for viewing under the "Corporate Governance" section of the Group's corporate website at 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;

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*

The Board has adopted a Whistle-Blowing Policy with the following objectives:- *cont'd*

- 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.

Consequent to the change of top/senior management personnel resulting in a change of designated officers, the Whistle Blowing Policy has been revised and updated by the Board on 11 February 2015.

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.

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 Chairman**
Mr. Wong Heng Chong at email address: hengchong.wong@gmail.com; or
- (2) **Executive Chairman**
Mr. Foo Sen Chin at email address: scfoo@ecsm.com.my; or
- (3) **Chief Executive Officer**
Mr. Soong Jan Hsung at email address: 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 or
- (2) **Chief Executive Officer**
Mr. Soong Jan Hsung at email address: jhsoong@ecsm.com.my

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 *cont'd*

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

For FY2015 and up to the date of this Statement, none of the abovementioned designated persons have received any report on matters/ concerns under their respective purview.

(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 FY2015 is set out in the Corporate Responsibility Statement on pages 58 to 60 of this Annual Report.

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.ecsm.com.my

(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 and/ or Board Committee 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 is 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 work 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.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

(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. The Company Secretaries also play a key role to facilitate communication between the Board and Management.

In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-

- Statutory duties as required under the Companies Act, 1965, Main Market Listing Requirements of Bursa Securities, Capital Market and Services Act, 2007;
- Facilitating and attending Board Meetings and Board Committee Meetings, respectively;
- Ensuring that Board Meetings and Board Committee Meetings, respectively are properly convened and the proceedings are properly recorded;
- Ensuring timely communication of the Board level decisions to the Management for further action;
- Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- Maintaining records for the purpose of meeting statutory obligations;
- Facilitating the payment of Directors' Fees to the Non-Executive Directors;
- Facilitating the transport arrangement of the overseas Directors prior to and after the Board and/or Board Committee Meetings;
- Facilitating the provision of information as may be requested by the Directors from time to time and ensuring adherence to Board policies and procedures;
- Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee's notation;
- Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and
- Rendering advice and support to the Board and Management.

All three (3) appointed Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and are qualified to act as company secretary under Section 139A of the Companies Act, 1965.

For FY2015, the Company Secretaries have attended the relevant continuous professional development programmes as required by MAICSA for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.

(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;
- Role of Board;
- Board Structure; and
- Board Processes.

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

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(I) ESTABLISH CLEAR ROLES AND RESPONSIBILITIES cont'd

(7) Board Charter cont'd

Consequent to the global change of job designation of the Executive Chairman and/or CEO, the Board Charter has been revised and updated by the Board on 11 February 2015.

A copy of the updated Board Charter is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(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 ("TOR") 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 TOR 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 65 to 69 of this Annual Report.

A copy of the TOR of the Audit Committee is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(3) Nominating Committee

For FY2015, the Nominating Committee comprises exclusively of Non-Executive Directors, majority being Independent Non-Executive Directors, i.e. three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors as follows:-

Nominating Committee	Number of Nominating Committee Meetings attended/held in the financial year under review
Ho Chee Kit (Chairperson) (re-designated from member to chairperson on 21 st May 2015)	2/2
Dato' Teo Chiang Quan (Member) (resigned on 7 th January 2016)	2/2
Ahmad Subri Bin Abdullah (Member)	2/2
Wong Heng Chong (Member) (appointed as member of Nominating Committee on 21 st May 2015)	1/1
Ong Wei Hiam (Member) (appointed as member of Nominating Committee on 21 st May 2015)	1/1
Tay Eng Hoe (Member) (resigned as member of Nominating Committee on 21 st May 2015)	1/1
Quah Chek Tin (Member) (retired on 21 st May 2015)	1/1

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

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION *cont'd*

(3) Nominating Committee *cont'd*

The chair of the Nominating Committee is Ms. Ho Chee Kit, a Senior Independent Director identified by the Board and assumed the role of “Senior Independent Non-Executive Director” since 21 May 2015.

The remit of the Nominating Committee is governed by the TOR of Nominating Committee. Consequent to the global change of job designation of the Executive Chairman and/or CEO, the TOR of Nominating Committee has been revised and updated by the Board on 11 February 2015.

A copy of the TOR of the Nominating Committee is available for viewing under the “Corporate Governance” section of the Company’s corporate website at www.ecsm.com.my

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.

(a) Activities conducted during the financial year

For FY2015, 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 CEO and Executive Chairman;
- (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 Dato’ Teo Chiang Quan as member of Remuneration Committee;
- (vi) Nomination and recommendation to the Board, the appointment of Mr. Ong Wei Hiam as member of Audit Committee;
- (vii) 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, as prescribed under Paragraph 2.20A of the Main LR of Bursa Securities.

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 Role and Responsibilities.

- (2) Criteria used in the assessment of Directors:

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

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*

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:- *cont'd*

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

- Tenure; and
- Test of Independence.

Consequent to the global change of job designation of the Executive Chairman and/or CEO, the Directors' Assessment Policy has been revised and updated by the Board on 11 February 2015.

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(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 Twentieth Annual General Meeting ("AGM") of the Company (hereinafter referred to as "the Retiring Directors"):-

- Ms. Ho Chee Kit; and
- En. Ahmad Subri Bin Abdullah.

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.

Both the Retiring Directors, as the Independent Directors, have been subject to the following further assessments:-

- Satisfactory Test of Independence under the Main LR of Bursa Securities;
- Independence from members of the Board and Management;
- Free from any business relationship and/or other relationship which could interfere with the exercise of independent judgement;
- Whether they have exercised their independent judgement and opinions in the Board and Board Committee Meetings, respectively.

Upon assessment, the Nominating Committee was satisfied that both the Retiring Directors have met the spirit, intention and purpose of the definition as prescribed under Paragraph 2.1 and Practice Note 13 of the Main LR of Bursa Securities.

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.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION *cont'd*

(3) Nominating Committee *cont'd*

(c) Re-election/Re-appointment to the Board *cont'd*

Re-appointment to the Board *cont'd*

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 the abovementioned condition at the forthcoming Twentieth AGM of the Company.

(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 FY2015, 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
- CEO's Role and Responsibilities.

Based on the Evaluation conducted for FY2015, the Nominating Committee overall performance in four (4) areas have improved as compared to that of the financial year ended 31 December 2014 except for Board Chairman's roles and responsibilities due to the transition from Non-Executive Chairman in 2014 to Executive Chairman in 2015. The Nominating Committee was therefore satisfied with the performance of the Board and Committees of the Board.

(iii) Evaluation on the contribution of the CEO

Following the successful execution of the Succession Move 2015 with effect from 1 January 2015, the Nominating Committee also conducted an evaluation on the contribution of the CEO for FY2015 and was satisfied with the performance of the CEO.

(iv) Evaluation on the contribution of the Executive Chairman

The Nominating Committee also conducted an evaluation on the contribution of the Executive Chairman for FY2015 and was satisfied with the performance of the Executive Chairman.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION *cont'd*

(3) Nominating Committee *cont'd*

(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, a Senior Independent Non-Executive Director, serves as the Chairperson of Nominating Committee, as well as a member of the Audit Committee and Remuneration Committee.

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 Audit Committee and 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 CEO, Mr. Soong Jan Hsung is 52 years of age and Mr. Ong Wei Hiam, a Non-Independent Non-Executive Director, is 44 years of age, which underlies the Board's commitment to age diversity at the Board level appointment.

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(f) Remuneration Committee

The Remuneration Committee comprises mainly of Non-Executive Directors, i.e. three (3) Non-Executive Directors and one (1) Executive Chairman as follows:-

Remuneration Committee	Number of Remuneration Committee Meetings attended/held in the financial year under review
Ahmad Subri Bin Abdullah (<i>Chairman</i>)	3/3
Ho Chee Kit (<i>Member</i>)	3/3
Foo Sen Chin (<i>Member</i>)	2/3 (Foo abstained from the meeting held on 21 July 2015 as the agenda of the said meeting was in relation to remuneration of Executive Chairman)
Dato' Teo Chiang Quan (Appointed as member of Remuneration Committee on 5 th August 2015 and resigned as member of Remuneration on 7 th January 2016)	Nil

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION cont'd

(3) Nominating Committee cont'd

(f) Remuneration Committee cont'd

The Remuneration Committee met three (3) times during the financial year under review.

