



ECS ICT BERHAD
 (Company No. 351038-H)



TECHNOLOGY ENABLING LIFESTYLE

ANNUAL REPORT 2016



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.

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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.

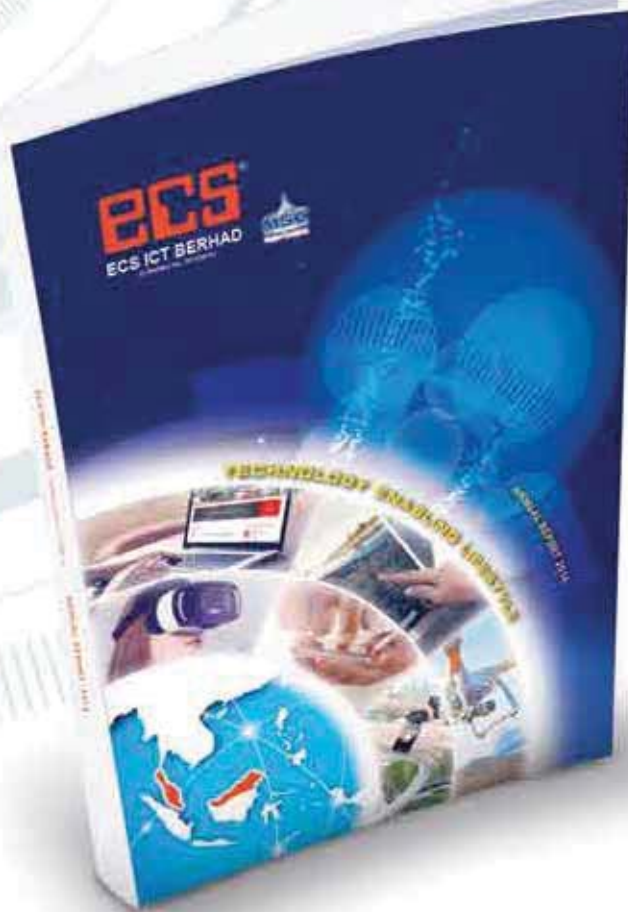
We shall conduct business with our valued customers and suppliers with professionalism and integrity.

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

TECHNOLOGY ENABLING LIFESTYLE

As the leading distributor of Information and Communications Technology (“ICT”) products in the country, ECS ICT Bhd (“ECSB”) is well positioned as a conduit in providing cutting edge technology to serve the nation’s ICT needs. We aim to provide the products that will drive the digital economy in enabling a rich and rewarding lifestyle for all.



CORPORATE PROFILE



ECSB, an MSC-Status company and its subsidiaries (“The Group”) started in 1985 with the establishment of ECS KU Sdn. Bhd. (“ECS KU”). Today, The Group is a leading distribution hub for ICT products in Malaysia via ECS Astar Sdn. Bhd. (“ECS Astar”) and ECS Pericomp Sdn. Bhd. (“ECS 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. ECSH is a wholly owned subsidiary of VST Holdings Limited listed on the Hong Kong Stock Exchange.

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 6,100 resellers comprising 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



FLYING FROM

City or Airport

FLYING TO

City or Airport

DEPARTING

DD/MM/YY

RETURN

DD/MM/YY

LUGGAGE

0

ADULT

0

SEARCH

A hand holding a pen over an open notebook, with a futuristic digital overlay of concentric circles and lines in the background. The scene is dimly lit, with a blue and purple color palette. The text 'TECHNOLOGY FOR TODAY' is prominently displayed in yellow, bold, sans-serif font, centered over the notebook area.

TECHNOLOGY FOR TODAY

In today's world, technology surrounds and connects us in ways that are limited only by our own imagination. It is an enabler of human communication across vast distances, while at the same time a portal into the microscopic realm beyond our natural senses. The tools of today allow us to access and accomplish tasks once thought impossible less than a generation ago, serving to further discover new possibilities for human exploration on all fronts from the vastness of space, to the deepest recesses of the oceans, and to the smallest building block of our physical world.



FOO SEN CHIN | Executive Chairman

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

We are pleased to report that our Group has retained steady performance for 2016 amidst the softer market conditions that have impacted the overall ICT spending for the year.

CHAIRMAN'S STATEMENT

OVERVIEW

Malaysia's Gross Domestic Product ("GDP") annual growth rate declined from 5.0% in 2015 to 4.2% in 2016 mainly due to a slowdown in the global economy and the lower prices for crude oil and commodities which have significantly reduced the country's export revenue.

The weaker Ringgit versus the United States Dollar ("USD") has resulted in higher prices for ICT products and dampened market demand from consumers as well as corporate customers.

The International Data Corporation ("IDC") report dated August 2016 has forecasted that ICT spending on Hardware and Software products distributed by the Group would decrease by 2.1% in 2016 from the previous year.

Under the challenging business environment, the Group has managed to achieve acceptable results for the financial year ended 31st December 2016 ("FY2016") thanks to our comprehensive range of ICT products and a strong nationwide channel of resellers to maintain our position as the leading ICT distributor in the country.

PROSPECTS

The forecast for Malaysia's GDP growth is from 4.5% to 5.0% for 2017 while the domestic economy is facing the uncertainties from recent geopolitical events and weaker growth rates of some major trading partners. On a more optimistic note, IDC has projected a growth rate of 6.2% year-on-year for the ICT market segment that is addressable with our range of products for both the retail and enterprise markets.

As announced in Budget 2017, the digital economy is expected to increase its contribution to the GDP from 17.6% in 2015 to 20% by 2020. The government initiatives include budget allocations to increase broadband speed and coverage, implementation of e-commerce eco systems, and to develop Malaysian Digital Hubs.

The development of the technological landscape with the corporate community is expected to be driven by four key technologies, namely Cloud Computing, Big Data, Mobile Technologies, and the Internet of Things ("IoT").

For the current year, we shall focus on our business objectives and growth strategies in line with the industry prospects arising from the technological trends.

APPRECIATION

I would like to take this opportunity to extend my humble gratitude to the Board of Directors ("Board") for their valuable direction since our listing on Bursa Securities in 2010 and guiding the Group to higher level of success. At the same time, I would like to thank the management team and valued employees for their dedication and contribution in the past year.

Last but not least, I would also like to thank all of our principals and resellers as well as investors for choosing ECSB, signifying their confidence in the Group. As we embark upon yet another exciting year in the ICT industry, we gratefully look forward to your continued support.

FOO SEN CHIN
Executive Chairman



SOONG JAN HSUNG | Executive Director / Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

As the leading distributor of ICT products in Malaysia, the Group strengthened its market position in the midst of a slowdown in ICT spending for 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

BUSINESS OVERVIEW

The Group's corporate profile is shown on page 3 of this report. Our Vision and Mission are stated on the back of the front cover and page 1 respectively.

ECSB's head office is situated on a 80,000 square feet integrated office building cum warehouse in Kota Damansara, Selangor. The Group has five sales offices located in Penang, Johor Bahru, Kuantan, Kota Kinabalu and Kuching to serve its customers throughout Malaysia. Presently, we have distributorship agreements with more than 40 global brands in the ICT industry.

We are proud to be one of the key players within the ICT industry value chain by being at the forefront of technological advances in introducing the latest products to the market place. With our extensive range of ICT products supplying to a nationwide network of resellers, we shall continue to expand our product range as well as the channels to grow our business for the current year and beyond.

FINANCIAL PERFORMANCE

The Group registered total revenue of RM1,823.4 million for the FY2016, a 4.2% decline from a revenue of RM1,903.3 million recorded in the financial year ended 31 December 2015 ("FY2015") because of lower contributions from all three business segments. The lower revenue for FY2016 was mainly due to a slowdown in ICT spending and the exceptional high sales during the first half of FY2015 boosted by the implementation of Goods and Services Tax.

For FY2016, ICT Distribution segment marked a small reduction of 1.5% in revenue of RM1,408.0 million as compared to RM1,428.9 million in the preceding year because of lower sales of mobility products in smartphones and tablets.

We continued to see delays from public and private sectors in upgrading their systems in FY2016. Consequently, the Enterprise Systems segment marked lower revenue generation of RM377.9 million for FY2016, an 11.4% drop as compared to RM426.3 million recorded for FY2015. Similarly, the ICT Services segment had also generated lower revenue of RM37.5 million in FY2016 versus previous year's contribution of RM48.2 million.

Despite the dip in the Group's revenue, we were able to maintain our Gross Profit ("GP") margin at 5.1%, attributable to higher GP margins from the Enterprise Systems and ICT Services segments. Accordingly, our net profit for FY2016 was reduced by 7.2% to RM30.1 million from RM32.5 million in FY2015. The Group's Earnings per Share ("EPS") was marked at 16.7 sen for the financial year under review as compared to 18.0 sen in the preceding financial year.

ECSB maintained a healthy balance sheet for FY2016 with a net cash position with cash and cash equivalents at RM110.2 million for the financial year to maintain our zero borrowings position. We manage our cash flow by monitoring on a weekly basis the payments and receipts, and the working capital for inventories, trade debtors and creditors.

The Group incurred a capital expenditure of RM1.3 million in FY2016 on ICT equipment for the enhancement of infrastructure. As at 31 December 2016, the Group has a light fixed asset totaling RM3.2 million, mainly for ICT infrastructure and warehouse facilities.

As at 31 December 2016, the Group's total non-current assets increased to RM9.8 million from RM5.7 million in the previous year mainly due to RM4.6 million of a non-current trade debtors from an extended credit term given to a corporate customer.

The trade debtors increased by RM69.3 million to RM257.8 million from RM188.5 million in the previous year mainly from the surge in sales of new smartphones from popular models during the last quarter of 2016. Correspondingly, the trade payables also increased by RM55.2 million to RM195.3 million from RM140.1 million in the previous year.

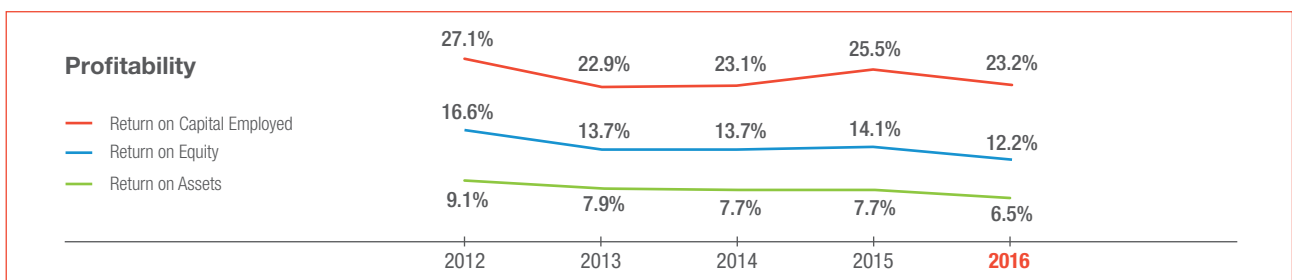
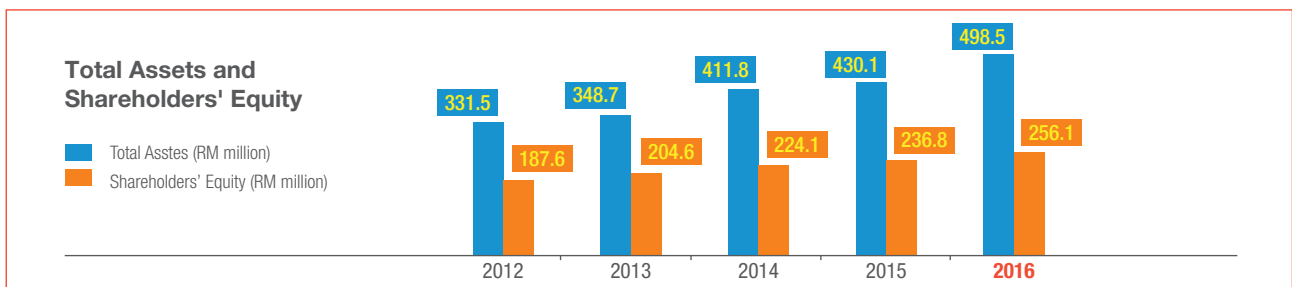
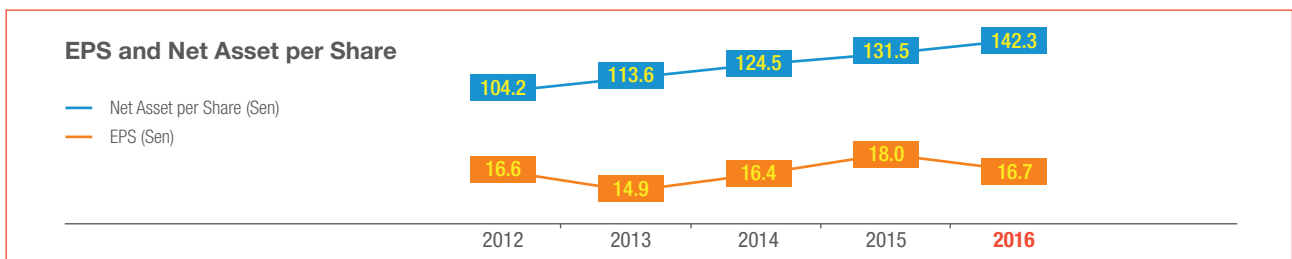
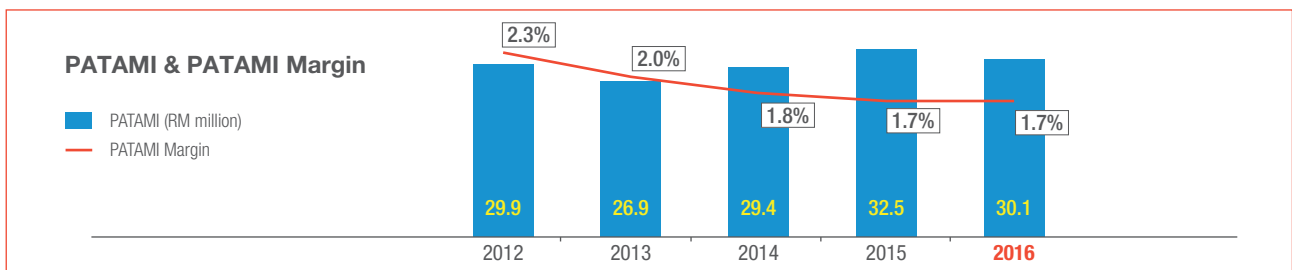
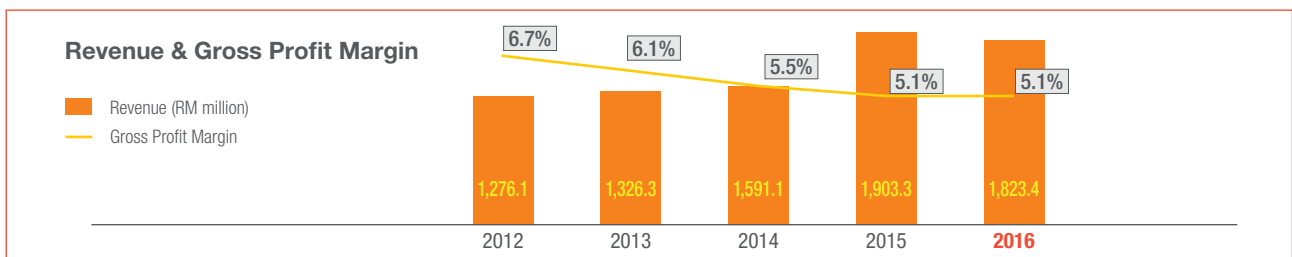
MANAGEMENT DISCUSSION AND ANALYSIS

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The Group's financial performance for FY2016 as compared with FY2015 is shown under the Group Financial Highlights on page 35.

ECSSB's financial performance in the last 5 years is shown in the following five (5) charts:

1. Revenue and Gross Profit Margin
2. Profit after Tax and Minority Interest ("PATAMI") and PATAMI Margin
3. Earnings per share ("EPS") and Net Asset per Share
4. Total Assets and Shareholders' Equity
5. Profitability



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

ANTICIPATED/KNOWN RISKS AND MITIGATING PLANS/STRATEGIES

The major operational risks that the Group is exposed to are stock obsolescence and credit default because inventories and trade debtors form the bulk of the total current assets net of cash.

With our stringent stock-control and credit-control policies already established for many years, the total amount of obsolete stocks and bad debts have been kept well within our general provision based on the ageing of stocks and debtors.

To cover the Group's exposure to fluctuation of foreign exchange, we continue with the policy of hedging forward our USD-denominated purchases to fix the currency exchange rates on payment due dates.

OPERATIONS REVIEW BY BUSINESS SEGMENT

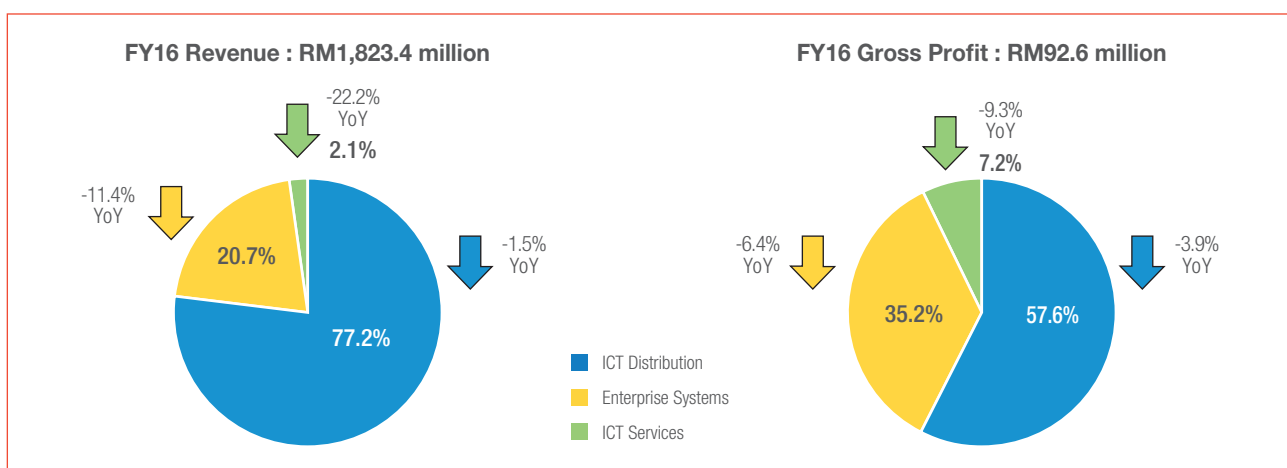
The Group's business segments are as follows:

- (i) ICT Distribution : Distribution of volume ICT products to resellers, comprising mainly of retailers;
- (ii) Enterprise Systems : Distribution of value ICT products to resellers, comprising mainly of system integrators and corporate dealers;
- (iii) ICT Services : Provisioning of ICT services.

In anticipation of the competitive market under the soft economic conditions, the Group successfully secured new distributorships of ICT products for consumer as well as corporate customers.

During the year, we enhanced our portfolio of mobility products with several new brands of smartphones and smartwatches. We also launched a new product category in drone and camera for a new market segment comprising of hobbyist and camera shops.

For Enterprise market, we introduced a new storage product which replaces hard disks with All-Flash-Array technology for corporate users to significantly improve the performance and reliability of storage systems.



MANAGEMENT DISCUSSION AND ANALYSIS

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ICT Distribution

Although the PC and Notebook market in Malaysia has declined year-on-year in 2016, they remained our top product group with higher revenue as we gained market share with our popular brands.

For smartphones, we added the Apple iPhone, Moto (by Lenovo), Flash (by TCL) and Neffos (by TP Link) to our range of products. We expanded the DJI product range with the Mavic Pro drone and Osmo mobile camera, and we also launched the Orion VR goggles to our ICT retailers.

While we expanded our channel for mobility products from ICT retailers to phone retailers, we have also extended our distribution to the large chain stores for electronic products and home appliances, hence reaching a wider consumer market.

Enterprise Systems and ICT Services

With the cautious outlook on the economy, both the public and private sectors have reduced their capital expenditure on ICT equipment.

The slower project implementations have resulted in lower sales of servers, storage products and software while sales of network equipment to corporate customers increased for new business expansion and system upgrades.

In tandem with fewer projects, ICT Services have dropped for the provision of implementation and maintenance services.

AWARDS

Notwithstanding the challenging market condition for FY2016, we are delighted that ECSB successfully gained industry recognition for our outstanding performance.

The awards and accolades for ECS Astar and ECS Pericomp include:

- “Best Achiever Distributor FY2015/16” by Lenovo
- “Top Notebook and PC Contribution Distributor 2016” by ASUS
- “Top Consumer Notebook Distributor” by HP
- “Top Consumer Desktop Distributor” by HP
- “Top Accessories Distributor” by HP
- “Top Supplies Month 2 Linearity Distributor” by HP
- “Distributor of The Year – HP Supplies” by HP
- “Outstanding Sales Performance” by Printronix (Line Matrix Printers)
- “Distributor of the Year” by Juniper Networks
- “Distributor of the Year” by Veeam
- “Top Distributor 2016 Year on Year Growth” by DELL EMC
- “Top Distributor 2016 Storage Business” by DELL EMC

MANAGEMENT DISCUSSION AND ANALYSIS

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SHARE PERFORMANCE

ECSB's share price closed at RM1.40 on the last trading day of 2016 (30 December 2016), with a total market capitalisation of RM252.00 million, a 10.3% decline from RM280.8 million as at 31 December 2015. Year high and year low share prices marked RM1.78 and RM1.33 respectively. Average daily trading volume is at 96,895 units. The share price performance had unavoidably been impacted by the overall downtrend in the share market with FBM KLCI, FBM Small Cap and Technology sector, which marked a drop of 3.0%, 7.7% and 13.3% respectively during the same period.



Source: Wall Street Journal

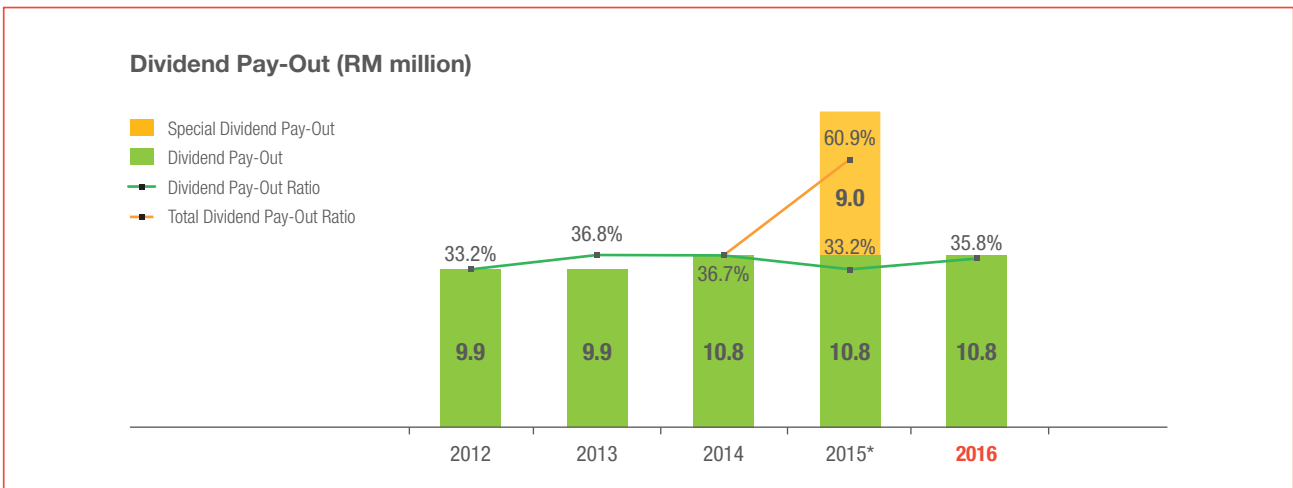
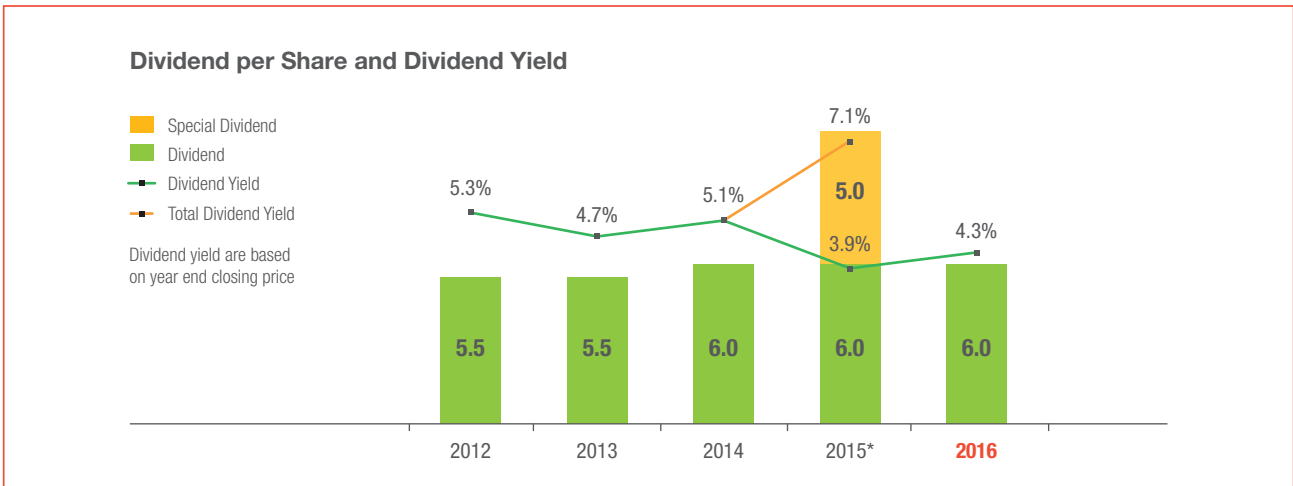
MANAGEMENT DISCUSSION AND ANALYSIS

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DIVIDEND

Despite the soft market, the Group stays committed to reward the shareholders via dividend payment for the financial year under review. The Group paid the first single tier interim dividend of 3.0 sen per ordinary share to shareholders on 14 December 2016. The Board is also pleased to propose a single tier final dividend of 3.0 sen per ordinary share for FY2016, subjected to shareholders' approval at the forthcoming Annual General Meeting scheduled on 17 May 2017 to be paid to shareholders on 15 June 2017.

As a whole, the Group has declared total dividend of 6.0 sen per ordinary share, amounting to RM10.8 million, which is equivalent to 35.8% of the total net profit for FY2016. This adheres to the Group's practice of distributing a minimum of 30% of net profit as dividend to all our shareholders.



* Including a special dividend of 5.0 sen per ordinary share in conjunction with ECS's 30th anniversary in 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

IDC estimates Malaysia's ICT spending on total hardware and software to improve at a steady Compounded Annual Growth Rate of 1.8% from USD7.9 billion in 2015 to approximately USD8.7 billion by 2020. For the emerging new market on IoT, the Ministry of Science, Technology and Innovation and Malaysian Institute of Microelectronic Systems meanwhile, estimate Malaysian IoT spending to reach up to RM9.5 billion by 2020.

The Malaysian government is driving the establishment of a digital economy with the introduction of several initiatives announced during the 2017 budget. A total of RM162 million has been allocated for the implementation of an e-commerce ecosystem and Digital Maker Movement, to enhance the local broadband speed, and to set up a Digital Hub. In addition, the Malaysian Communications and Multimedia Commission will provide RM1 billion to ensure the quality and coverage of nationwide broadband at the speed of up to 20 Megabits per second (Mbps).

In view of the above forecasts and government initiatives, we are cautiously positive of the business outlook for 2017 as the economy is expected to make modest recovery from the current soft economic environment.

For our ICT Distribution segment, we have already signed up distributorship agreements for two smartphone brands, namely Alcatel and Vivo in year to date 2017.

For the Enterprise Systems segment, we have been recently appointed by Dell Sales Malaysia Sdn. Bhd. for EMC storage products targeting at the enterprise market. For the current year, we shall focus on Hyper-Converged Infrastructure and Cyber Security products.

In recent years, the market adoption of Cloud Computing Services such as Infrastructure-as-a-Service ("IaaS"), Platform-as-a-Service ("PaaS") and Software-as-a-Service ("SaaS") has led to Data Centres requiring substantial capital expenditure on ICT hardware and software investments.

On the other hand, the shift of business users from capital expenditure on ICT equipment to operating expense on cloud computing services have resulted in lower demand for on-premise servers, storage, network equipment and software licenses.

Most of the consumer software products are now available directly to users via the Internet as licenses or subscription services under cloud computing. However, enterprise software products whether as licenses or subscription services are still sold to corporate customers through distributors and resellers who can provide value added services on system integration and software applications. As cloud services continue to evolve due to market demand, ICT vendors continue to innovate on products and services alongside new models of channel distribution.

The Malaysian E-Commerce market is projected to grow rapidly with the popularity of consumers buying products and services from online merchants on a Business-to-Consumer ("B2C") platform.

Although the B2C platform has impacted the sales of ICT consumer products at retail shops, many of the larger retailers have started to offer their products at either their own websites or at online marketplace platforms operated by the large E-Commerce players which can provide a wide variety of consumer products from many merchants to serve the internet savvy consumers.