The remit of the Remuneration Committee is governed by the TOR of Remuneration Committee. Consequent to the global change of job designation of the Executive Chairman and/or CEO, the TOR of Remuneration Committee has been revised and updated by the Board on 11 February 2015.

A copy of the TOR of the Remuneration Committee is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

The principal duties of the Remuneration Committee are to evaluate the remuneration of the Executive Director, Non-Executive Director, CEO, Executive Chairman 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.

For FY2015, 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	-	95	-	-	95
- Subsidiaries	3,721	8	77	-	3,806
	3,721	103	77	-	3,901
Non-Executive Directors					
Receivables from:-					
- Company	-	281	-	27	308
- Subsidiaries	-	4	-	-	4
	-	285	-	27	312
	3,721	388	77	27	4,213

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	-	4
RM50,001 to RM100,000	-	3
RM1,500,001 to RM1,550,000	1	-
RM2,350,001 to RM2,400,000	1	-

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION *cont'd*

(3) Nominating Committee *cont'd*

(g) 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.

Consequent to the global change of job designation of the Executive Chairman and/or CEO, the Directors' Remuneration Policy has been revised and updated by the Board on 11 February 2015.

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(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 MCGG 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;
- 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 Committee 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 Ms. Ho Chee Kit and En. Ahmad Subri Bin Abdullah, both the Independent Non-Executive Directors who are eligible for stand for re-election at the forthcoming Twentieth Annual General Meeting of the Company, the Nominating Committee was satisfied that Ms. Ho Chee Kit and En. Ahmad Subri Bin Abdullah met the criteria as Independent Directors as prescribed under the Main LR of Bursa Securities and as well as their ability to continue to bring independent and objective judgement to board deliberations and proposals.

The Board therefore recommends and supports the re-election of Ms. Ho Chee Kit and En. Ahmad Subri Bin Abdullah, the Independent Non-Executive Directors who retire in accordance with Article 102 of the Articles of Association of the Company at forthcoming Twentieth Annual General Meeting of the Company.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(III) REINFORCE INDEPENDENCE *cont'd*

(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.

As a matter of policy, the Board shall provide justifications and seek shareholders' approval in the event it proposes to retain an Independent Director who has served the Board in that capacity for more than nine (9) years.

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.

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.

Mr. Soong, the CEO is responsible for the day-to-day management of the Group.

The role of the Chairman and the role of the CEO are clearly outlined in the Board Charter.

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 seven (7) members comprising two (2) Executive Directors and five (5) Non-Executive Directors, three (3) 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 20 to 23 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 MCGG 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 three (3) 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 and the Committees of the Board conducted for FY 2015, the Board is satisfied with the current mix of skills and board composition level.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(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, regardless 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 FY2015, 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.

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 Committee 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 FY2015.

For FY2015, the Board members achieved a 100% attendance at the Board Meetings held, notwithstanding that three (3) 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 (resigned on 7 th January 2016)	4 out of 4	100
Tay Eng Hoe	4 out of 4	100
Wong Heng Chong	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
Quah Chek Tin (Retired on 21 st May 2015)	2 out of 2	100

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 include an indication of time that will be spent on the new appointment.

For FY 2015, there was no written notification received from the Directors.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(IV) FOSTER COMMITMENT *cont'd*

(1) Time Commitment *cont'd*

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.

(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 FY2015, the Directors had participated in the following training programmes in addressing their own training needs (hereinafter referred to as the "2015 Directors' Trainings"):-

Name of Directors	Description of Training Programmes
Foo Sen Chin	<ul style="list-style-type: none"> Directors' Corporate Governance Series – Building effective finance function, from reporting to analytics to strategic input Board Chairman Series – Leadership Excellence from the Chair Board Chairman Series – Tone from the Chair and Establishing Boundaries Beyond the Bottom Line – Insights into numbers that capture investors' attention Malaysia 2015 ICT Market Trends & Updates Data Centre and Cloud Convergence and the future of IT
Soong Jan Hsung	<ul style="list-style-type: none"> Beyond the Bottom Line – Insights into numbers that capture investors' attention Malaysia 2015 ICT Market Trends & Updates
Dato' Teo Chiang Quan (resigned on 7 th January 2016)	<ul style="list-style-type: none"> Bursa Malaysia's Board Chairman Series – Tone from the Chair and Establishing Boundaries Capital Market Director Program Malaysia 2015 ICT Market Trends & Updates Regional & Malaysia Property Market Outlook 2015 Malaysia macroeconomic outlook & Malaysia Property Sector dynamics Malaysia's Annual Look At the Ever Evolving Digital Landscape Positioning Malaysian Real Estate: Post GST & 11th Malaysia Plan 2015
Tay Eng Hoe	<ul style="list-style-type: none"> Malaysia 2015 ICT Market Trends & Updates
Wong Heng Chong	<ul style="list-style-type: none"> Malaysia 2015 ICT Market Trends & Updates
Ahmad Subri Bin Abdullah	<ul style="list-style-type: none"> Malaysia 2015 ICT Market Trends & Updates
Ho Chee Kit	<ul style="list-style-type: none"> Risk Management and Internal Control – Workshop for Audit Committee Members Nominating Committee Program Part 2 Malaysia 2015 ICT Market Trends & Updates
Ong Wei Hiam	<ul style="list-style-type: none"> Malaysia 2015 ICT Market Trends & Updates

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(IV) FOSTER COMMITMENT *cont'd*

(2) Trainings *cont'd*

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 2015 Directors' Trainings were adequate.

2016 Directors' Training

Upon review of the training needs of the Directors for the financial year ending 31 December 2016, the Board has requested Management to arrange for training courses in relation to corporate governance and risk management to be organised as part of the Directors' continuing education programmes for the financial year ending 31 December 2016.

(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.

The Audit Committee has received assurance that the financial statements of the Group and of the Company for FY2015 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 FY2015 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 21 March 2016.

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 FY2015, 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.

In its assessment, the AC considered, inter alia, the following factors:-

For assessment on "**Suitability**" of External Auditors:-

- The External Auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;
- To the knowledge of the Audit Committee, the External Auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants ("MIA") which has not been reversed by the Disciplinary Board of MIA;
- The External Audit firm has the geographical coverage required to audit the Company;

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(V) UPHOLD INTEGRITY IN FINANCIAL REPORTING cont'd

(2) Assessment of Sustainability and Independence of External Auditors cont'd

- The External Audit firm advises the Audit Committee on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;
- The External Audit firm consistently meets the deadlines set by the Company;
- The level of quality control procedures in the external audit firm, including the audit review procedures; and
- The External Audit scope is adequate to cover the key financial and operational risks of the Company.

For assessment on “**Independence**” of the External Auditors:-

- The engagement partner has not served for a continuous period of more than five (5) years with the Company;
- The Audit Committee receives written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
- Tenure of the current auditor.

The Audit Committee noted that the current External Auditors has been appointed since the listing of the Company on 15 April 2010. During financial year ended 31 December 2014, the engagement partner of Messrs. KPMG has been rotated to provide an element of “independence” to the engagement team.

The Audit Committee noted for the FY2015, 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.

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 2016. The Board has in turn, recommended the same for shareholders' approval at the forthcoming Twentieth 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 comprises six (6) members from the Senior Management Team and one (1) advisor who is also the Board's representative. The composition of the ERM Committee is as follows:-

Name	Position	Designation
Mr. Soong Jan Hsung	Chairman	Chief Executive Officer
Mr. Foo Sen Chin	Advisor	Executive Chairman
Mr. Chan Puay Chai	Member	Chief Financial Officer
Mr. Tee Ang Kuan	Member	Group General Manager
Mr. Tan Say Meng	Member	General Manager – ECS KU Sdn. Bhd.
Mr. Chang Yew Hwa	Member	General Manager – ECS PERICOMP Sdn. Bhd.
The late Chia Chin Pooi	Member	General Manager – ECS ASTAR Sdn. Bhd.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

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

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.