By keeping a close watch on the market trends in E-Commerce, the Group has increased sales via its Business-to-Business ("B2B") platform to the retailers as well as the E-Commerce players selling via B2C to the consumers.

The Group is always on the lookout for potential new businesses or investment within the ICT industry. One of the ways to kick-start a new product or business segment for a new market would be to explore on Merger and Acquisition ("M&A") exercises with potential companies that are successful and performing competently in their field.

We are well positioned with our strategies and plans to grow our business with the technological trends in driving the nation's digital economy.

SOONG JAN HSUNG

Executive Director/Chief Executive Officer





ENABLERS OF TOMORROW

Constantly evolving and improving, the highly specialised abilities of yesterday's expensive tools are now today's consumer electronic gadgets. Any person today can operate a flying camera and generate beautiful content that was once the restricted realm of yesterday's specialised professionals. Freedom of information and always-on connectivity have changed our social habits and communication methods. The digitisation of media and information today permits new ways to store, organise and retrieve relevant information with great ease and efficiency. The content that we create today is effortlessly saved, organised and recalled for posterity tomorrow.

BOARD OF DIRECTORS

(As at 25 April 2017)



1. ONG WEI HIAM
Non-Independent Non-Executive Director

2. AHMAD SUBRI BIN ABDULLAH
Independent Non-Executive Director

3. WONG HENG CHONG
Independent Non-Executive Director



4. FOO SEN CHIN
Executive Chairman

5. SOONG JAN HSUNG
Executive Director / Chief Executive Officer

6. HO CHEE KIT
Senior Independent Non-Executive Director

7. TAY ENG HOE
Independent Non-Executive Director

PROFILE OF BOARD OF DIRECTORS

(As at 25 April 2017)



FOO SEN CHIN, 69
Executive Chairman | Malaysian, Male

Date of appointment as Director	: 21 July 1995
Length of service as director since listing on 15 April 2010 (as at 25 April 2017)	: 7 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)	:
Other Public Listed Companies	: Nil
Public Companies	: Nil
Working experience	: Foo is the co-founder of ECS ICT Berhad and assumed the position of Managing Director in 2000. He is a substantial shareholder of ECS ICT Berhad through his substantial shareholdings in Sengin Sdn. Bhd. He was elected as the Chairman of the Board of ECS ICT Berhad, carrying designation of "Executive Chairman" on 1 January 2015. He began his career as an Engineer in 1972 with a commercial organisation in the electrical industry for 4 years in Ipoh. In 1977, he joined a multinational company in marketing technical products that included office automation and computer products. In 1982, he was appointed the General Manager of a computer bureau services company in Kuala Lumpur. Foo has been active in the Information and Communications Technology industry in Malaysia for more than 30 years. He has served as a Councillor, Treasurer and Deputy Chairman in the Association of the Computer & Multimedia Industry of Malaysia ("PIKOM") from 1995 to 2005, and was appointed as an Advisor of PIKOM from 2006 onwards. Foo has played a pivotal role in growing the Group to become one of the largest Information and Communications Technology distributors in Malaysia and established it as the leading distribution hub in supplying Information and Communications Technology products for Malaysia's knowledge based economy.
Time committed	: Foo attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

(As at 25 April 2017)

cont'd



SOONG JAN HSUNG, 53

Executive Director/Chief Executive Officer | Malaysian, Male

Date of appointment as Director	: 21 February 1997
Length of service as director since listing on 15 April 2010 (as at 25 April 2017)	: 7 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)	:
Other Public Listed Companies	: Nil
Public Companies	: Nil
Working experience	: 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 ECS ICT Berhad on 1 January 2014. Subsequently, Soong has been promoted to Executive Director/Chief Executive Officer of ECS ICT Berhad with effect from 1 January 2015 to lead and manage the Group, in conjunction with the elevation of Foo as the Executive Chairman of the Board. Soong has more than 20 years of experience in the Information and Communications Technology distribution market. He is also an Executive Director of the subsidiary companies, namely, ECS Pericomp Sdn. Bhd., ECS Astar Sdn. Bhd., ECS KU Sdn. Bhd. and ECS Kush Sdn. Bhd. Soong has been primarily responsible for the development of new sales and marketing strategies as well as the Information and Communications Technology product distribution and enterprise systems operations in ECS Pericomp Sdn. Bhd. and ECS Astar Sdn. Bhd. Soong has contributed significantly to the Group in becoming the leading Information and Communications Technology hub in Malaysia.
Time committed	: Soong attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

(As at 25 April 2017)

cont'd



TAY ENG HOE, 65

Independent Non-Executive Director | Singaporean, Male

Date of appointment as Director	: 17 December 2009
Length of service as director since re-designation on 3 April 2017 (as at 25 April 2017)	: 1 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)	:
Other Public Listed Companies	: Nil
Public Companies	: Nil
Working experience	: Tay was previously the Group Executive Chairman of ECS Holdings Limited. He is the founder of the ECS Holdings Limited and also ECS Computers (Asia) Pte Ltd, a Singapore-based subsidiary. He brings with him more than 30 years of experience in the Information and Communications Technology 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 has been re-designated as Independent Non-Executive Director on 3 April 2017.
Time committed	: Tay attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

(As at 25 April 2017)

cont'd



WONG HENG CHONG, 66

Independent Non-Executive Director | Malaysian, Male

Date of appointment as Director	: 17 December 2009
Length of service as director since listing on 15 April 2010 (as at 25 April 2017)	: 7 years 0 month
Board Committee(s) served on	: Chairman of the Audit Committee 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)	:
Other Public Listed Companies	: Nil
Public 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 ECS Holdings Limited, Boustead Singapore Limited, QAF Limited and Sunshine Allied Investments Limited. His working experience during the last 40 years spanned over diverse industries including Information Technology, engineering, food-manufacturing, retail and wholesale trading and auditing.
Time committed	: Wong attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

(As at 25 April 2017)

cont'd



AHMAD SUBRI BIN ABDULLAH, 67

Independent Non-Executive Director | Malaysian, Male

Date of appointment as Director	: 17 December 2009
Length of service as director since listing on 15 April 2010 (as at 25 April 2017)	: 7 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)	:
Other Public Listed Companies	: SBI Offshore Ltd
Public Companies	: Berjaya Sompo Insurance Berhad
Working experience	: Subri is a Director of KDU Management Development Centre Sdn. Bhd., Director of SBI Offshore Limited, Singapore and is now serving as the Director and Advisor 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.
Time committed	: Subri attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

(As at 25 April 2017)

cont'd



HO CHEE KIT, 69

Senior Independent Non-Executive Director | Malaysian, Female

Date of appointment as Director	: 17 December 2009
Length of service as director since listing on 15 April 2010 (as at 25 April 2017)	: 7 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)	:
Other Public Listed Companies	: Nil
Public Companies	: Yayasan De La Salle Hospis Malaysia
Working experience	: 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. Ho is one of the founding partners of a law firm in Kuala Lumpur in which she is currently a consultant. She is an experienced lawyer specialising in corporate, banking and property law. She has previously served as an Independent Director and member of the audit committee of Fiamma Holdings Berhad.
Time committed	: Ho attended all the 4 Board Meetings.

PROFILE OF BOARD OF DIRECTORS

(As at 25 April 2017)



ONG WEI HIAM, 45

Non-Independent Non-Executive Director | Malaysian, Male

Date of appointment as Director	: 4 June 2013
Length of service as director since appointment (as at 25 April 2017)	: 3 year 10 months
Board Committee(s) served on	: Member of the Audit Committee; Member of the Nominating Committee; and Member of the Remuneration 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)	:
Other Public Listed Companies	: Nil
Public Companies	: VST Holdings Limited
Working experience	: Ong was appointed as the Group Chief Executive Officer of ECS Holdings Limited on 1 January 2013 and was appointed as an Executive Director of the ECS Holdings Limited on 16 April 2012. Ong is concurrently the Group Chief Financial Officer and Executive Director of VST Holdings Limited, the parent company of ECS Holdings Limited. He was appointed as member of the Remuneration Committee on 1 June 2016.
Time committed	: Ong 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;
- any conviction for offences (other than traffic offences) within the past five (5) years; and
- any particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF SENIOR MANAGEMENT TEAM



FOO SEN CHIN, 69
Executive Chairman | Malaysian, Male

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



SOONG JAN HSUNG, 53
Executive Director/Chief Executive Officer | Malaysian, Male

For the profile of Soong, please refer to page 21 of the annual report.



TEE ANG KUAN, 55
Group General Manager | Malaysian, Male

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 Sdn. Bhd. 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 Sdn. Bhd. as a Business Manager and was promoted to General Manager in 1999. He has over 20 years of experience in the ICT distribution market. With his experience and knowledge, he has contributed significantly to the growth of our Group.

PROFILE OF SENIOR MANAGEMENT TEAM

cont'd



CHAN PUAY CHAI, 50

Chief Financial Officer | Malaysian, Male

Chan was promoted to Chief Financial Officer of our Group in 2016 in-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 analysis and its related functions. In 1995, Chan joined ECS KUSH Sdn. Bhd. as a Finance Manager and was promoted to Financial Controller in 2005. He has been with our Group for 21 years. With his vast experience in finance industry, he has contributed significantly to the success of our Group.



CHUAH KEE HENG, 48

General Manager of ECS Astar Sdn. Bhd. | Malaysian, Male

Chuah was appointed as General Manager of ECS ASTAR Sdn. Bhd. in 2016 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.

He graduated with a Degree in Business Administration from Upper IOWA University, USA in 1998. From 1991 to 2016, Chuah worked with several ICT distributors and players in the ICT industry before joining the Group in mid-2016. With his vast experience in ICT industry, he will contribute significantly to the success of our Group.

PROFILE OF SENIOR MANAGEMENT TEAM



CHANG YEOW HWA, 58

General Manager of ECS Pericomp Sdn. Bhd. | Malaysian, Male

Chang was promoted to General Manager of ECS PERICOMP Sdn. Bhd. 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 Sdn. Bhd. He graduated with a Bachelor of Science in Economics from Portland State University, U.S.A, in 1988. In 1991, he joined ECS PERICOMP Sdn. Bhd. as Product Manager and subsequently promoted to Group Product Manager in 1997, Marketing Manager in 1998, Assistant General Manager in 2001 and General Manager in 2008.



TAN SAY MENG, 50

General Manager of ECS Ku Sdn. Bhd. | Malaysian, Male

Tan is the General Manager of ECS KU Sdn. Bhd.. He obtained an 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 Sdn. Bhd. 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 Sdn. Bhd. in charge of IT sales and services.

Notes:-

Save as disclosed above, none of the Senior Management has:-

- (a) any family relationship with any Director and/or major shareholder of the Company;
- (b) any conflict of interest with the Company;
- (c) any conviction of offences (other than traffic offences) within the past five (5) years; and
- (d) any particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF MANAGEMENT TEAM



FOO LEK CHONG, 41

Chief Technology Officer | Malaysian, Male

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 17 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.



CHIN SAI LEONG, 57

Senior Logistics Manager | Malaysian, Male

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.

PROFILE OF MANAGEMENT TEAM



WEE AILIN, 59
Senior Inventory Manager | Malaysian, Female

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.



YEE CHEE YOON, 43
Human Resource Manager | Malaysian, Female

Yee is the Human Resource Manager of the Group responsible for the overall Human Resource management of the Group. She holds an Advanced Diploma in Business Administration and Diploma in Human Resource Management. She started her career working as a Personal Assistant in a reputable bank and later progressed her career in few different industries in electronic, IT and office equipment distribution. In 2014, she joined ECS Kush as Human Resource Manager.





MORE REWARDING LIFESTYLE

Simple to use yet highly engineered products serve to open new possibilities for a more fulfilling lifestyle. New methods of communication bring faraway loved ones closer to the heart. Affordable home gadgets help monitor, track and manage our health. Easily installed home cameras help keep a watchful eye on our living spaces and the people we care for. Applying technology that aids us in our daily activities allows us more time for life's precious moments. Journey with us, as we bring new products packed with the latest technology to your fingertips.

CORPORATE INFORMATION

(As at 25 April 2017)

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

ONG WEI HIAM

Independent Non-Executive Director

WONG HENG CHONG

AHMAD SUBRI BIN ABDULLAH

TAY ENG HOE (re-designated on 3 April 2017)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

Ahmad Subri Bin Abdullah - *Chairman*
Foo Sen Chin
Ho Chee Kit
Ong Wei Hiam (appointed w.e.f. 1 June 2016)

SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
Cheng Chia Ping (MAICSA 1032514)
Lwee Wen Ling (MAICSA 7058065) (resigned w.e.f. 31 December 2016)

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 PLT (converted from a conventional partnership, KPMG, on 27 December 2016),
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

-4.2%

RM1,823.4 million

2015: RM1,903.3 million

PROFIT FOR THE YEAR

-7.2%

RM30.1 million

2015: RM32.5 million

RETURN ON EQUITY

-13.5%

12.2%

2015: 14.1%

EARNINGS PER SHARE

-7.2%

16.7 sen

2015: 18.0 sen

DIVIDENDS PER SHARE

-45.5%

6.0 sen

2015: 11.0 sen

(including special dividend of 5.0 sen)

GROUP FINANCIAL HIGHLIGHTS

cont'd

Financial year ended 31 December	2012	2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Key Operating Results					
Revenue	1,276,120	1,326,266	1,591,117	1,903,299	1,823,383
Gross Profit	85,040	81,438	86,735	97,664	92,609
Profit Before Tax	40,251	36,582	39,202	43,614	40,371
Profit For The Year	29,864	26,888	29,432	32,488	30,142
As at 31 December					
Key Financial Data					
Total Assets	331,520	348,715	411,831	430,102	498,481
Total Liabilities	143,946	144,153	187,737	193,320	242,357
Total Equity	187,574	204,562	224,094	236,782	256,124
Financial Ratio					
	%	%	%	%	%
Revenue Growth/(Decline)	2.0	3.9	20.0	19.6	(4.2)
Return on Equity	16.6	13.7	13.7	14.1	12.2
Dividend Yield ⁽¹⁾	5.3	4.7	5.1	7.1	4.3 ⁽³⁾
Dividend Payout Ratio ⁽²⁾	33.2	36.8	36.7	60.9	35.8 ⁽³⁾

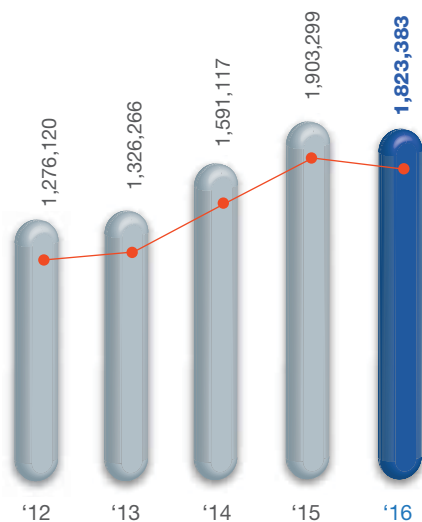
(1) Based on total dividend, inclusive Special Dividend, as a percentage of ECSB share price as at 31 December

(2) Based on total dividend, inclusive Special Dividend, as a percentage of Basic Earnings Per Share

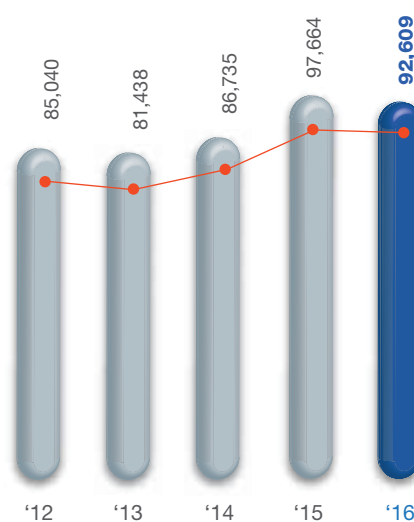
(3) Subject to shareholders' approval on final dividend

GROUP FINANCIAL HIGHLIGHTS

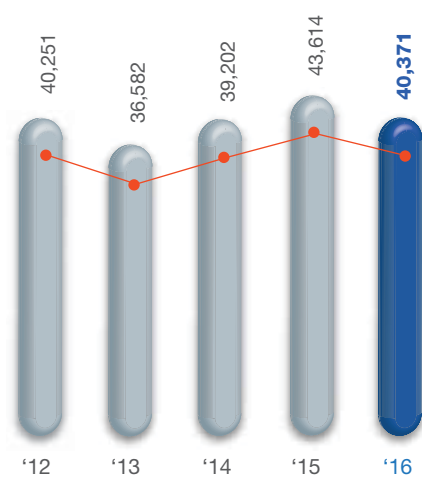
REVENUE
(RM'000)



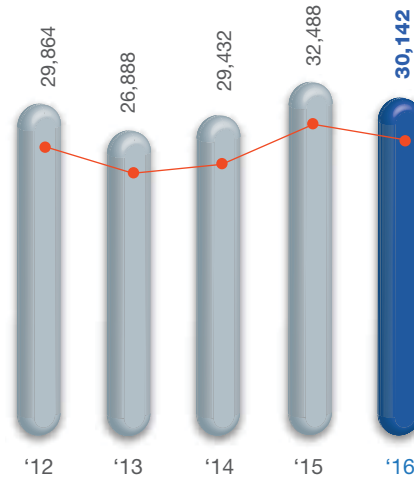
GROSS PROFIT
(RM'000)



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 of Directors ("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 Malaysia Securities Berhad.

(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.

The Board has delegated the responsibilities of the day to day management of the business of the Group to the CEO and Management to ensure the effective implementation of the Group's Business Plan and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation. The roles and responsibilities of the CEO have been clearly set out in the Board Charter.

(2) Clear Roles and Responsibilities of the Board

The Board is responsible for the overall corporate governance, strategic direction, corporate goals and therefore monitors 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 updates the Board on the progress of implementation of the plan regularly. Mr. Soong Jan Hsung ("Mr. Soong"), the Chief Executive Officer ("CEO") updates the Board on the progress of the implementation of the strategic initiatives by the Management at every quarterly Board Meetings.

In these sessions, the Board reviews and deliberates on Management's progress towards achieving the strategic initiatives, as well as providing guidance to Management's methods to deliver the best outcomes.

(b) *Overseeing the conduct of the Company's business*

The Board monitors the performance of Management on a regular basis by having the following regular agenda item in the Board Meetings which is "Group Performance Review for the Current Quarter ended and Current Year-to-date".

For the financial year ended 31 December 2016, 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 (“AC”) 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 the financial year ended 31 December 2016, there were four (4) 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.

At the Board Meeting held on 23 February 2016, Mr. Soong presented the new Organisation chart of the Group. In tandem thereof, the Financial Controller has been promoted to Chief Financial Officer with effect from 1 April 2016.

A copy of this Policy is available under the “Corporate Governance” section of the Group’s 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 a guide for the Board to oversee the development of an effective IR programme and strategy to communicate the Corporate vision and mission, strategies, development, financial plans and prospects to investors, the 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 that 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 64 to 67 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 roles 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 for the Management to support, promote and ensure its compliance:-

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

This Code is formulated for the Board and every 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 to 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.

This Code has been revised on 25 April 2016 and an updated copy of this Code is available for viewing under the "Corporate Governance" section of the Group's corporate website at www.ecsm.com.my.

(b) **ECS 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.

This Code has been revised on 25 April 2016 and an updated 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 members of the public to disclose any improper conduct or action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders;
- Provide proper internal reporting channel to disclose any improper or unlawful conduct in accordance with the procedures as provided for under this policy;
- Address a disclosure in an appropriate and timely manner;
- Provide protection for the whistle-blower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality; and
- Treat both the whistle-blower and the alleged wrongdoer fairly.

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*

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 global change of the promotion of the Financial Controller to Chief Financial Officer, the Whistle-Blowing Policy was revised and updated on 25 April 2016.

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

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

For the financial year ended 31 December 2016 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.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

(4) Sustainability Policy

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

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

A summary of the ESG practices undertaken for the financial year ended 31 December 2016 is set out in the Corporate Responsibility Statement of this Annual Report.

This Policy has been revised on 25 April 2016 and an updated 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 Group, 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 at least three (3) days, prior to Board Meetings and/or Board Committee Meetings. The Board also has full and unrestricted access to information relating to the business and affairs of the Group 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 at least three (3) days 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 Group's expenses through an agreed procedure laid down formally.

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

For the FY2016, Korn Ferry Hay Group has been engaged to provide their professional advice and analysis on the Directors and Board Committee Fees.

(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, Companies Act 2016, 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;

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

(6) Company Secretaries *cont'd*

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

- 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.

Ms. Lwee Wen Ling has resigned as Joint Company Secretary on 31 December 2016.

All two (2) 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 235(2) of the Companies Act, 2016.

For the financial year ended 31 December 2016, 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 Group's, 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.

Consequent to the global change of promotion of the Financial Controller to Chief Financial Officer, the Board Charter has been revised and updated on 25 April 2016.

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

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION

(1) Board Committees

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

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

All of these Committees have written Terms of Reference ("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 is stated in the Audit Committee Report of this Annual Report. A summary of the activities of the Audit Committee during the year is set out in the Audit Committee Report, and an evaluation of the independent audit process, is set out in the Nominating Committee Section below.

(3) Nominating Committee

For the financial year ended 31 December 2016, the Nominating Committee comprises exclusively of Non-Executive Directors, majority being Independent Non-Executive Directors, i.e. three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director as follows:-

Nominating Committee	Number of Nominating Committee Meetings attended/held in the financial year under review
Ho Chee Kit (<i>Chairperson</i>)	2/2
Ahmad Subri Bin Abdullah (<i>Member</i>)	1/2
Wong Heng Chong (<i>Member</i>)	2/2
Ong Wei Hiam (<i>Member</i>)	2/2

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

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.

In view of the recent amendments of the Main LR of Bursa Securities, the TOR of Nominating Committee has been revised and updated by the Board on 27 April 2016.

An updated 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.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION *cont'd*

(3) Nominating Committee *cont'd*

(a) *Activities conducted during the financial year*

For the financial year ended 31 December 2016, the Nominating Committee has undertaken the following activities:-

- (i) Conducted the online assessment of the Board, the Committees of the Board and the contribution of the CEO and Executive Chairman;
- (ii) Conducted the online assessment of the Audit Committee Member's Self and Peers;
- (iii) Assessed the size and composition of the Board;
- (iv) Reviewed the skills and competencies of the Board of Directors;
- (v) Reviewed the independence of the Independent Directors;
- (vi) Reviewed the attendance of the Board Members at Board and Board Committee Meetings;
- (vii) Reviewed the Directors' training programmes attended by the Board of Directors;
- (viii) Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming Annual General Meeting ("AGM") of the Company; and
- (ix) Reviewed the Service Agreement of the Executive Chairman and Chief Executive Officer.

(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.

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

- Tenure; and
- Test of Independence.

The Directors' Assessment Policy has been revised and updated on 25 April 2016.

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*

For financial year ended 31 December 2016, the Nominating Committee has not sourced for any potential candidate for recruitment as Board member using the identified selection criteria as stipulated in the Directors' Assessment Policy.

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

- Mr. Soong Jan Hsung;
- Mr. Tay Eng Hoe; and
- Mr. Ong Wei Hiam.

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; and
- 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.

There is no Director subject to re-appointment of the abovementioned condition at the forthcoming Twenty-First AGM of the Company.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION *cont'd*

(3) Nominating Committee *cont'd*

(d) Annual Assessment of the Board

The Nominating Committee conducted the following assessments annually:-

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

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

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

Based on the Survey conducted for the financial year ended 31 December 2016, 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
- Chief Executive Officer's ("CEO") Role and Responsibilities.

Based on the Evaluation conducted for the financial year ended 31 December 2016, the overall performance in two (2) areas have improved as compared to that of the financial year ended 31 December 2015. The Nominating Committee was therefore satisfied with the performance of the Board and Committee of the Board.

(iii) Evaluation on the contribution of the CEO

The Nominating Committee conducted an evaluation on the contribution of the CEO for the financial year ended 31 December 2016 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 the financial year ended 31 December 2016 and was satisfied with the performance of the Executive Chairman.

(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.

STATEMENT ON CORPORATE GOVERNANCE cont'd

(II) STRENGTHEN COMPOSITION *cont'd*

(3) Nominating Committee *cont'd*

(e) Board Diversity Policy *cont'd*

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 of Malay descent, serves as the Chairman of the Remuneration Committee as well as a member of the Audit Committee and Nominating Committee, respectively.

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 53 years of age and Mr. Ong Wei Hiam, a Non-Independent Non-Executive Director, is 45 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>)	3/3
Ong Wei Hiam (<i>Member</i>) (<i>Appointed on 1 June 2016</i>)	2/2

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 the Remuneration Committee.

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 is sufficient to attract and retain talents.

For the FYE2016, the Remuneration Committee has reviewed and recommended the proposed remuneration of the newly recruited General Manager of ECS Astar Sdn Bhd to the Board of Directors for approval.

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

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(II) STRENGTHEN COMPOSITION *cont'd*

(3) Nominating Committee *cont'd*

(f) Remuneration Committee *cont'd*

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

For the financial year ended 31 December 2016, the aggregate of remuneration received and receivable by the Executive Directors and Non-Executive of the Company and the Group categorised into appropriate components are as follows:

Received from the Company

	Salaries RM'000	Fees RM'000	Benefits-in kind RM'000	Others RM'000	Total RM'000
Executive Directors	-	105	-	-	105
Non-Executive Directors	-	275	-	26	301
	-	380	-	26	406

Received on Group Basis

	Salaries RM'000	Fees RM'000	Benefits-in kind RM'000	Others RM'000	Total RM'000
Executive Directors	3,419	113	67	-	3,599
Non-Executive Directors	-	275	-	26	301
	3,419	388	67	26	3,900

Note: Salary includes bonus and EPF

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

Received from the Company

Range	Executive	Non-Executive
RM50,000 and below	1	2
RM50,001 to RM100,000	1	4

Received on Group basis

Range	Executive	Non-Executive
RM50,000 and below	-	2
RM50,001 to RM100,000	-	4
RM1,750,001 to RM1,800,000	1	-
RM1,800,001 to RM1,850,000	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.

The Directors' Remuneration Policy has been revised and updated on 25 April 2016.

An updated 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 ("INED") of the Company, confirming their independence pursuant to relevant Main LR of Bursa Securities as well as the MCCG 2012 and that they INEDs 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 peers 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 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.

(2) Tenure of Independent Directors

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

The Board 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.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(III) REINFORCE INDEPENDENCE *cont'd*

(3) Separation of Positions 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 Group 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 Group 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, of whom 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 26 of this Annual Report.

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

Notwithstanding the non-adherence to Recommendation 3.5 of the MCCG 2012 which states 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, provides the required checks and balances on the decision-making process of the Board. In addition, pursuant to the Evaluation on the effectiveness of the Board of Directors and the Committees of the Board conducted for the financial year ended 31 December 2016, the Board is satisfied with the current mix of skills and Board composition level.

(IV) FOSTER COMMITMENT

(1) Time Commitment

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

For the financial year ended 31 December 2016, the Board had convened a total of four (4) Board Meetings for the purposes of deliberating on the Group's quarterly financial results at the end of every quarter and discussing important matters which demanded immediate attention and decision-making. During the Board Meetings, the Board reviewed the operation and performance of the Group and other strategic issues that may affect the Group's business. Relevant employees were invited to attend some of the Board Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(IV) FOSTER COMMITMENT *cont'd*

(1) Time Commitment *cont'd*

Review of attendance by the Nominating Committee

The Nominating Committee has been tasked to review the attendance of the Directors at Board and/or Board 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 the financial year ended 31 December 2016.

For financial year ended 31 December 2016, 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
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

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

For the financial year ended 31 December 2016, the Company received one (1) written notification from a Director.