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 61 to 64 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.

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(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.

Consequent to the global change of job designation of the Executive Chairman and/or CEO, the Succession Planning Policy has been revised and updated by the Board on 11 February 2015.

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(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.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

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

(iii) Related Party Transaction Policy *cont'd*

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

A copy of this Policy is available for viewing under the "Corporate Governance" section of the Company's corporate website at www.ecsm.com.my

(2) Internal Audit Function

The Outsourced Internal Auditors and In-House Internal Audit Manager communicate regularly with and report directly to the Audit Committee. For FY2015, the Outsourced Internal Auditors' representative met up twice with the Audit Committee.

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

Outsourced Internal Auditors

At the Audit Committee Meeting held on 4 November 2014, the Outsourced Internal Auditors have presented to the Audit Committee the Internal Audit Function's Annual Audit Plan ("the Outsourced Annual Audit Plan") for FY2015, encompassing the following audit visits and timing:-

(a) First Visit (January – June 2015)

- Procurement and Accounts Payable Management
- Vendor and Service Provider Contract Management
- Inventory Management
- Half-yearly Recurrent Related Party Transactions Review

(b) Second Visit (July – December 2015)

- Sales Order Processing and Billing
- Environment, Social and Governance Programmes
- Human Resource and Payroll Record Management
- Half-yearly Recurrent Related Party Transactions Review

The Audit Committee has resolved that the Outsourced Annual Audit Plan for the year 2015 be approved for adoption.

For FY2015, the Outsourced Internal Auditors have successfully completed their audit visits and reporting as per the approved Outsourced Annual Audit Plan.

In-House Internal Audit Department

The In-House Internal Auditors communicate regularly with and report directly to the Audit Committee. For FY2015, the In-House Internal Auditors met up three (3) times with the Audit Committee.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

(2) Internal Audit Function *cont'd*

In-House Internal Audit Department *cont'd*

At the Audit Committee Meeting held on 4 August 2015, the In-House Internal Audit Manager has presented to the Audit Committee the Internal Audit Function's Audit Plan for second half of year 2015 ("the In-House Audit Plan for second half year 2015"), encompassing the following key audit areas:-

Key area	2015
Sales	May 2015
Credit	Third Quarter 2015
Purchasing (Inventory)	Fourth Quarter 2015
Logistic Operations	Fourth Quarter 2015
Information Technology ("I.T.") Enterprise Resources Planning ("ERP")	Fourth Quarter 2015
I.T. (Infrastructure)	First Quarter 2016

The Audit Committee has subsequently approved the In-House Audit Plan for second half year 2015.

For FY2015, the In-House Internal Audit Department have successfully completed their audit assignments and reporting as per the approved In-House Audit Plan for second half year 2015.

(VII) ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

(1) Corporate Disclosure Policy

The Board recognises the value of transparent, consistent and coherent communications with the 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 Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, the information filed with regulators is in compliance with applicable legal and regulatory requirements.

The Board has also adopted an Investor Relation Policy to ensure only designated spokespersons are 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 Company's website at www.ecsm.com.my serves as 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 Company 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 statement (as mentioned in the various section of this Statement), duly made available for the ease of reference by stakeholders.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(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 which provides corporate information on the Group.

Statement on Rights of Shareholders

The Board has developed a simple "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

(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 Nineteenth AGM of the Company held on 21 May 2015 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 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 the 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.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

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

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.

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 Spokespersons:

- i) Chief Financial Officer ("CFO")
- ii) Company Secretary (Internal)

The CFO 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.

Consequent to the change of top/senior management personnel resulting in a change of spokespersons/ designated officers, the IR Policy has been revised and updated by the Board on 11 February 2015.

A copy of this Policy is available for reviewing under the "Corporate Governance" section of the Group's corporate website at www.ecsm.com.my

CONCLUSION

The Board is satisfied that for FY2015, 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 15 April 2016.

CORPORATE RESPONSIBILITY STATEMENT

The Group believes that a firm commitment to Corporate Responsibility ("CR") forms the basis of good corporate citizenship. Aligned with the Group's business strategy, we endeavour to foster an environment to look after the interests of our key stakeholders – shareholders, investors, customers, suppliers and employees – in a socially responsible manner. This is reflected in our approach within the workplace environment, wider community and the marketplace. The leadership and management provided by our dedicated Environmental, Social & Governance ("ESG") committee oversees this approach and also identifies, supports and coordinates activities aimed towards creating a positive impact.

The Workplace

The Group practises the principle of equal opportunities in career advancement and gives rewards that commensurate with employees' performance and merits.

The key features of our approach within the workplace can be observed through workplace diversity, health and safety, and employee training programmes. The Group employs 376 employees (as at 31 March 2016), with a male to female employee ratio of 52:48. The Group's employees are aged between 21 years to over 60 years, with 80% within the age group of 21 to 40 years. This diverse workforce ensures a potent combination of a young dynamic workforce and highly-experienced industry veterans to excel in this competitive ICT industry.

We continuously strive to provide a safe working environment for our employees. This is derived through scheduled office safety inspections, fire safety drills and risk awareness campaigns. The Group also promotes a healthy lifestyle through the availability of a health corner allowing employees to monitor their weight and blood pressure. Physical activity and teamwork are encouraged through the activities organised by the Sports Club.

The Group recognises the importance of continual investment in our employees to adequately raise their skill levels that commensurate with the ever-evolving ICT sector. Internal and external training programmes are organised to deliver a holistic training experience to our employees. This ensures that the existing workforce and new employees are equipped with the necessary skills and competencies to deliver high performance while nurturing new talents and abilities.

To emphasise the importance of excellence even in our employees' families, the Group has introduced an Employee Children Education Incentive Scheme since 2014 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 playing an active role in reducing our carbon footprint and contributing towards a greener environment. We have implemented energy saving measures to minimise the usage of air-conditioning, lighting and office equipment throughout the organisation.

CORPORATE RESPONSIBILITY STATEMENT

cont'd

The Environment cont'd

In the year under review, the ESG committee collaborated with a charity organisation for our employees and their family members to participate in a recycling event at Padang Kota Damansara. The event organiser gave a talk to promote and educate participants on the proper methods of recycling such as sorting out recyclables according to the types of plastics, paper, tins and electronic devices.

The ESG committee also initiated a recycling day with a specialist company in the recycling industry to provide a seminar and workshop on the concepts of "Reduce, Reuse and Recycle" and recycling management to our employees. This workshop was a success as the Group recycled approximately 1,200 kilogrammes of electronic devices, 226 kilogrammes of paper, 32 kilogrammes of clothing, 16 kilogrammes of metal, and 10 kilogrammes of plastic in 2015.

Within our warehouse, approximately 2,800 units of wooden pallets and 7 tonnes of carton boxes were reused for repackaging purposes, while around 9,300 wooden pallets, 25 tonnes of paper and 2 tonnes of plastic wraps were collected for recycling.



The Community

In reaching out to the community, the Group participated in the East Coast post-flood relief project by donating personal computers and printers to Sekolah Rendah Kebangsaan (C) Yuk Chai, Kuala Krai to help set up a computer laboratory for the students. Further to that, the Group also made a cash donation for the same cause via a charity organisation.

To extend our care to the cancer society, the Group donated personal computers to Hospis Malaysia, a charitable organisation that offers professional palliative care to patients within Klang Valley who are suffering from life-limiting illnesses.

In keeping with our past programmes, we collaborated with the National Blood Bank to organise a blood donation drive in our office premises. We are proud to report that we received tremendous support from our employees, resulting in an overall collection of 50 units of blood bags for this campaign in 2015.



CORPORATE RESPONSIBILITY STATEMENT

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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 Malaysia Securities Berhad (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 provides the public with convenient and timely access to business updates, as well as 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, Chief Executive Officer 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 our communications approach 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 FY2015, 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 a 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 practicing 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 safeguards the interests of its stakeholders, reputation and value creating activities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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BUSINESS CONTINUITY MANAGEMENT *cont'd*

The Group has successfully launched its BCM plan to all business units. The Group has also communicated its group-wide awareness on BCM to form part of 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 preparedness of the organisation's resiliency to crisis.

The Group has a disaster recovery location for ERP and other core systems at a data centre in Cyberjaya, Selangor to cater for mishap in the event of a disaster.

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 key internal controls 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.

During the financial year under review, the Group has set up an In-House Internal Audit department in addition to the Outsourced Independent professional firm to expand the internal audit functions of the Group.

The Internal Auditors report 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. The Management is responsible for ensuring that corrective actions to control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the Audit Committee.

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. The 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 Logistics Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

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;
- 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 staff are maintained through a rigorous recruitment process, and a performance appraisal and review system;
- vii) Staff 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) Appropriate 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 2015) 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 FY2015, 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 disclosure 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 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

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 system and internal control is 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 Chief Executive Officer and Chief Financial Officer that the company's risk management and internal control systems is 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 21 March 2016.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors of ECSB is pleased to issue the following Audit Committee Report and its activities for FY2015.

MEMBERS AND MEETINGS

The Audit Committee comprises four (4) members, which consist of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

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

Directors		Designation	Attendance
Ho Chee Kit (re-designated as member w.e.f. 21 st May 2015)	Member	Senior Independent Non-Executive Director	4 out of 4 meetings
Quah Chek Tin (ceased w.e.f 21 st May 2015)	Member	Senior Independent Non-Executive Director	2 out of 2 meetings
Wong Heng Chong (re-designated as Chairman w.e.f. 21 st May 2015)	Chairman	Independent Non-Executive Director	4 out of 4 meetings
Ahmad Subri Bin Abdullah (appointed w.e.f 21 st May 2015)	Member	Independent Non-Executive Director	2 out of 2 meetings
Ong Wei Hiam (appointed w.e.f. 5 th August 2015)	Member	Independent Non-Executive Director	1 out of 1 meeting

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. Its primary function, in line with the MCCG 2012, is to assist the Board in meeting its responsibilities relating to accounting and reporting practices of the Group.

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, 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.

REPORT OF THE AUDIT COMMITTEE

cont'd

MEMBERS AND MEETINGS *cont'd*

Composition *cont'd*

e) No alternate Director of the Board shall be appointed as a member of the Committee.

The members of the Audit 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.

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 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 effectual as if it had 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 of Directors:-
 - 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 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;

REPORT OF THE AUDIT COMMITTEE

cont'd

MEMBERS AND MEETINGS *cont'd*

Functions *cont'd*

- 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;
 - compliance with accounting standards and other legal requirements;
- 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 soundness of internal control systems 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;
 - Inform the Board of Directors 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.

REPORT OF THE AUDIT COMMITTEE

cont'd

MEMBERS AND MEETINGS *cont'd*

Rights of the Audit 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, Chief Executive Officer, the Chief Financial Officer, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Group.

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 during the FY2015:

(a) Review of financial performance and results

- 1) Reviewed and recommended the quarterly financial results announcements and the annual audited financial statements of the Company and the Group for the consideration and approval of the Board of Directors, focusing particularly on:
 - a) The overall performance of the Group;
 - b) The prospects for the Group;
 - c) The changes and implementation of major accounting policies and practices; and
 - d) Compliance with accounting standards and other legal requirements.

(b) Oversight of External Auditors

- 1) Reviewed with the External Auditors on the scope of work, audit plan and fees for the statutory audit and thereafter recommend to the Board;
- 2) Reviewed the External Auditors' Report for FY2015;
- 3) Reviewed updates on the introduction of Malaysian Reporting Financial Standards and how they will impact the Group and has monitored progress in meeting the new reporting requirements;

REPORT OF THE AUDIT COMMITTEE

cont'd

ACTIVITIES OF THE AUDIT COMMITTEE *cont'd*

(b) Oversight of External Auditors *cont'd*

- 4) The Committee was also updated by the External Auditors on changes to the relevant guidelines on the regulatory and statutory requirements;
- 5) Met with the External Auditors without the presence of management to discuss on any matters that they may wish to present;

(c) Oversight of Internal Auditors – Outsourced and In-House

- 1) Reviewed and approved the Internal Audit Scope;
- 2) Reviewed the status report and recommendations for corrective action plans submitted by the Internal Auditors;

(d) Review of related party transactions

- 1) Reviewed the related party transactions entered into by the Company and the Group;

(e) Oversight of ERM Committee and function

- 1) Reviewed the Audit Committee Report and Statement of Risk Management and Internal Control before submitting for the Board's approval and inclusion in the Company's Annual Report; and

(f) Others

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

INTERNAL AUDIT FUNCTION AND ACTIVITIES

Internal Audit Function

In the financial year under review, the Group has expanded its Internal Audit function by setting up an In-House Internal Audit Department in addition to the current outsourced Internal Audit function of 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 FY2015, the In-House and Outsourced Internal Auditors carried out audit assignments in accordance with the approved audit plan for the Group. Audit reports incorporating audit recommendations and management's responses with regards to any audit findings on the weaknesses in the systems and controls of the operations were presented to the Audit Committee for discussion.

The 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 FY2015 was RM135,000.

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 FY2015, 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	29,450/-	5,750/-
TOTAL	41,450/-	17,750/-

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 was no profit guarantee given by the Company.

9. Material Contracts and Contracts Relating to Loan

None of the directors and/or major shareholders has any material contract with the Company and/or its subsidiaries either still subsisting at the end of FY2015, or entered into since the end of the previous financial year.

10. Directors' Training and Education

The Directors attended numerous trainings during FY2015 and the details of trainings are disclosed the Statement of Corporate Governance on page 50 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 FY2015.

13. List of Properties

The Group did not own any properties as at 31 December 2015.

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 FY2015,

- 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 Malaysian Financial Reporting Standards 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 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 21 March 2016.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

for the year ended 31 December 2015

The Directors have the pleasure of submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

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	32,488	19,714

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 3.0 sen per ordinary share, totalling RM5,400,000 in respect of financial year ended 31 December 2014 on 19 June 2015; and
- ii) a single tier interim dividend of 3.0 sen per ordinary share, totalling RM5,400,000 and a single tier special interim dividend of 5.0 sen per ordinary share, totalling RM9,000,000 in respect of the financial year ended 31 December 2015 on 10 December 2015.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2015 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:

Foo Sen Chin
 Soong Jan Hsung
 Tay Eng Hoe
 Wong Heng Chong
 Ahmad Subri bin Abdullah
 Ho Chee Kit
 Ong Wei Hiam
 Quah Chek Tin (retired on 21 May 2015)
 Dato' Teo Chiang Quan (resigned on 7 January 2016)

DIRECTORS' REPORT

for the year ended 31 December 2015
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 1.1.2015	Bought	Sold
			At 31.12.2015
Dato' Teo Chiang Quan			
<i>Own interest in the Company</i>			
- indirect	15,450,000	-	15,450,000
Foo Sen Chin			
<i>Own interest in the Company</i>			
- indirect	21,997,200	-	21,997,200
Soong Jan Hsung			
<i>Own interest in the Company</i>			
- direct	225,000	-	225,000
Tay Eng Hoe			
<i>Own interest in the Company</i>			
- direct	375,000	-	375,000
Wong Heng Chong			
<i>Own interest in the Company</i>			
- direct	225,000	-	225,000

None of the other Directors holding office at 31 December 2015 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.

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.