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.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(IV) FOSTER COMMITMENT *cont'd*

(2) Trainings *cont'd*

For the FY2016, the Directors had participated in the following training programmes in addressing their own training needs (hereinafter referred to as the "2016 Directors' Trainings"):-

Name of Directors	Description of Training Programmes
Foo Sen Chin	<ul style="list-style-type: none"> • Best Practices in Promoting Board Effectiveness & Accountability and Updates on Listing Requirements of Bursa Malaysia • Sustainability – Challenges, Opportunities, Managing Stakeholders' Expectations and Reporting • KL CEO Tea Talk • Malaysia 2016 ICT Market Trends and Updates • Canals Channel Forum APAC • PIKOM Leadership Summit 2016
Soong Jan Hsung	<ul style="list-style-type: none"> • Best Practices in Promoting Board Effectiveness & Accountability and Updates on Listing Requirements of Bursa Malaysia • Advocacy Session on MD&A for CEO and CFO • Malaysia 2016 ICT Market Trends and Updates • Canals Channel Forum APAC
Tay Eng Hoe	<ul style="list-style-type: none"> • Best Practices in Promoting Board Effectiveness & Accountability and Updates on Listing Requirements of Bursa Malaysia • Malaysia 2016 ICT Market Trends and Updates
Wong Heng Chong	<ul style="list-style-type: none"> • The New Auditors' Report – Sharing the UK experience • Best Practices in Promoting Board Effectiveness & Accountability and Updates on Listing Requirements of Bursa Malaysia • Malaysia 2016 ICT Market Trends and Updates
Ahmad Subri Bin Abdullah	<ul style="list-style-type: none"> • The New Auditors' Report – Sharing the UK experience • Best Practices in Promoting Board Effectiveness & Accountability and Updates on Listing Requirements of Bursa Malaysia • Malaysia 2016 ICT Market Trends and Updates
Ho Chee Kit	<ul style="list-style-type: none"> • Future of Auditor Reporting – The Game Changer for Boardroom • Best Practices in Promoting Board Effectiveness & Accountability and Updates on Listing Requirements of Bursa Malaysia • Board Chairman Session Part 2: Leadership Excellence from the Chair • Malaysia 2016 ICT Market Trends and Updates
Ong Wei Hiam	<ul style="list-style-type: none"> • Best Practices in Promoting Board Effectiveness & Accountability and Updates on Listing Requirements of Bursa Malaysia • Malaysia 2016 ICT Market Trends and Updates

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 2016 Directors' Trainings were adequate.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

(IV) FOSTER COMMITMENT *cont'd*

(2) Trainings *cont'd*

2017 Directors' Training

Upon review of the training needs of the Directors for the financial year ending 31 December 2017, the Board has requested Management to arrange the courses in relation to succession planning and risk and management to be organised as part of the Directors' continuing education programmes for the financial year ending 31 December 2017.

(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 the financial year ended 31 December 2016 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 the financial year ended 31 December 2016 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 17 March 2017.

The Board ensures that shareholders are presented with a clear, balanced and 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 Suitability and Independence of External Auditors

For the financial year ended 31 December 2016, 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 Audit Committee 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 Group;
- 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 Group;
- 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 Group.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

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

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

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; and
- Tenure of the current auditor.

The Audit Committee noted for the financial year ended 31 December 2016, KPMG PLT (converted from a conventional partnership on 27 December 2016), the External Auditors of the Group confirmed in writing 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 KPMG PLT's technical competency and audit independence during the financial year under review and recommended to the Board the re-appointment of KPMG PLT as External Auditors for the financial year ending 31 December 2017. The Board has in turn, has recommended the same for shareholders' approval at the forthcoming Twenty-First AGM of the Company.

During the financial year ended 31 December 2016, the Audit Committee met twice with the External Auditors without the presence of the Executive Board Members and Management to discuss issues of concern to the External Auditors.

(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 Group's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.

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 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
Foo Sen Chin	Advisor	Executive Chairman
Soong Jan Hsung	Chairman	Chief Executive Officer
Tee Ang Kuan	Member	Group General Manager
Chan Puay Chai	Member	Chief Financial Officer
Chuah Kee Heng	Member	General Manager
Chang Yew Hwa	Member	General Manager
Tan Say Meng	Member	General Manager

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 64 to 67 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

For the financial year ended 31 December 2016, the Board opined that the risk management and internal controls of the Group were effective and adequate.

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.

This policy has been revised on 25 April 2016 and an updated 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.

This policy has been revised on 25 April 2016 and an updated 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 Transactions 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 Transactions 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.

This Policy has been revised on 25 April 2016 and an updated 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 the financial year ended 31 December 2016, the Outsourced Internal Auditors' representative met up three (3) times 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 3 November 2015, the Outsourced Internal Auditors have presented to the Audit Committee the Internal Audit Function's Annual Audit Plan ("the Outsourced Annual Audit Plan") for the year 2016, encompassing the following audit visits and timing:-

(a) First Visit (January – June 2016)

- Project Management for ECS Pericomp Sdn. Bhd.
- Support Services from ECS KU Sdn. Bhd.
- Logistic Management and Delivery Controls
- Half-yearly Recurrent Related Party Transactions ("RRPT") review

(b) Second Visit (July - December 2016)

- Fixed Assets Management
- Finance Management and General Accounting
- ICT Infrastructure and Support
- Half-yearly RRPT review

The Audit Committee has resolved that the Outsourced Annual Audit Plan for the year 2016 be approved for adoption.

For the financial year ended 31 December 2016, 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 the financial year ended 31 December 2016, the In-House Internal Auditors met up four (4) 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 May 2016, the In-House Internal Audit Manager has presented to the Audit Committee the In-House Internal Audit Function's Audit Plan for year 2016 ("2016 Audit Plan"), encompassing the following key areas:-

- Purchasing (Inventory)
- Logistic Operations
- ERP System (AX 2009)
- Sales

The Audit Committee has subsequently approved the In-House Audit Plan for year 2016.

For the financial year ended 31 December 2016, the In-House Internal Audit Department have substantially carried out their audit assignments and reporting as per the approved In-House Audit Plan for year 2016.

(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 Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

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

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

The 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 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 Group 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.

Arising from the implementation of the Companies Act 2016, with effective from 31 January 2017, this Statement have been scheduled for revision during the financial year ending 31 December 2017.

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.

Further to the recent changes to the Main LR issued by Bursa Securities on 25 March 2016 on the requirement for voting for any resolution set out in the notice of general meetings which will apply to general meetings held on or after 1 July 2016, the Board will consider and explore the suitability and feasibility of adopting electronic voting in coming years to facilitate greater shareholders participation at general meetings 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 Twentieth AGM of the Company held on 19 May 2016 to engage with the shareholders personally and proactively.

The Company provides regular investor briefings with 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.

For financial year ended 31 December 2016, the Company has held four (4) analysts briefing and issued four (4) press releases.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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.

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 operational matters.

Secondary Spokesperson:

- i) Chief Financial Officer/Company Secretary

The Chief Financial Officer/Company Secretary 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 global change of the promotion of the Financial Controller to Chief Financial Officer, the IR Policy has been revised and updated on 25 April 2016.

An updated 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 the financial year ended 31 December 2016, 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 17 March 2017.

CORPORATE RESPONSIBILITY STATEMENT

ECSB firmly believes that having a strong commitment to Corporate Responsibility (“CR”) is the foundation of good corporate citizenship. By consciously infusing CR into our Group’s operations, we strive to foster a milieu to manage our business positively, whilst keeping in mind the best interests of our key stakeholders, from shareholders to customers and employees, in a socially responsible manner.

In order to achieve this goal, the Group, through our Environmental, Social & Governance (“ESG”) Committee, is tasked with driving workplace initiatives and community events throughout the year. We aim to create a positive impact to the local community and overall environment.

WORKPLACE

As the place of work is reckoned to be the second home of employees, the Group continuously endeavours to provide its employees with the best of ergonomics and safety at the workplace to ensure efficiency and productivity. We also aim to show our appreciation for the diligent efforts and commitment of our employees in making the workplace a conducive environment for all.

The Group practices the principle of equal opportunities in career advancement and rewards dedicated employees for their performance and merits accordingly. As at 28 February 2017, ECSB employs 381 employees, with a composition of 191 male to 190 female employees. The workforce age ranges from 21 years to 60 years, with 79% of the workforce in the age group of 21 to 40 years. The composition of ECSB’s workforce provides a healthy combination of young dynamic individuals and highly knowledgeable industry veterans to operate in this competitive ICT industry.

We recognise our employees as key assets to the Group’s success, therefore we provide continual investment in our employees to improve their skillsets to remain relevant in the dynamic ICT sector. Training programmes relating to corporate governance and statutory requirements, ICT industry certifications, operational health & safety, and workforce soft skills are regularly held through the year. This ensures that the existing workforce and new employees are equipped with the necessary skills and competencies to deliver results while nurturing new talents and abilities. In 2016, the following training programmes and employee participation were recorded as follows:

Types of training	No. of sessions conducted	No. of participating employees
Vendor Certification and Product Knowledge Competency	31	31
Workplace Health and Safety, Employee Soft Skills and Personal Development	51	197

The Group positions knowledge sharing as an essential tool for good communication and synchronised growth regardless of information relating to work or non-work. Throughout the year, we had the privilege of inviting professionals and subject-matter experts as guest speakers to deliver talks and seminars on various topics such as efficient operations, general well-being and health as well as fire safety. In addition, four (4) ESG committee members had the opportunity to attend a First Aid Training session conducted by St. John Ambulance Malaysia. ECSB currently has 7 certified First-Aid providers, and are assigned to a specific area of responsibility covering all the working floors within the main office building.

The Group places the safety of our employees with utmost priority to ensure that the workplace remains an incident-free and injury-free environment. This is fulfilled through our quarterly office walks (safety inspection and workplace improvement), bi-annual fire drills, call-tree notification exercises, and risk awareness campaigns. Our office walks are carried out by the Health & Safety Group members, who will tour the office and compound as well as the warehouse to review and mitigate any workplace obstructions and potential hazards to ensure that the workplace remains safe and tidy at all times.

The Group continues to promote healthy living by educating our workforce on the importance of proper eating habits and regular exercise as part of a balanced lifestyle. The ECSB main office has a general health-check facility, which allows employees to measure and monitor their weight, blood pressure and blood glucose readings. Of course, we too, highly encourage physical interaction and camaraderie through the activities organised exclusively for employees by our Sports Club. In 2016, the Sports Club has hosted various fun activities, namely a day at Flip Out, a trampoline park located in the vicinity of office neighbourhood, Laser Tag competition, bowling competition, and weekly badminton sessions. During the year, the Group brought in a team from an accredited Medical Centre to provide basic health screening services for all of our employees.

CORPORATE RESPONSIBILITY STATEMENT

WORKPLACE *cont'd*

To continuously accentuate the importance of excellence even in our employees' families, the Group has implemented an annual Employee Children Education Incentive Scheme in December 2016. The programme aims to motivate and reward schoolgoing children to pursue good academic results in their education. Qualified achievers in this programme are awarded in March 2017.

ENVIRONMENT

The Group believes that it has a moral and social responsibility in playing an active role to reduce its carbon footprint and contribute towards a greener environment. We implemented various energy saving measures including the conversion to LED lighting at the office workplace in May 2016 to reduce energy consumption. The Group also plans to convert the warehouse lighting system to LED lighting in 2017.

We continuously strive to reduce wastage with our packaging supplies within our warehouse. Used materials such as paper, plastic and wooden pallets are both recycled or reused (depending on suitability) for repackaging and reshipment purposes. In 2016, the breakdown of materials reused or recycled were as follows:

Material	Total amount recycled	Total amount reused
Paper	15,159 kg	6,060 kg
Plastic	1,206 kg	2,050 kg
Shipping Pallets	5,760 units	1,200 units

The ESG Committee regularly engages specialist recycling companies whereby recyclable waste items from the ECSB office are collected for recycling. ECSB employees play an active part in helping to recycle both office and home waste to increase collection yield.

COMMUNITY

In the efforts of giving back to the wider community, we collaborated with the National Blood Bank (Pusat Darah Negara) once again to organise a blood donation drive at our office premises. We are proud that this event was conducted successfully with an excess of 20 litres of blood donated for this campaign in 2016.

MARKET PLACE

ECSB is mindful of the importance for timely and thorough dissemination of accurate and useful information relating to our operations to our stakeholders. In respect of continual transparency, we stringently observe the disclosure requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Accounting Standards Board.

Apart from the mandatory public announcements through Bursa Securities, the Group's corporate website at <http://www.ecsm.com.my> provides the public with easy access to information pertaining to the Group's business updates, financial and non-financial information. Additionally, stakeholders are able to submit queries to the Group via this website.

In order to provide clear and transparent two-way communication between the Group and our stakeholders as well as the investment community, ECSB's Executive Chairman, Chief Executive Officer and other senior management are actively involved in the Group's Investor Relations ("IR") activities, which includes regular analyst and fund manager engagement through analyst briefings.

This Corporate Responsibility Statement is made in accordance with the Resolution of the Board of Directors passed on 17 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of ECS ICT Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2016, which has been prepared pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 Enterprise Risk Management ("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.

During the year under review, the ERM Committee developed a risk assessment template, whereby the current year actual incidences and impacts for the respective risks identified were recorded for review and mitigating actions were established.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BUSINESS CONTINUITY MANAGEMENT

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

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

During the year under review, the Group has performed notification-tree exercises to test responses from employees following a notification of an event with regards to BCM and the results were satisfactory.

Further to that, the Group also performed an Enterprise Resource Planning (“ERP”) system failover test to remote site and the results were positive. 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.

Internal audit functions are executed by an outsourced independent professional firm and in-house internal audit team respectively to review the sufficiency and adequacy of key internal controls on auditable areas, to highlight any weaknesses in internal control of existing standard practices and to provide recommendations to improve the internal controls within the Group.

The Internal Auditors report directly to the Audit Committee on improvement measures pertaining to internal controls, 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 adhered to. In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board its activities, significant results, findings and the necessary recommendations for improvement.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

KEY INTERNAL CONTROL PROCESSES *cont'd*

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

- 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.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

- 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 the year ended 31 December 2016, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS *cont'd*

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.

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 17 March 2017.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors of ECS ICT Berhad is pleased to present the Report of Audit Committee which provides insights as to the manner the Audit Committee discharged its functions for the Group for financial year ended 31 December 2016 ("FY 2016").

COMPOSITION AND ATTENDANCES

The Audit Committee ("AC") comprises four (4) members, which consist of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. This complies with Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

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

Directors		Designation	Attendance
Wong Heng Chong	<i>Chairman</i>	<i>Independent Non-Executive Director</i>	4 out of 4 meetings
Ho Chee Kit	<i>Member</i>	<i>Senior Independent Non-Executive Director</i>	4 out of 4 meetings
Ahmad Subri Bin Abdullah	<i>Member</i>	<i>Independent Non-Executive Director</i>	3 out of 4 meetings
Ong Wei Hiam	<i>Member</i>	<i>Non-Independent Non-Executive Director</i>	4 out of 4 meetings

The AC Chairman, Mr. Wong Heng Chong, is a member of Chartered Accountants Australia and New Zealand and Malaysian Institute of Accountants, whereas, Mr. Ong Wei Hiam, an AC member, is a fellow member of Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, respectively.

In view thereof, the Company has well exceeded the minimum requirement as set forth under Paragraph 15.09(1)(c) of the Main LR of Bursa Securities.

Online Assessment on Term of Office and Performance

The Company has developed its proprietary online AC members' self and peer assessments survey which was duly completed by the AC members. Upon review, the Nominating Committee noted the AC and its members have carried out their duties in accordance with the Terms of Reference of AC, thereby complying with Paragraph 15.20 of the Main LR of Bursa Securities.