DIRECTORS' REPORT

for the year ended 31 December 2015
cont'd

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 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

Foo Sen Chin

Petaling Jaya

Date: 21 March 2016

Soong Jan Hsung

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Plant and equipment	3	3,413	3,303	1,220	857
Intangible asset	4	571	571	-	-
Investments in subsidiaries	5	-	-	77,022	77,022
Investment in club membership		62	62	-	-
Deferred tax assets	13	1,676	1,414	-	-
Total non-current assets		5,722	5,350	78,242	77,879
Inventories	6	110,835	119,359	-	-
Receivables and deposits	7	196,851	196,285	9,456	13,623
Prepayments		333	454	79	42
Derivative financial assets	8	124	634	-	-
Cash and cash equivalents	9	116,237	89,749	31,966	28,138
Total current assets		424,380	406,481	41,501	41,803
Total assets		430,102	411,831	119,743	119,682
Equity					
Share capital	10	90,000	90,000	90,000	90,000
Reserves	11	146,782	134,094	28,703	28,789
Total equity attributable to owners of the Company		236,782	224,094	118,703	118,789
Liabilities					
Deferred tax liabilities	13	-	-	53	22
Total non-current liabilities		-	-	53	22
Payables and accruals	12	189,867	185,211	858	818
Derivative financial liabilities	8	155	-	-	-
Tax payable		3,298	2,526	129	53
Total current liabilities		193,320	187,737	987	871
Total liabilities		193,320	187,737	1,040	893
Total equity and liabilities		430,102	411,831	119,743	119,682

The notes on pages 82 to 120 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	14	1,903,299	1,591,117	21,109	1,625
Cost of sales		(1,804,678)	(1,504,382)	-	-
Gross profit		98,621	86,735	21,109	1,625
Other (expenses)/income		(482)	676	1	-
Distribution expenses		(34,935)	(30,116)	-	-
Administrative expenses		(21,612)	(19,489)	(2,517)	(1,972)
Results from operating activities	15	41,592	37,806	18,593	(347)
Finance income	16	2,024	1,400	1,596	1,735
Finance costs	17	(2)	(4)	-	-
Net finance income		2,022	1,396	1,596	1,735
Profit before tax		43,614	39,202	20,189	1,388
Tax expense	19	(11,126)	(9,770)	(475)	(408)
Profit for the year/Total comprehensive income for the year attributable to owners of the Company		32,488	29,432	19,714	980
Earnings per share attributable to owners of the Company:					
Basic (sen)	20	18.0	16.4		

The notes on pages 82 to 120 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2015

Attributable to owners of the Company				
	Non-distributable		Distributable	
Note	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group				
At 1 January 2014	90,000	-	114,562	204,562
Profit for the year/Total comprehensive income for the year	-	-	29,432	29,432
Dividends to owners of the Company	21	-	(9,900)	(9,900)
At 31 December 2014/1 January 2015	90,000	-	134,094	224,094
Profit for the year/Total comprehensive income for the year	-	-	32,488	32,488
Dividends to owners of the Company	21	-	(19,800)	(19,800)
At 31 December 2015	90,000	-	146,782	236,782
	Note 10			
Company				
At 1 January 2014	90,000	22,961	14,748	127,709
Profit for the year/Total comprehensive income for the year	-	-	980	980
Dividends to owners of the Company	21	-	(9,900)	(9,900)
At 31 December 2014/1 January 2015	90,000	22,961	5,828	118,789
Profit for the year/Total comprehensive income for the year	-	-	19,714	19,714
Dividends to owners of the Company	21	-	(19,800)	(19,800)
At 31 December 2015	90,000	22,961	5,742	118,703
	Note 10	Note 11.1		

The notes on pages 82 to 120 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	43,614	39,202	20,189	1,388
Adjustments for:				
Depreciation of plant and equipment	1,397	1,415	265	105
Gain on disposal of plant and equipment	(20)	-	(1)	-
Gain on foreign exchange				
- Unrealised	(48)	(113)	-	-
Finance costs	2	4	-	-
Finance income	(2,024)	(1,400)	(1,596)	(1,735)
Dividend income	-	-	(19,400)	-
Plant and equipment written off	3	9	-	-
Fair value changes on financial instruments	665	(282)	-	-
Operating profit/(loss) before changes in working capital	43,589	38,835	(543)	(242)
Changes in working capital:				
Inventories	8,524	(33,790)	-	-
Receivables, deposits and prepayments	(445)	(23,764)	207	(28)
Payables and accruals	4,704	43,231	7	(293)
Cash generated from/(used in) operations	56,372	24,512	(329)	(563)
Tax paid	(10,616)	(9,268)	(368)	(383)
Net cash generated from/(used in) operating activities	45,756	15,244	(697)	(946)
Cash flows from investing activities				
Acquisition of plant and equipment	(1,516)	(691)	(629)	(909)
Proceeds from disposal of plant and equipment	26	-	2	-
Dividends received	-	-	19,400	-
Net cash (used in)/generated from investing activities	(1,490)	(691)	18,773	(909)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2015

cont'd

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Advances from/(Repayments to) subsidiaries	-	-	3,956	(8,592)
Interest paid	(2)	(4)	-	-
Interest received	2,024	1,400	1,596	1,735
Dividends paid to owners of the Company	(19,800)	(9,900)	(19,800)	(9,900)
Net cash used in financing activities	(17,778)	(8,504)	(14,248)	(16,757)
Net increase/(decrease) in cash and cash equivalents	26,488	6,049	3,828	(18,612)
Cash and cash equivalents at 1 January	89,749	83,700	28,138	46,750
Cash and cash equivalents at 31 December	116,237	89,749	31,966	28,138

CASH AND CASH EQUIVALENTS

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

		Group		Company	
	Note	2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Cash and bank balances	9	20,565	29,623	92	839
Deposits with licensed banks	9	95,129	59,598	31,874	27,299
Liquid investments	9	543	528	-	-
		116,237	89,749	31,966	28,138

The notes on pages 82 to 120 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business

Lot 3, Jalan Teknologi 3/5
Taman Sains Selangor
Kota Damansara
47810 Petaling Jaya

Registered office

Level 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 2015 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 2015 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 21 March 2016.

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 of the MFRSs 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 January 2016

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

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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- 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*

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

- 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, MFRS 14, and Amendments to MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

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

(i) 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, and on hedge accounting.

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

(ii) 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, *Transfers 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. BASIS OF PREPARATION *cont'd*

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with 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

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Business combinations *cont'd*

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(i) Initial recognition and measurement *cont'd*

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination 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)).

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

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), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(v) **Derecognition** *cont'd*

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.

(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.

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 "other 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 arising on business combinations is measured at cost less any accumulated impairment losses. 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.

(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 their 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Impairment *cont'd*

(i) **Financial assets** *cont'd*

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 of disposal. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(j) Equity instruments

Instruments classified as equity are measured 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 amount 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(m) Revenue and other income

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Income tax *cont'd*

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 or 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 assets and liabilities 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.

(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

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(r) Fair value measurements *cont'd*

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.

3. PLANT AND EQUIPMENT

	Office equipment RM'000	Office renovation RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Total RM'000
Group					
Cost					
At 1 January 2014	10,273	213	1,939	1,704	14,129
Additions	592	46	-	53	691
Written off	(1,342)	-	-	-	(1,342)
At 31 December 2014/1 January 2015	9,523	259	1,939	1,757	13,478
Additions	1,242	2	80	192	1,516
Disposals	(46)	-	(65)	(1)	(112)
Written off	(164)	-	-	-	(164)
At 31 December 2015	10,555	261	1,954	1,948	14,718
Accumulated depreciation					
At 1 January 2014	7,433	100	986	1,574	10,093
Depreciation for the year	964	44	341	66	1,415
Written off	(1,333)	-	-	-	(1,333)
At 31 December 2014/1 January 2015	7,064	144	1,327	1,640	10,175
Depreciation for the year	960	51	314	72	1,397
Disposals	(41)	-	(65)	-	(106)
Written off	(161)	-	-	-	(161)
At 31 December 2015	7,822	195	1,576	1,712	11,305
Carrying amounts					
At 1 January 2014	2,840	113	953	130	4,036
At 31 December 2014/1 January 2015	2,459	115	612	117	3,303
At 31 December 2015	2,733	66	378	236	3,413

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PLANT AND EQUIPMENT *cont'd*

	Office equipment RM'000
Company	
Cost	
At 1 January 2014	264
Additions	909
At 31 December 2014/1 January 2015	1,173
Additions	629
Disposals	(2)
At 31 December 2015	1,800
Accumulated depreciation	
At 1 January 2014	211
Depreciation for the year	105
At 31 December 2014/1 January 2015	316
Depreciation for the year	265
Disposals	(1)
At 31 December 2015	580
Carrying amounts	
At 1 January 2014	53
At 31 December 2014/1 January 2015	857
At 31 December 2015	1,220

4. INTANGIBLE ASSET

Goodwill

	Note	Group 2015 RM'000	2014 RM'000
At 1 January/31 December	4.1	571	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 7.3% (2014: 6.2%), 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 5.5% (2014: 5.0%).