Meetings

For the FY 2016, the AC held four meetings as follow:-

No.	AC Meeting	Date of Meeting	Private session with External Auditors without Executive Board members and Management
(1)	26th AC Meeting	22 February 2016	√
(2)	27th AC Meeting	4 May 2016	
(3)	28th AC Meeting	2 August 2016	
(4)	29th AC Meeting	2 November 2016	√

For FY 2016, two (2) private sessions were held with the External Auditors without the presence of the Executive Board members and Management ("Private Sessions").

As a standing practice, the Chief Executive Officer and the Chief Financial Officer were invited to attend all AC Meetings (except the "Private Sessions") to facilitate the presentation as well as to provide clarification on audit issues arising from the Group's operations. The Head of in-house Internal Audit Department and the outsourced professional Internal Auditors were invited to attend AC Meetings to table their respective Internal Audit ("IA") reports.

REPORT OF THE AUDIT COMMITTEE

cont'd

COMPOSITION AND ATTENDANCES *cont'd*

Meetings *cont'd*

Minutes of the AC Meetings were recorded by the Company Secretaries and tabled for confirmation at the next following AC Meeting and subsequently presented to the Board for notation. The AC Chairman conveyed to the Board on issues of significant concern raised by the AC, Internal Auditors and/or External Auditors.

Terms of Reference

In view of the recent amendments of the Main LR of Bursa Securities, the Terms of Reference ("TOR") of the AC has been reviewed and revised by the AC and the same has been recommended to the Board for adoption. Accordingly, the revised TOR of the AC was approved by the Board via a Directors' circular resolution dated 27 April 2016.

The updated TOR of the AC is available under "Corporate Governance" section on the Company's website at www.ecsm.com.my.

ACTIVITIES OF THE AUDIT COMMITTEE

The following is a summary of the main activities carried out by the Committee during the FY 2016:

(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 of the Group for the consideration and approval of the Board of Directors, focusing particularly on:
 - a) The overall performance of the Group;
 - b) The prospects for the Group;
 - c) The changes and implementation of major accounting policies and practices; and
 - d) Compliance with accounting standards and other legal requirements.
- 2) Reviewed the significant assumptions made in preparing the financial statements, including accounting estimates that have been identified as having high estimation uncertainty. The following significant matters in relation to the preparation of unaudited quarterly financial results were identified by the AC for FY 2016:-
 - Allowance for Doubtful Accounts;
 - Inventory Obsolescence;
 - Monitor of Key Financial Liabilities;
 - Fair Value Accounting Estimates

(b) Oversight of External Auditors

- 1) Reviewed with the External Auditors, KPMG PLT the Audit Planning Memorandum covering their scope of works, audit methodology, audit plan as well as the proposed fees for the statutory audit and thereafter recommended the same to the Board for approval;
- 2) Reviewed the External Auditors' Report for FY 2016;
- 3) Reviewed updates on the introduction of Malaysian Reporting Financial Standards and how they have impacted the Group and monitored the progress made by Management in meeting the new reporting requirements;
- 4) Received updates by the External Auditors on changes to the relevant guidelines on the regulatory and statutory requirements;
- 5) Two (2) private sessions were held with the External Auditors without the presence of management to discuss on issues of concern and the minutes of those sessions were separately recorded;
- 6) Reviewed the performance of the External Auditors for FY 2016 before recommending to the Board their re-appointment at the forthcoming AGM in 2017;

REPORT OF THE AUDIT COMMITTEE

cont'd

ACTIVITIES OF THE AUDIT COMMITTEE *cont'd*

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

- 7) Conducted the annual assessment on the suitability and independence of the External Auditors and received written assurance from the External Auditors confirming that they were, and have been independent throughout the conduct of their audit engagement in accordance with all relevant professional and regulatory requirements;

(c) Oversight of internal auditors and internal audit function

The AC notes that the Company maintains an Internal Audit Department ("IAD"), as well as the engagement of an outsourced professional firm, i.e. Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly") with distinct scope of works and responsibilities.

- 1) For IAD, the AC has carried out the following works:-
 - Reviewed the Internal Audit Plan 2017 tabled by the Internal Audit Manager to ensure the adequate coverage of the internal audit programme and recommended the same be tabled to the Board for notation;
 - Reviewed the Internal Audit Reports and recommendations for corrective actions tabled by the Internal Audit Manager;
 - Reviewed and satisfied with the performance of the Internal Audit Manager for FY 2016 using the newly adopted assessment form;
 - Noted the recruitment of an Internal Audit Assistant Manager to beef up the resources and strength of the IAD;
- 2) For the outsourced Internal Auditors, the AC has carried out the following works:-
 - Reviewed the Internal Audit Annual Plan 2017 tabled by Baker Tilly to ensure the adequate coverage of the internal audit programme and recommended the same be tabled to the Board for notation;
 - Reviewed the Internal Audit Reports and recommendations for corrective actions tabled by Baker Tilly;
 - Reviewed and satisfied with the performance of the Baker Tilly for FY 2016 using the newly adopted assessment form;
- 3) For the Internal Audit function:-
 - Adopted an Internal Audit Charter in order to formalise the remit of the internal Audit function and the process to review the adequacy of scope, functions, competency, and resources of the internal audit function;
 - Adopted the assessment form on the Internal Audit function for In-House and Outsourced Internal Auditors during the FY 2016 as a tool to monitor the performance of both the IAD as well as the outsourced Internal Auditors.

(d) Review of related party transactions ("RPTs")

- 1) Reviewed the RPTs entered into by the Company and the Group on a quarterly basis and concluded that there were no conflict of situation that might arise within the Company or Group for the applicable period;
- 2) Received additional assurance from the Outsourced Internal Auditors in the form of RPTs report with satisfactory rating based on the review by the latter the tested samples of sales transactions entered into by the Company and its subsidiaries were at arm's length with reasonable profit margin earned by the Group.

REPORT OF THE AUDIT COMMITTEE

cont'd

ACTIVITIES OF THE AUDIT COMMITTEE *cont'd*

(e) Oversight of ERM Committee and risk management function

An Enterprise Risk Management ("ERM") Committee comprising the CEO, CFO and selected Head of Subsidiaries has been established by the Board. The ERM Committee which reports directly to the AC, has the primary responsibility of ensuring the effective functioning of ERM Framework.

In FY2016, the ERM Committee conducted the Business Continuity Management ("BCM") activities involving the conduct of notification trees exercise with 99% rate of successful contacts and the successful conduct of fire drills organised by the Fire Drill committee.

The ERM Committee reviewed the overall risks assessment template with records of events and impact for year 2016 and proposed the change in risk ranking and risk assessment template due to unexpected loss of key management personnel.

The ERM Committee also noted the comparison and subscription of Trade Credit Insurance by Management with the purpose of protecting the business against commercial risks and to minimise the risk of sudden or unexpected customer insolvency.

The ERM Committee also reviewed the Statement of Risk Management and Internal Control for adequacy of disclosures before submitting for the Board's approval and the subsequent inclusion in the Company's Annual Report and reported to the Board of Directors on its activities, any significant issues and results.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

Internal Audit Function

During the financial year under review, the Company has expanded its internal audit function by recruiting an Internal Audit Assistant Manager to assist the Head of Internal Audit, Mr. Ng Chee Mun, a Bachelor Degree holder in Accounting and an associate member of the Institute of Internal Auditors Malaysia in addition to the current outsourced internal audit function of a professional company.

The Internal Auditor reports functionally and independently to the AC and is independent of management and of the activities 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 AC in the form of Internal Audit Charter includes furnishing the AC with audit reports which include independent analyses, appraisals, advices and information on the activities reviewed.

Activities

- 1) Adopted an Internal Audit Charter in order to formalise the remit of the internal Audit function and the process to review the adequacy of scope, functions, competency, and resources of the internal audit function;
- 2) During FY 2016, the IAD and Outsourced Internal Auditors carried out audit assignments in accordance with the approved audit plan 2016 for the Group.
- 3) Both the IAD and Outsourced Internal Auditors have tabled their Audit Plan for 2017 to the AC for approval and the same has been recommended by the AC to the Board for notation.
- 4) The Audit reports covering the following areas with relevant audit recommendations and management's responses in regards to any audit findings on the weaknesses in the systems and controls of the operations were presented to the AC for discussion:-
 - review of credit control function, key financial liabilities and inventory management presented by IAD; and
 - Baker Tilly presented their review report on Sales Order Processing & Billing, Safety, Security and Insurance Management and Human Resource and Payroll Record Management for first half year audit; and Project Management for Pericomp, Support Services from ECS KU Sdn. Bhd and Logistic Management and Delivery Controls for ECS Group for second half year audit.

REPORT OF THE AUDIT COMMITTEE

INTERNAL AUDIT FUNCTION AND ACTIVITIES *cont'd*

Activities *cont'd*

Baker Tilly:-

First half year audit:-

- (i) Sales Order Processing & Billing;
- (ii) Safety, Security and Insurance Management; and
- (iii) Human Resource and Payroll Record Management.

Second half year audit:-

- (i) Project Management for Pericomp;
- (ii) Support Services from ECS KU Sdn. Bhd.; and
- (iii) Logistic Management and Delivery Controls for the Group.

Assessment on adequacy and performance

The AC has conducted an assessment to assess the adequacy and performance of the Outsourced IA and In-house IA for FY 2016 based on the following main criteria:-

- (i) Qualification and Experience;
- (ii) Understanding;
- (iii) Charter and Structure;
- (iv) Skills and experiences;
- (v) Communication;
- (vi) Internal Audit Function;
- (vii) In-house IA Assessment;
- (viii) Outsourced IA Assessment; and
- (ix) Performance.

Upon evaluation, the AC concluded that the overall performance of the Outsourced and In-house IA for FY 2016 was "Satisfactory" and the AC was satisfied with the adequacy and performance of the Outsourced and In-house IA during the financial year under review.

Costs incurred for FY 2016

The total cost incurred for the internal audit function for FY 2016 was RM193,576, segregated in the following manner:-

- 1) IAD - RM156,376
- 2) Baker Tilly - RM37,200

This Report of the Audit Committee is made in accordance with the Resolution of the Board of Directors passed on 17 March 2017.

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. AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2016, the External Auditors have rendered audit and non-audit services to the Company and the Group, a breakdown of which is listed as below for information:-

	Group RM	Company RM
Audit services rendered	193,000	63,000
Non-audit services rendered		
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 affiliate	31,100	6,300
Total of Non-audit Fees	43,100	18,300

4. 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 the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

5. DIRECTORS' TRAINING AND EDUCATION

The Directors attended numerous trainings during the financial year ended 31 December 2016 and the details of trainings are disclosed the Statement on Corporate Governance on page 54 of this Annual Report.

6. 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.

7. SHARE ISSUANCE SCHEME FOR EMPLOYEES

The Group did not offer any share scheme for employees during the financial year ended 31 December 2016.

8. LIST OF PROPERTIES

The Group did not own any properties as at 31 December 2016.

STATEMENT OF DIRECTORS' RESPONSIBILITY

in relation to the preparing 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 of 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 of the Company for the financial year ended 31 December 2016:-

- 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 17 March 2017.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

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	30,142	10,798

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 2015 on 15 June 2016; and
- ii) a single tier interim dividend of 3.0 sen per ordinary share, totalling RM5,400,000 in respect of the financial year ended 31 December 2016 on 14 December 2016.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2016 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

DIRECTORS' REPORT

for the year ended 31 December 2016
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 31.12.2016
	At 1.1.2016	Bought	Sold	
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 2016 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.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

for the year ended 31 December 2016

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 2016 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, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), 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
Director

Soong Jan Hsung
Director

Petaling Jaya

Date: 17 March 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Plant and equipment	3	3,158	3,413	1,175	1,220
Intangible asset	4	571	571	-	-
Investments in subsidiaries	5	-	-	77,022	77,022
Investment in club membership		62	62	-	-
Deferred tax assets	13	1,385	1,676	-	-
Receivables and deposits	7	4,613	-	-	-
Total non-current assets		9,789	5,722	78,197	78,242
Inventories	6	113,447	110,835	-	-
Receivables and deposits	7	262,250	196,851	22,055	9,456
Prepayments		441	333	106	79
Derivative financial assets	8	2,339	124	-	-
Cash and cash equivalents	9	110,215	116,237	19,544	31,966
Total current assets		488,692	424,380	41,705	41,501
Total assets		498,481	430,102	119,902	119,743
Equity					
Share capital	10	90,000	90,000	90,000	90,000
Reserves	11	166,124	146,782	28,701	28,703
Total equity attributable to owners of the Company		256,124	236,782	118,701	118,703
Liabilities					
Deferred tax liabilities	13	-	-	90	53
Total non-current liabilities		-	-	90	53
Payables and accruals	12	240,639	189,867	972	858
Derivative financial liabilities	8	-	155	-	-
Tax payable		1,718	3,298	139	129
Total current liabilities		242,357	193,320	1,111	987
Total liabilities		242,357	193,320	1,201	1,040
Total equity and liabilities		498,481	430,102	119,902	119,743

The notes on pages 84 to 123 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
Revenue	14	1,823,383	1,903,299	12,605	21,109
Cost of sales		(1,730,774)	(1,805,635)	-	-
Gross profit		92,609	97,664	12,605	21,109
Other income		2,671	475	-	1
Distribution expenses		(34,069)	(34,935)	-	-
Administrative expenses		(22,134)	(21,612)	(2,983)	(2,517)
Results from operating activities	15	39,077	41,592	9,622	18,593
Finance income	16	2,077	2,024	1,745	1,596
Finance costs	17	(783)	(2)	-	-
Net finance income		1,294	2,022	1,745	1,596
Profit before tax		40,371	43,614	11,367	20,189
Tax expense	19	(10,229)	(11,126)	(569)	(475)
Profit for the year/Total comprehensive income for the year attributable to owners of the Company		30,142	32,488	10,798	19,714
Earnings per share attributable to owners of the Company:					
Basic (sen)	20	16.7	18.0		

The notes on pages 84 to 123 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Note	← Attributable to owners of the Company →			Total equity RM'000
		← Non-distributable →		Distributable	
		Share Capital RM'000	Merger reserve RM'000	Retained earnings RM'000	
Group					
At 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 2015/1 January 2016		90,000	-	146,782	236,782
Profit for the year/Total comprehensive income for the year		-	-	30,142	30,142
Dividends to owners of the Company	21	-	-	(10,800)	(10,800)
At 31 December 2016		90,000	-	166,124	256,124
		Note 10			
Company					
At 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 2015/1 January 2016		90,000	22,961	5,742	118,703
Profit for the year/Total comprehensive income for the year		-	-	10,798	10,798
Dividends to owners of the Company	21	-	-	(10,800)	(10,800)
At 31 December 2016		90,000	22,961	5,740	118,701
		Note 10	Note 11.1		