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	2014
	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	
			2015	2014
			%	%
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

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6. INVENTORIES

	Group	
	2015 RM'000	2014 RM'000
Finished goods	109,797	117,860
Goods-in-transit	1,038	1,499
	110,835	119,359
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,829,834	1,526,930
Write-down to net realisable value	95	1,393
Reversal of write-down	(1,244)	-

The write-down and reversal are included in cost of sales.

7. RECEIVABLES AND DEPOSITS

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade					
Trade receivables		191,242	181,381	-	-
Less: Impairment loss	7.1	(2,782)	(1,317)	-	-
		188,460	180,064	-	-
Amount due from subsidiaries	7.2	-	-	368	282
		188,460	180,064	368	282
Non-trade					
Other receivables		6,700	15,339	-	244
Deposits	7.3	1,691	882	5	5
Amount due from subsidiaries	7.4	-	-	9,083	13,092
		8,391	16,221	9,088	13,341
		196,851	196,285	9,456	13,623

7.1 Impairment loss

During the year, trade receivables amounting to RM108,000 (2014: RM2,001,000) was written off against the impairment loss.

7.2 Amount due from subsidiaries (Trade)

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

NOTES TO THE FINANCIAL STATEMENTS

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7. RECEIVABLES AND DEPOSITS *cont'd*

7.3 Deposits

Included in deposits of the Group is an amount of RM960,000 (2014: RM773,000) paid as rental security deposits to a company in which certain Directors have substantial interests.

7.4 Amount due from subsidiaries (Non-trade)

Included in the amount due from subsidiaries is a non-trade short-term loan of RM9,000,000 (2014: RM13,000,000) which is unsecured, bears interest at 5.0% (2014: 4.5%) per annum and repayable on demand.

8. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

	2015			2014		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Forward exchange contracts	72,441	124	(155)	83,609	634	-

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and bank balances	20,565	29,623	92	839
Deposits with licensed banks	95,129	59,598	31,874	27,299
Liquid investment*	543	528	-	-
	116,237	89,749	31,966	28,138

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

NOTES TO THE FINANCIAL STATEMENTS

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10. SHARE CAPITAL

	Group and Company			
	Amount	Number of shares	Amount	Number of shares
	2015 RM'000	2015 '000	2014 RM'000	2014 '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 meetings of the Company.

11. RESERVES

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Merger reserves	11.1	-	-	22,961	22,961
Retained earnings		146,782	134,094	5,742	5,828
		146,782	134,094	28,703	28,789

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

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12. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade					
Trade payables		140,083	151,118	-	-
Deferred revenue		135	39	-	-
Amount due to subsidiaries		-	-	35	54
		140,218	151,157	35	54
Non-trade					
Other payables and accrued expenses	12.1	49,649	34,054	680	673
Amount due to subsidiaries	12.2	-	-	143	91
		49,649	34,054	823	764
		189,867	185,211	858	818

12.1 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group is accrual for advertisement and promotion amounting to RM21,285,000 (2014: RM16,237,000).

12.2 Amount due to subsidiaries (Non-trade)

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

13. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group						
Plant and equipment	137	149	(324)	(463)	(187)	(314)
Provisions	1,709	1,827	-	-	1,709	1,827
Other items	154	-	-	(99)	154	(99)
Tax assets/(liabilities)	2,000	1,976	(324)	(562)	1,676	1,414
Set off of tax	(324)	(562)	324	562	-	-
Net tax assets	1,676	1,414	-	-	1,676	1,414

NOTES TO THE FINANCIAL STATEMENTS

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13. DEFERRED TAX ASSETS/(LIABILITIES) cont'd

Recognised deferred tax assets/(liabilities) cont'd

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Plant and equipment	-	-	(87)	(53)	(87)	(53)
Provisions	34	31	-	-	34	31
Tax assets/(liabilities)	34	31	(87)	(53)	(53)	(22)
Set off of tax	(34)	(31)	34	31	-	-
Net tax liabilities	-	-	(53)	(22)	(53)	(22)

Movement in temporary differences during the year

	At 1.1.2014	Recognised in profit or loss (Note 19)	At 31.12.2014/ 1.1.2015	Recognised in profit or loss (Note 19)	At 31.12.2015
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Plant and equipment	(370)	56	(314)	127	(187)
Provisions	1,714	113	1,827	(118)	1,709
Other items	106	(205)	(99)	253	154
	1,450	(36)	1,414	262	1,676
Company					
Plant and equipment	(9)	(44)	(53)	(34)	(87)
Provisions	8	23	31	3	34
	(1)	(21)	(22)	(31)	(53)

14. REVENUE

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Sale of goods	1,900,973	1,588,530	-	-
Services	2,326	2,587	948	1,035
Rental income from subsidiaries	-	-	761	590
Dividend income from subsidiaries	-	-	19,400	-
	1,903,299	1,591,117	21,109	1,625

NOTES TO THE FINANCIAL STATEMENTS

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15. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Results from operating activities are arrived at after charging:				
Auditors' remuneration				
- Audit fee				
KPMG Malaysia	172	163	58	53
- Non audit fee				
KPMG Malaysia	12	12	12	12
Depreciation of plant and equipment	1,397	1,415	265	105
Impairment loss on trade receivables	1,737	671	-	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	2,568	2,248	84	59
- Wages, salaries and others	33,505	30,505	815	669
Inventories written down	95	1,393	-	-
Plant and equipment written off	3	9	-	-
Rental expense:				
- Office rental	1,474	1,345	18	17
- Warehouse rental	638	581	-	-
Fair value loss on financial instruments	665	-	-	-
and after crediting:				
Dividend income from subsidiaries (unquoted)	-	-	19,400	-
Rental income	-	-	761	590
Gain on foreign exchange (net):				
- Realised	909	1,829	-	-
- Unrealised	48	113	-	-
Gain on disposal of plant and equipment	20	-	1	-
Bad debts recovered	164	384	-	-
Fair value gain on financial instruments	-	282	-	-
Reversal of inventories written down	1,244	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

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16. FINANCE INCOME

	Group		Company	
	2015	2014	2015	2014
	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	2,024	1,400	1,596	1,735

17. FINANCE COSTS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Overdraft	2	4	-	-

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Directors				
- Fees	390	435	376	421
- Remuneration	4,666	3,665	27	34
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	90	89	-	-
	5,146	4,189	403	455
Other key management personnel				
- Remuneration	1,167	982	228	218
- Contributions to state plans	180	183	34	32
- Other short-term employee benefits	394	588	66	63
	1,741	1,753	328	313
	6,887	5,942	731	768

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

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19. TAX EXPENSE

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current year	11,545	10,173	435	380
- (Over)/Under provision in prior year	(157)	(439)	9	7
	11,388	9,734	444	387
Deferred tax expense				
- Reversal and origination of temporary differences	(161)	(55)	35	26
- (Over)/Under provision in prior year	(101)	91	(4)	(5)
	(262)	36	31	21
	11,126	9,770	475	408
Reconciliation of tax expense				
Profit for the year	32,488	29,432	19,714	980
Tax expense	11,126	9,770	475	408
Profit excluding tax	43,614	39,202	20,189	1,388
Tax at Malaysian tax rate of 25% (2014: 25%)	10,904	9,801	5,047	347
Non-deductible expenses	710	439	417	126
Non-taxable income	(230)	(122)	(4,994)	(67)
	11,384	10,118	470	406
(Over)/Under provision of tax expense in prior year	(157)	(439)	9	7
(Over)/Under provision of deferred tax expense in prior year	(101)	91	(4)	(5)
	11,126	9,770	475	408

NOTES TO THE FINANCIAL STATEMENTS

cont'd

20. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share ("EPS") at 31 December 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2015	2014
	RM'000	RM'000
Profit attributable to owners of the Company	32,488	29,432
	'000	'000
Weighted average number of ordinary shares at 31 December	180,000	180,000
Basic earnings per ordinary share (sen)	18.0	16.4

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

21. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2015			
Final 2014 ordinary – single tier	3.0	5,400	19 June 2015
Interim 2015 ordinary – single tier	3.0	5,400	10 December 2015
Interim special 2015 ordinary – single tier	5.0	9,000	10 December 2015
Total		19,800	
2014			
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		9,900	

After the end of 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	Total amount RM'000
Final 2015 ordinary – single tier	3.0	5,400

NOTES TO THE FINANCIAL STATEMENTS

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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 2015 and 2014.

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

Segment assets

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

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire plant and equipment, and other intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

22. OPERATING SEGMENTS *cont'd*

Segmental information for the Group is presented as follows:

	ICT distribution		Enterprise systems		ICT services		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	27,407	20,642	14,003	14,768	1,185	2,203	42,595	37,613
Included in the measure of segment profit are:								
- Depreciation of plant and equipment	(181)	(172)	(360)	(373)	(66)	(69)	(607)	(614)
- Plant and equipment written off	(1)	-	(2)	(1)	-	(1)	(3)	(2)
- Finance costs	(1,021)	(909)	(162)	(182)	(8)	(11)	(1,191)	(1,102)
- Finance income	285	165	1,068	484	203	89	1,556	738
Segment assets	270,581	283,072	118,831	94,588	4,428	3,367	393,840	381,027
Revenue from external customers	1,428,872	1,112,342	426,275	427,579	48,152	51,196	1,903,299	1,591,117
Inter-segment revenue	7,558	4,260	3,391	5,235	3,898	4,940	14,847	14,435

Reconciliations of reportable segment revenues, profit or loss, assets and other material items

	Group	
	2015	2014
	RM'000	RM'000
Total profit for the reportable segments	42,595	37,613
Other non-reportable segments profit	20,446	1,583
Elimination of inter-segments (profit)/loss	(19,427)	6
Consolidated profit before tax	43,614	39,202

NOTES TO THE FINANCIAL STATEMENTS

cont'd

22. OPERATING SEGMENTS *cont'd*

Reconciliations of reportable segment revenues, 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
Group						
2015						
Total reportable segments	1,918,146	(607)	(1,191)	1,556	393,840	307
Other non-reportable segments	33,177	(806)	-	1,656	125,610	1,219
Elimination of inter-segment transactions or balances	(48,024)	16	1,189	(1,188)	(89,348)	(10)
Consolidated total	1,903,299	(1,397)	(2)	2,024	430,102	1,516
2014						
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

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Less than one year	2,154	2,085	18	8
Between one and three years	2,013	3,993	-	-
	4,167	6,078	18	8

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	
	2015	2014
	RM'000	RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	519	288

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 and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has 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.

Other related party transactions

	Transaction value			
	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Affiliated companies				
Sales	237	-	-	-
Subsidiaries				
Dividend income	-	-	19,400	-
Interest income	-	-	833	998
Rental income	-	-	761	590
Support services income	-	-	948	1,035
Purchase of equipment	-	-	(271)	(24)
Support service expense	-	-	(180)	(168)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. RELATED PARTIES *cont'd*

Other related party transactions *cont'd*

	Transaction value			
	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Transactions with companies in which certain Directors have interests:				
Rental expense	(1,913)	(1,744)	-	-
Sales	650	535	-	-
Professional fee	(5)	(3)	-	-

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

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established 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").

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
2015				
Financial assets				
Group				
Receivables and deposits	196,851	196,851	-	-
Cash and cash equivalents	116,237	116,237	-	-
Club membership	62	-	-	62
Derivative financial assets	124	-	124	-
	313,274	313,088	124	62
Company				
Receivables and deposits	9,456	9,456	-	-
Cash and cash equivalents	31,966	31,966	-	-
	41,422	41,422	-	-

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
2015				
Financial liabilities				
Group				
Payables and accruals	(189,732)	(189,732)	-	-
Derivative financial liabilities	(155)	-	(155)	-
	(189,887)	(189,732)	(155)	-
Company				
Payables and accruals	(858)	(858)	-	-
2014				
Financial assets				
Group				
Receivables and deposits	196,285	196,285	-	-
Cash and cash equivalents	89,749	89,749	-	-
Club membership	62	-	-	62
Derivative financial assets	634	-	634	-
	286,730	286,034	634	62
Company				
Receivables and deposits	13,623	13,623	-	-
Cash and cash equivalents	28,138	28,138	-	-
	41,761	41,761	-	-
Financial liabilities				
Group				
Payables and accruals	(185,172)	(185,172)	-	-
Company				
Payables and accruals	(818)	(818)	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on:				
Loans and receivables	451	1,129	1,596	1,735
Financial liabilities measured at amortised cost	955	1,938	-	-
Fair value through profit and loss				
- Held for trading	(665)	282	-	-
	741	3,349	1,596	1,735

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 statements 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 16.5% (2014: 19.0%) 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
Group				
2015				
Not past due	117,620	-	-	117,620
Past due 0 - 30 days	47,048	-	-	47,048
Past due 31 - 60 days	10,147	-	-	10,147
Past due 61 - 90 days	6,869	-	-	6,869
Past due 91 - 120 days	4,503	-	(819)	3,684
Past due more than 120 days	5,055	(1,218)	(745)	3,092
	191,242	(1,218)	(1,564)	188,460
2014				
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
	181,381	(989)	(328)	180,064

Included in other payables and accruals is an amount of RM5,734,000 (2014: RM5,990,000) collected as security deposits to hedge against credit risk from customers with purchases in excess of allowable credit limits.

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

	Group	
	2015 RM'000	2014 RM'000
At 1 January	1,317	3,031
Impairment loss recognised	1,737	671
Bad debts recovered	(164)	(384)
Impairment loss written off	(108)	(2,001)
At 31 December	2,782	1,317

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS cont'd

26.4 Credit risk cont'd

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS cont'd

26.5 Liquidity risk cont'd

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

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
2015				
Group				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	189,732	-	189,732	189,732
<i>Derivative financial liabilities:</i>				
Forward exchange contracts (gross settled):				
Outflow	155	-	28,201	28,201
Inflow	-	-	(28,046)	(28,046)
	189,887		189,887	189,887
Company				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	858	-	858	858
2014				
Group				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	185,172	-	185,172	185,172
Company				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	818	-	818	818

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS cont'd

26.6 Market risk cont'd

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 32.9% (2014: 33.8%) 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.

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	
	2015 RM'000	2014 RM'000
Cash and cash equivalents	1,100	488
Trade payables	(50,259)	(90,529)
Forward exchange contracts (Nominal amount)	72,441	83,609
Net exposure	23,282	(6,432)

Currency risk sensitivity analysis

A 10% (2014: 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.

	Profit or loss			
	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
USD	(1,746)	482	-	-

A 10% (2014: 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	95,129	59,598	31,874	40,299
Floating rate instruments				
Financial assets	543	528	-	-

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
Company			
2015			
Financial assets			
Amount due from subsidiaries	5.0	9,000	9,000
2014			
Financial assets			
Amount due from subsidiaries	4.5	13,000	13,000

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 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
Group				
2015				
Financial assets				
Club membership	-	-	62	62
Forward exchange contracts	-	124	-	124
2014				
Financial assets				
Club membership	-	-	62	62
Forward exchange contracts	-	634	-	634

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).

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 (2014: no transfer in either directions).