The notes on pages 84 to 123 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
Profit before tax		40,371	43,614	11,367	20,189
Adjustments for:					
Depreciation of plant and equipment	3	1,493	1,397	339	265
Gain on disposal of plant and equipment		(2)	(20)	-	(1)
Loss/(Gain) on foreign exchange					
- Unrealised		2,199	(48)	-	-
Finance costs		783	2	-	-
Finance income		(2,077)	(2,024)	(1,745)	(1,596)
Dividend income		-	-	(10,100)	(19,400)
Plant and equipment written off		6	3	-	-
Fair value changes on financial instruments		(2,370)	665	-	-
Operating profit/(loss) before changes in working capital		40,403	43,589	(139)	(543)
Changes in working capital:					
Inventories		(2,612)	8,524	-	-
Receivables, deposits and prepayments		(70,803)	(445)	(30)	207
Payables and accruals		48,573	4,704	122	7
Cash generated from/(used in) operations		15,561	56,372	(47)	(329)
Tax paid		(11,518)	(10,616)	(522)	(368)
Net cash generated from/(used in) operating activities		4,043	45,756	(569)	(697)
Cash flows from investing activities					
Acquisition of plant and equipment		(1,248)	(1,516)	(294)	(629)
Proceeds from disposal of plant and equipment		6	26	-	2
Dividends received		-	-	10,100	19,400
Net cash (used in)/generated from investing activities		(1,242)	(1,490)	9,806	18,773

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from financing activities				
(Repayments to)/Advances from subsidiaries	-	-	(12,604)	3,956
Interest paid	(1)	(2)	-	-
Interest received	1,978	2,024	1,745	1,596
Dividends paid to owners of the Company	(10,800)	(19,800)	(10,800)	(19,800)
Net cash used in financing activities	(8,823)	(17,778)	(21,659)	(14,248)
Net (decrease)/increase in cash and cash equivalents	(6,022)	26,488	(12,422)	3,828
Cash and cash equivalents at 1 January	116,237	89,749	31,966	28,138
Cash and cash equivalents at 31 December	110,215	116,237	19,544	31,966

Cash and cash equivalents

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

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	9	38,815	20,565	105	92
Deposits with licensed banks	9	70,842	95,129	19,439	31,874
Liquid investments	9	558	543	-	-
		110,215	116,237	19,544	31,966

The notes on pages 84 to 123 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 2016 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 2016 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 17 March 2017.

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 2017

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

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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128, and Amendments to MFRS 140 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the abovementioned 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 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*.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. BASIS OF PREPARATION *cont'd*

(a) Statement of compliance *cont'd*

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

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

(iii) **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15, MFRS 9 and MFRS 16.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than Note 4 - Measurement of recoverable amounts of cash-generating units.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) *Subsidiaries*

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

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

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

(ii) *Business combinations*

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

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

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

(iii) *Acquisition of non-controlling interests*

The Group accounts for changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

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

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), 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 (see Note 2(i)(i)).

Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

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

Financial liabilities cont'd

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

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

(iii) **Financial guarantee contracts**

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

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

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

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

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

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

(v) **Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Plant and equipment

(i) **Recognition and measurement**

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

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.

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

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

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

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

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

Level 3: unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(r) Fair value measurements *cont'd*

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 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 2015/1 January 2016	10,555	261	1,954	1,948	14,718
Additions	618	45	-	585	1,248
Disposals	(40)	-	-	-	(40)
Written off	(48)	-	-	(1)	(49)
At 31 December 2016	11,085	306	1,954	2,532	15,877
Accumulated depreciation					
At 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 2015/1 January 2016	7,822	195	1,576	1,712	11,305
Depreciation for the year	1,052	39	236	166	1,493
Disposals	(36)	-	-	-	(36)
Written off	(42)	-	-	(1)	(43)
At 31 December 2016	8,796	234	1,812	1,877	12,719
Carrying amounts					
At 1 January 2015	2,459	115	612	117	3,303
At 31 December 2015/1 January 2016	2,733	66	378	236	3,413
At 31 December 2016	2,289	72	142	655	3,158

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PLANT AND EQUIPMENT *cont'd*

	Office equipment RM'000
Company	
Cost	
At 1 January 2015	1,173
Additions	629
Disposals	(2)
At 31 December 2015/1 January 2016	1,800
Additions	294
At 31 December 2016	2,094
Accumulated depreciation	
At 1 January 2015	316
Depreciation for the year	265
Disposals	(1)
At 31 December 2015/1 January 2016	580
Depreciation for the year	339
At 31 December 2016	919
Carrying amounts	
At 1 January 2015	857
At 31 December 2015/1 January 2016	1,220
At 31 December 2016	1,175

4. INTANGIBLE ASSET

Goodwill

	Note	Group	
		2016 RM'000	2015 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 8.3% (2015: 7.3%), 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% (2015: 5.5%).

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 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	
			2016 %	2015 %
ECS Astar Sdn. Bhd.	Malaysia	All these companies are engaged in the marketing of computers, peripherals, software and the provision of computer maintenance services.	100	100
ECS Pericomp Sdn. Bhd.	Malaysia		100	100
ECS KU Sdn. Bhd.	Malaysia		100	100
ECS KUSH Sdn. Bhd.	Malaysia	Provision of management services and letting of properties	100	100

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Finished goods	110,514	109,797
Goods-in-transit	2,933	1,038
	113,447	110,835
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,752,622	1,829,834
Write-down to net realisable value	1,844	95
Reversal of write-down	-	(1,244)

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

7. RECEIVABLES AND DEPOSITS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade					
Non-current					
Receivable	7.1	4,613	-	-	-
Current					
Receivables		254,061	191,242		
Less: Impairment loss	7.2	(915)	(2,782)	-	-
		253,146	188,460	-	-
Amount due from subsidiaries	7.3	-	-	405	368
		253,146	188,460	405	368
Non-trade					
Other receivables		7,612	6,700	-	-
Deposits	7.4	1,492	1,691	8	5
Amount due from subsidiaries	7.5	-	-	21,642	9,083
		9,104	8,391	21,650	9,088
		262,250	196,851	22,055	9,456

7.1 Non-current trade receivable

The amount owing by non-current trade receivable is unsecured, non-interest bearing with full repayment in 2018.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. RECEIVABLES AND DEPOSITS *cont'd*

7.2 Impairment loss

During the year, trade receivables amounting to RM595,000 (2015: RM108,000) was written off against the impairment loss.

7.3 Amount due from subsidiaries (Trade)

The amount due from subsidiaries is unsecured, non-interest bearing and subject to normal trade terms.

7.4 Deposits

Included in deposits of the Group is an amount of RM960,000 (2015: RM960,000) paid as rental security deposits to a company in which a Director has substantial interests.

7.5 Amount due from subsidiaries (Non-trade)

Included in the amount due from subsidiaries is a non-trade short-term loan of RM21,600,000 (2015: RM9,000,000) which is unsecured, bears interest at 5.5% (2015: 5.0%) per annum and repayable on demand.

8. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

	2016			2015		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Forward exchange contracts	116,416	2,339	-	72,441	124	(155)

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	38,815	20,565	105	92
Deposits with licensed banks	70,842	95,129	19,439	31,874
Liquid investment*	558	543	-	-
	110,215	116,237	19,544	31,966

* *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	Amount	Number
	2016	of shares	2015	of shares
	RM'000	2016	RM'000	2015
	'000	'000	'000	'000
Authorised:				
Ordinary shares of RM0.50 each	500,000	1,000,000	500,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	90,000	180,000	90,000	180,000

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

11. RESERVES

	Note	Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Merger reserves	11.1	-	-	22,961	22,961
Retained earnings		166,124	146,782	5,740	5,742
		166,124	146,782	28,701	28,703

11.1 Merger reserve

Company

The merger reserve of the Company represents the premium arising on the shares issued in respect of the subsidiaries accounted for under the merger method of accounting which is credited to the merger reserve account in accordance with the relief granted by Section 60(4) of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS

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12. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade					
Trade payables		195,297	140,083	-	-
Deferred revenue		112	135	-	-
Amount due to subsidiaries		-	-	17	35
		195,409	140,218	17	35
Non-trade					
Other payables and accrued expenses	12.1	45,230	49,649	802	680
Amount due to subsidiaries	12.2	-	-	153	143
		45,230	49,649	955	823
		240,639	189,867	972	858

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 RM20,082,000 (2015: RM21,285,000).

12.2 Amount due to subsidiaries (Non-trade)

The amount due to subsidiaries is unsecured, non-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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group						
Plant and equipment	86	137	(260)	(324)	(174)	(187)
Provisions	1,600	1,709	-	-	1,600	1,709
Other items	(41)	154	-	-	(41)	154
Tax assets/(liabilities)	1,645	2,000	(260)	(324)	1,385	1,676
Set off of tax	(260)	(324)	260	324	-	-
Net tax assets	1,385	1,676	-	-	1,385	1,676
Company						
Plant and equipment	-	-	(122)	(87)	(122)	(87)
Provisions	32	34	-	-	32	34
Tax assets/(liabilities)	32	34	(122)	(87)	(90)	(53)
Set off of tax	(32)	(34)	32	34	-	-
Net tax liabilities	-	-	(90)	(53)	(90)	(53)

NOTES TO THE FINANCIAL STATEMENTS

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

Movement in temporary differences during the year

	At 1.1.2015 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.12.2015/ 1.1.2016 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.12.2016 RM'000
Group					
Plant and equipment	(314)	127	(187)	13	(174)
Provisions	1,827	(118)	1,709	(109)	1,600
Other items	(99)	253	154	(195)	(41)
	1,414	262	1,676	(291)	1,385
Company					
Plant and equipment	(53)	(34)	(87)	(35)	(122)
Provisions	31	3	34	(2)	32
	(22)	(31)	(53)	(37)	(90)

14. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods	1,821,937	1,900,973	-	-
Services	1,446	2,326	1,008	948
Rental income from subsidiaries	-	-	1,497	761
Dividend income from subsidiaries	-	-	10,100	19,400
	1,823,383	1,903,299	12,605	21,109

NOTES TO THE FINANCIAL STATEMENTS

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15. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Results from operating activities are arrived at after charging:				
Auditors' remuneration				
- Audit fees				
KPMG in Malaysia	193	172	63	58
- Non-audit fees				
KPMG in Malaysia	12	12	12	12
Local affiliates of KPMG in Malaysia	31	29	6	6
Depreciation of plant and equipment	1,493	1,397	339	265
Impairment loss on trade receivables	-	1,737	-	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	2,713	2,568	89	84
- Wages, salaries and others	34,361	33,505	923	815
Inventories written down	1,844	95	-	-
Plant and equipment written off	6	3	-	-
Rental expense:				
- Office rental	1,488	1,474	18	18
- Warehouse rental	640	638	-	-
Fair value loss on financial instruments	-	665	-	-
Loss on foreign exchange (net):				
- Realised	-	-	2	-
- Unrealised	2,199	-	-	-
and after crediting:				
Dividend income from subsidiaries (unquoted)	-	-	10,100	19,400
Rental income	-	-	1,497	761
Gain on foreign exchange (net):				
- Realised	1,798	909	-	-
- Unrealised	-	48	-	-
Gain on disposal of plant and equipment	2	20	-	1
Bad debts recovered	706	164	-	-
Fair value gain on financial instruments	2,370	-	-	-
Reversal of impairment loss on trade receivables	504	-	-	-
Reversal of inventories written down	-	1,244	-	-

NOTES TO THE FINANCIAL STATEMENTS

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16. FINANCE INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income of financial assets at fair value through profit or loss	99	-	-	-
Interest income of financial assets that are not at fair value through profit or loss:				
- Recognised before impairment	1,978	2,024	1,745	1,596
	2,077	2,024	1,745	1,596

17. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense of financial assets at fair value through profit or loss	782	-	-	-
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Overdraft	1	2	-	-
	783	2	-	-

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors				
- Fees	392	390	380	376
- Remuneration	4,985	4,666	27	27
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	85	90	-	-
	5,462	5,146	407	403
Other key management personnel				
- Remuneration	1,056	1,167	235	228
- Contributions to state plans	195	180	35	34
- Other short-term employee benefits	641	394	68	66
	1,892	1,741	338	328
	7,354	6,887	745	731

NOTES TO THE FINANCIAL STATEMENTS

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18. KEY MANAGEMENT PERSONNEL COMPENSATION *cont'd*

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.

19. TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax expense				
- Current year	10,161	11,545	560	435
- (Over)/Under provision in prior year	(223)	(157)	(28)	9
	9,938	11,388	532	444
Deferred tax expense				
- Origination and reversal of temporary differences	45	(161)	(29)	35
- Under/(Over) provision in prior year	246	(101)	66	(4)
	291	(262)	37	31
	10,229	11,126	569	475
Reconciliation of tax expense				
Profit for the year	30,142	32,488	10,798	19,714
Tax expense	10,229	11,126	569	475
Profit excluding tax	40,371	43,614	11,367	20,189
Tax at Malaysian tax rate of 24% (2015: 25%)	9,689	10,904	2,728	5,047
Non-deductible expenses	760	710	414	417
Non-taxable income	(301)	(230)	(2,607)	(4,994)
Effect on changes in income tax rate	58	-	(4)	-
	10,206	11,384	531	470
(Over)/Under provision of tax expense in prior year	(223)	(157)	(28)	9
Under/(Over) provision of deferred tax expense in prior year	246	(101)	66	(4)
	10,229	11,126	569	475

NOTES TO THE FINANCIAL STATEMENTS

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20. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share ("EPS") at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2016 RM'000	2015 RM'000
Profit attributable to owners of the Company	30,142	32,488
	'000	'000
Weighted average number of ordinary shares at 31 December	180,000	180,000
Basic earnings per ordinary share (sen)	16.7	18.0

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
2016			
Final 2015 ordinary - single tier	3.0	5,400	15 June 2016
Interim 2016 ordinary - single tier	3.0	5,400	14 December 2016
Total		<u>10,800</u>	
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		<u>19,800</u>	

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 2016 ordinary - single tier	3.0	<u>5,400</u>

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 2016 and 2015.