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*

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 2015, the Group's strategy, which was unchanged from 2014, was to maintain the debt-to-equity ratio at the lower end range. The debt-to-equity ratios were as follows:

		Group	
	Note	2015 RM'000	2014 RM'000
Total borrowings		-	-
Less: Cash and cash equivalents	9	(116,237)	(89,749)
Net cash		116,237	89,749
Total equity		236,782	224,094
Debt-to-equity ratio		N/A	N/A

There was no change 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 at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	196,686	183,616	5,795	5,850
- Unrealised	1,486	1,841	(53)	(22)
	198,172	185,457	5,742	5,828
Less: Consolidation adjustments	(51,390)	(51,363)	-	-
Total retained earnings	146,782	134,094	5,742	5,828

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

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 77 to 119 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 2015 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 120 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 Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Foo Sen Chin

Soong Jan Hsung

Petaling Jaya

Date: 21 March 2016

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 77 to 120 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 above named in Kuala Lumpur on 21 March 2016.

Chan Puay Chai

Before me:

D.SELVARAJ
Commissioner for Oaths
W320
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 2015 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 77 to 119.

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 2015, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

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

cont'd

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 120 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the 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 Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Petaling Jaya

Date: 21 March 2016

Lee Yee Keng

Approval Number: 2880/04/17(J)
Chartered Accountant

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2016

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	34	1.57	1,335	0.00
100 – 1,000	238	10.93	170,014	0.09
1,001 – 10,000	1,289	59.21	6,758,101	3.76
10,001 – 100,000	540	24.80	15,412,700	8.56
100,001 – 8,999,999*	72	3.31	39,076,850	21.71
9,000,000 and above**	4	0.18	118,581,000	65.88
Total	2,177	100.00	180,000,000	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shareholdings	%
1. ECS Holdings Limited	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. Cartaban Nominees (Tempatan) Sdn Bhd <i>RHB Trustees Berhad for Manulife Investment Shariah Progressfund</i>	2,649,000	1.47
8. CIMSEC Nominees (Asing) Sdn Bhd <i>Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)</i>	2,138,750	1.19
9. RHB Nominees (Asing) Sdn Bhd <i>RHB Securities Singapore Pte Ltd for SIS Investment Holdings Ltd (93501)</i>	1,500,000	0.83
10. Gan Kho @ Gan Hong Leong	1,288,300	0.72
11. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund</i>	1,068,000	0.59
12. Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Gan Tee Jin</i>	900,000	0.50
13. Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)</i>	877,000	0.49

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2016

cont'd

THIRTY (30) LARGEST SHAREHOLDERS cont'd

Name of Shareholders	No. of Shareholdings	%
14. Federlite Holdings Sdn Bhd	873,700	0.49
15. Wah Tong Holdings Sdn Bhd	800,000	0.44
16. Gan Kho @ Gan Hong Leong	723,850	0.40
17. Chee Ah Ngoh	700,000	0.39
18. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Fong Siling (CEB)</i>	613,000	0.34
19. Chan Geok Eng	585,000	0.33
20. Migan Sdn Bhd	510,750	0.28
21. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Sengin Sdn Bhd (PB)</i>	459,000	0.26
22. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for AIA PAM – Islamic Moderate Fund</i>	425,600	0.24
23. Maybank Nominees (Tempatan) Sdn Bhd <i>Jincan Sdn Bhd</i>	400,500	0.22
24. Tan Tiang Choon	400,000	0.22
25. Affin Hwang Nominees (Asing) Sdn Bhd <i>DBS Vickers Secs (S) Pte Ltd for Tay Eng Hoe</i>	375,000	0.21
26. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund</i>	374,000	0.21
27. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for General Technology Sdn. Bhd. (PB)</i>	313,600	0.17
28. Foo Lek Choong	307,200	0.17
29. CIMB Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Teoh Kiat Kiong (MY1847)</i>	300,000	0.17
30. Lee Kuok Keong	300,000	0.17
	149,087,900	82.83

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

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 ⁽¹⁾	12.22
Lee Marn Fong	-	21,997,200 ⁽²⁾	12.22
Oasis Hope Sdn Bhd	15,450,000	-	8.58
Dasar Technologies Sdn Bhd	9,900,000	-	5.50

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2016

cont'd

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2016

	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
Foo Sen Chin	-	-	21,997,200 ⁽¹⁾	12.22
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.

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of ECS ICT Berhad (“ECS” or “the Company”) will be held at Greens II (Main Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 19 May 2016 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 2015 together with the Reports of the Directors and the Auditors thereon. *(refer to Note (B)7)*
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 2015. *(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) En. Ahmad Subri Bin Abdullah; and *(Resolution 2)*
 - (b) Ms. Ho Chee Kit *(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 *(Resolution 5)*

“THAT the Directors’ Fees amounting to RM376,312/- (Ringgit Malaysia: Three Hundred and Seventy-Six Thousand Three Hundred and Twelve only) for the financial year ended 31 December 2015, be and is hereby approved for payment.”
6. **ORDINARY RESOLUTION NO. 2**
- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 *(Resolution 6)*

“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.”
7. To transact any other business of which due notice shall have been given.

NOTICE OF TWENTIETH 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 2015 will be payable on 15 June 2016 to depositors whose names appear in the Record of Depositors at the close of business on 2 June 2016 if approved by the members at the Twentieth 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 2 June 2016 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: 27 April 2016

Notes:-

(A) Information for Shareholders/Proxies

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 12 May 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
2. *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.*
3. *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.*
4. *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.*
5. *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.*
6. *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.*

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

cont'd

(B) Audited Financial Statements for the financial year ended 31 December 2015

7. 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.

(C) Re-election of Directors

8. In determining the eligibility of the Directors to stand for re-election at the forthcoming Twentieth AGM, the Nominating Committee ("NC"), guided by the Directors' Assessment Policy has considered the criteria as stated in the said Policy as well as the requirements of Paragraphs 2.20A of the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and recommended En. Ahmad Subri Bin Abdullah and Ms. Ho Chee Kit for re-election as Directors pursuant to Article 102 of the Articles of Association of the Company ("Retiring Directors"). The Board has conducted a separate assessment and being satisfied with the independence of the Retiring Directors, therefore they recommended the same be tabled to the shareholders for approval at the forthcoming Twentieth AGM of the Company under Resolutions 2 and 3. The evaluation criteria adopted as well as the process of assessment by the Board have been duly elaborated in the Corporate Governance Statement of the Annual Report 2015 of the Company.

All the retiring Directors have consented to their re-election, and abstained from deliberation and voting in relation to their individual re-election at the NC and Board Meeting, respectively.

(D) Re-appointment of Auditors

9. The Audit Committee ("AC") have assessed the suitability and independence of the External Auditors and recommended the re-appointment of Messrs. KPMG as External Auditors of the Company for the financial year ending 31 December 2016. The Board has in turn reviewed the recommendation of the AC and recommended the same be tabled to the shareholders for approval at the forthcoming Twentieth AGM of the Company under Resolution 4. The evaluation criteria adopted as well as the process of assessment by the AC and Board, respectively, have been duly elaborated in the Corporate Governance Statement of the Annual Report 2015 of the Company.

Explanatory Note to Special Business:

(E) Payment of Directors' Fees

10. The Proposed Directors' Fees for the financial year ended 31 December 2015 was RM376,312/- (2014: RM420,665/-) due to the reduction in the number of Directors as compared to that of the financial year ended 31 December 2014.

The Resolution 5, if approved, will authorise the payment of Directors' Fees pursuant to Article 110 of the AA of the Company.

(F) Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

11. The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 at the Twentieth 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 Nineteenth AGM of the Company held on 21 May 2015 (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.

(G) Abstention from Voting

12. Any Director referred to in Resolutions 2 and 3, who is a shareholder of the Company will abstain from voting on the resolution in respect of his/her re-election at the Twentieth AGM of the Company.

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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 Twentieth Annual General Meeting of the Company to be held at Greens II (Main Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 19 May 2016 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 Final Dividend		
Resolution 2 Re-election of En. Ahmad Subri Bin Abdullah as Director		
Resolution 3 Re-election of Ms. Ho Chee Kit 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 _____ 2016.

Shareholder's Contact Number

Signature of Member/Common Seal

(A) Information for Shareholders/Proxies

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(B) Audited Financial Statements for the financial year ended 31 December 2015

- 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.

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

1st Fold Here

www.ecsm.com.my

ECS ICT BERHAD (Company No. 351038-H)

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