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

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22. OPERATING SEGMENTS *cont'd*

Segmental information for the Group is presented as follows:

	ICT distribution		Enterprise Systems		ICT services		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	20,864	27,407	15,598	14,003	1,422	1,185	37,884	42,595
Included in the measure of segment profit are:								
- Depreciation of plant and equipment	(175)	(181)	(351)	(360)	(45)	(66)	(571)	(607)
- Plant and equipment written off	(3)	(1)	(2)	(2)	(1)	-	(6)	(3)
- Finance costs	(1,715)	(1,021)	(664)	(162)	(82)	(8)	(2,461)	(1,191)
- Finance income	201	285	1,554	1,068	220	203	1,975	1,556
Segment assets	333,042	270,581	135,188	118,831	4,037	4,428	472,267	393,840
Revenue from external customers	1,408,045	1,428,872	377,889	426,275	37,449	48,152	1,823,383	1,903,299
Inter-segment revenue	9,508	7,558	4,211	3,391	3,728	3,898	17,447	14,847

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

	Group	
	2016 RM'000	2015 RM'000
Total profit for the reportable segments	37,884	42,595
Other non-reportable segments profit	12,563	20,446
Elimination of inter-segments profit	(10,076)	(19,427)
Consolidated profit before tax	40,371	43,614

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						
2016						
Total reportable segments	1,840,830	(571)	(2,461)	1,975	472,267	234
Other non-reportable segments	15,767	(934)	-	1,780	126,680	1,087
Elimination of inter-segment transactions or balances	(33,214)	12	1,678	(1,678)	(100,466)	(73)
Consolidated total	1,823,383	(1,493)	(783)	2,077	498,481	1,248
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

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than one year	2,019	2,154	18	18
Between one and three years	75	2,013	-	-
	2,094	4,167	18	18

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

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24. CAPITAL COMMITMENTS

	Group	
	2016 RM'000	2015 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	54	519

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. RELATED PARTIES *cont'd*

Other related party transactions

	Transaction value			
	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Affiliated companies				
Sales	520	237	-	-
Subsidiaries				
Dividend income	-	-	10,100	19,400
Interest income	-	-	953	833
Rental income	-	-	1,497	761
Support services income	-	-	1,008	948
Purchase of equipment	-	-	(145)	(271)
Support service expense	-	-	(192)	(180)
Transactions with companies in which certain Directors have interests:				
Rental expense	(1,920)	(1,913)	-	-
Sales	-	650	-	-
Professional fee	(2)	(5)	-	-

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:

- Loans and receivables ("L&R");
- Fair value through profit or loss ("FVTPL");
- Available-for-sale financial assets ("AFS"); and
- Financial liabilities measured at amortised cost ("FL").

NOTES TO THE FINANCIAL STATEMENTS

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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
2016				
Financial assets				
Group				
Receivables and deposits	266,863	257,444	9,419	-
Cash and cash equivalents	110,215	110,215	-	-
Club membership	62	-	-	62
Derivative financial assets	2,339	-	2,339	-
	379,479	367,659	11,758	62
Company				
Receivables and deposits	22,055	22,055	-	-
Cash and cash equivalents	19,544	19,544	-	-
	41,599	41,599	-	-
Financial liabilities				
Group				
Payables and accruals	(240,527)	(240,527)	-	-
Company				
Payables and accruals	(972)	(972)	-	-
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	-	-
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)	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on:				
Loans and receivables	3,287	451	1,745	1,596
Financial liabilities measured at amortised cost	(1,184)	955	(2)	-
Fair value through profit and loss - Held for trading	2,370	(665)	-	-
	4,473	741	1,743	1,596

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 26.6% (2015: 16.5%) of the total trade receivables of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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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				
2016				
Not past due	175,984	-	-	175,984
Past due 0 - 30 days	61,316	-	-	61,316
Past due 31 - 60 days	16,237	-	-	16,237
Past due 61 - 90 days	3,379	-	-	3,379
Past due 91 - 120 days	749	-	(441)	308
Past due more than 120 days	1,009	(105)	(369)	535
	258,674	(105)	(810)	257,759
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

Included in other payables and accruals is an amount of RM4,914,000 (2015: RM5,734,000) 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	
	2016 RM'000	2015 RM'000
At 1 January	2,782	1,317
Impairment loss (reversed)/recognised	(663)	1,737
Bad debts recovered	(609)	(164)
Impairment loss written off	(595)	(108)
At 31 December	915	2,782

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

26.4 Credit risk *cont'd*

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

Impairment losses cont'd

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

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

Risk management objectives, policies and processes for managing the risk

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

(iii) **Financial guarantees**

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

No exposure to credit risk as there is no outstanding banking facility from the subsidiaries as at end of the reporting period.

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

26.5 Liquidity risk

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

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

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

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
2016				
Group				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	240,527	-	240,527	240,527
Company				
<i>Non-derivative financial liabilities:</i>				
Payables and accruals	972	-	972	972
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

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 32.4% (2015: 32.9%) of the Group's purchases are priced in US Dollar ("USD"). The Group hedges most of these exposures by purchasing forward currency contracts. All 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	
	2016 RM'000	2015 RM'000
Cash and cash equivalents	2,563	1,100
Trade payables	(78,831)	(50,259)
Forward exchange contracts (Nominal amount)	116,416	72,441
Net exposure	40,148	23,282

Currency risk sensitivity analysis

A 10% (2015: 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	
	2016 RM'000	2015 RM'000
USD	(3,051)	(1,746)

A 10% (2015: 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets	70,842	95,129	19,439	31,874
Floating rate instruments				
Financial assets	558	543	-	-

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			
2016			
<i>Financial assets</i>			
Amount due from subsidiaries	5.5	21,600	21,600
2015			
<i>Financial assets</i>			
Amount due from subsidiaries	5.0	9,000	9,000

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				
2016				
Financial assets				
Club membership	-	-	62	62
Forward exchange contracts	-	2,339	-	2,339
2015				
Financial assets				
Club membership	-	-	62	62
Forward exchange contracts	-	124	-	124

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 (2015: 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 2016, the Group's strategy, which was unchanged from 2015, was to maintain the debt-to-equity ratio at the lower end range. The debt-to-equity ratios were as follows:

	Note	Group	
		2016 RM'000	2015 RM'000
Total borrowings		-	-
Less: Cash and cash equivalents	9	(110,215)	(116,237)
Net cash		110,215	116,237
Total equity		256,124	236,782
Debt-to-equity ratio		N/A	N/A

There was no change in the Group's approach to capital management during the financial year.

28. COMPARATIVE FIGURES

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

	Group	
	2015 RM'000	2015 RM'000
	As previously stated	As restated
Cost of sales	1,804,678	1,805,635
Other (expense)/income	(482)	475

NOTES TO THE FINANCIAL STATEMENTS

29. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	216,124	196,686	5,830	5,795
- Unrealised	1,366	1,486	(90)	(53)
	217,490	198,172	5,740	5,742
Less: Consolidation adjustments	(51,366)	(51,390)	-	-
Total retained earnings	166,124	146,782	5,740	5,742

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 79 to 122 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 2016 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 29 on page 123 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

Director

Petaling Jaya

Date: 17 March 2017

Soong Jan Hsung

Director

STATUTORY DECLARATION

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

I, **Chan Puay Chai**, the Chief Financial Officer primarily responsible for the financial management of ECS ICT Berhad, do solemnly and sincerely declare that the financial statements set out on pages 79 to 123 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Chan Puay Chai, NRIC: (660901-10-6763), in Kuala Lumpur in the Federal Territory on 17 March 2017.

Chan Puay Chai

Before me:

Commissioner for Oaths

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of ECS ICT Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 79 to 122.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables

(refer to Note 2(c)(ii)(b)- Significant Accounting policies and Note 7- Receivables and deposits of the financial statements)

The key audit matter

The Group has significant trade receivables balances which amount to 51.7% of total assets and the Group apply assumptions to assess the level of provisions required to write down the value of trade receivables to their recoverable amounts. The Group's credit risk policy is based on ageing analysis to monitor the credit quality of the receivables. Aged receivables more than 60 days are monitored individually and as at 31 December 2016, RM4.2 million debts were past due more than 60 days with no impairment provided for. Due to the prevalent amount involved whereby provision movements may impact earnings, this results in recoverability of trade receivables being the key judgemental area that our audit is concentrated on.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated the application of the Group's policy for providing against aged trade receivables and determined whether this had been consistently applied year on year;
- We tested the accuracy of the ageing of trade receivables by testing age profile of the trade receivables balance to invoices raised;
- We challenged the Group's assumptions in making provisions by reference to recent history of recoveries and customers' payment trend and correspondences with customers; and
- We tested the post year end cash received allocated against aged trade receivables at the year end.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

INDEPENDENT AUDITORS' REPORT

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

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report are as follow:

- Cover Rationale
- Corporate Profile
- Technology for Today
- Chairman's Statement
- Management Discussion and Analysis
- Enablers of Tomorrow
- More Rewarding Lifestyle
- Group Financial Highlights
- Group Corporate Structure
- Statement on Corporate Governance
- Corporate Responsibility Statement
- Statement on Risk Management and Internal Control
- Report of the Audit Committee
- Other Information
- Statement of Directors' Responsibility
- Directors' Report

but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 29 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

LLP0010081-LCA & AF 0758
Chartered Accountants

Petaling Jaya, Selangor

Date: 17 March 2017

Lee Yee Keng

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

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2017

SHARE CAPITAL

Issued and fully paid-up : RM90,000,000/-
Voting rights : 1 vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	34	1.31	1,285	0.00
100 – 1,000	277	10.70	196,814	0.11
1,001 – 10,000	1,564	60.41	8,192,001	4.55
10,001 – 100,000	633	24.45	17,676,200	9.82
100,001 – 8,999,999*	77	2.98	35,849,700	19.92
9,000,000 and above**	4	0.15	118,084,000	65.60
Total	2,589	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. Dasar Technologies Sdn. Bhd.	15,400,000	8.56
4. Oasis Hope Sdn. Bhd.	9,453,000	5.25
5. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Deutsche Bank AG Singapore for Pangolin Asia Fund</i>	8,624,650	4.79
6. Melco Holdings Inc.	3,000,000	1.67
7. CIMSEC Nominees (Asing) Sdn Bhd <i>Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)</i>	2,158,750	1.20
8. Gan Kho @ Gan Hong Leong	1,340,000	0.74
9. Federlite Holdings Sdn Bhd	923,700	0.51
10. Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Gan Tee Jin</i>	900,000	0.50
11. Chong Lian	800,000	0.44
12. Gan Kho @ Gan Hong Leong	743,350	0.41
13. Chee Ah Ngoh	700,000	0.39
14. Chan Geok Eng	585,000	0.33
15. Ong Lei Im	558,000	0.31
16. Migan Sdn Bhd	510,750	0.28
17. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Takaful Malaysia Berhad (IL-Flexi 2)</i>	480,000	0.27

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2017

cont'd

THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

Name of Shareholders	No. of Shareholdings	%
18. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Sengin Sdn Bhd (PB)</i>	459,000	0.26
19. Yoong Yon Wah	420,000	0.23
20. Maybank Nominees (Tempatan) Sdn Bhd <i>Jincan Sdn Bhd</i>	400,500	0.22
21. Tan Tiang Choon	400,000	0.22
22. Affin Hwang Nominees (Asing) Sdn. Bhd. <i>DBS Vickers Secs (S) Pte Ltd for Tay Eng Hoe</i>	375,000	0.21
23. Universal Trustee (Malaysia) Berhad <i>KAF Tactical Fund</i>	371,600	0.21
24. Kong Chew Fa	347,100	0.19
25. Chong Chiew Tshung	340,000	0.19
26. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Takaful Malaysia Berhad (IL-Growth 2)</i>	340,000	0.19
27. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (ABERISLAMIC)</i>	338,400	0.19
28. Yap Choo Joo @ Yap Tse Loo	335,000	0.19
29. CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB For General Technology Sdn. Bhd. (PB)</i>	313,600	0.17
30. Foo Lek Choong	307,200	0.17
	144,155,600	80.09

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

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
Dasar Technologies Sdn Bhd	15,400,000	-	8.56
Oasis Hope Sdn Bhd	9,453,000	-	5.25
Dato' Teo Chiang Quan	-	9,453,000 ⁽³⁾	5.25

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2017

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

	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 8 of the Companies Act 2016 and the shareholdings of his child.
2. By virtue of her substantial shareholdings in Sengin Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and the shareholdings of her child.
3. By virtue of his substantial shareholdings in Oasis Hope Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting of ECS ICT Berhad (“ECS” or “the Company”) will be held at Greens III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 17 May 2017 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 2016 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 2016. **(Resolution 1)**
3. To re-elect the following Directors who retire in accordance with Article 102 of the Articles of Association of the Company:-
 - (a) Mr. Soong Jan Hsung; **(Resolution 2)**
 - (b) Mr. Tay Eng Hoe; and **(Resolution 3)**
 - (c) Mr. Ong Wei Hiam **(Resolution 4)**
4. To re-appoint KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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 6)**

“THAT the Directors’ Fees amounting to RM380,209/- (Ringgit Malaysia: Three Hundred and Eighty Thousand Two Hundred and Nine only) for the financial year ended 31 December 2016, be and is hereby approved for payment.”
6. **ORDINARY RESOLUTION NO. 2**
- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 **(Resolution 7)**

“THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, 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 total number of issued shares 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 TWENTY-FIRST 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 2016 will be payable on 15 June 2017 to depositors whose names appear in the Record of Depositors at the close of business on 1 June 2017 if approved by the members at the Twenty-First 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 1 June 2017 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)
Company Secretaries

Kuala Lumpur
Dated: 25 April 2017

Notes:-

(A) Information for Shareholders/Proxies

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 9 May 2017 ("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 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.*

(B) Audited Financial Statements for the financial year ended 31 December 2016

7. *This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval for the Audited Financial Statements from the shareholders. Therefore, this Agenda item is not put forward for voting.*

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

(C) Re-election of Directors

8. In determining the eligibility of the Directors to stand for re-election at the forthcoming Twenty-First 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 Mr. Soong Jan Hsung, Mr. Tay Eng Hoe, and Mr. Ong Wei Hiam, 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 Twenty-First AGM of the Company under Resolutions 2, 3 and 4 respectively. 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 2016 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 KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016) as External Auditors of the Company for the financial year ending 31 December 2017. 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 Twenty-First AGM of the Company under Resolution 5. 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 2016 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 2016 was RM380,209/- (2015: RM376,312/-).

The Resolution 6, if approved, will authorise the payment of Directors' Fees pursuant to Article 110 of the Articles of Association of the Company.

(F) Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016

11. The Company wishes to renew the mandate on the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 at the Twenty-First 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 Twentieth AGM of the Company held on 19 May 2016 (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.

No. of Shares Held	CDS Account No.

PROXY FORM

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

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

of _____
 (full address)

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

NRIC No. _____ (New) _____ (Old) of _____

_____ (full address)

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

NRIC No. _____ (New) _____ (Old) of _____

_____ (full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Twenty-First Annual General Meeting of the Company to be held at Greens III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 17 May 2017 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 of 3.0 sen per share		
Resolution 2 Re-election of Mr. Soong Jan Hsung as Director		
Resolution 3 Re-election of Mr. Tay Eng Hoe as Director		
Resolution 4 Re-election of Mr. Ong Wei Hiam as Director		
Resolution 5 Re-appointment of KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016) as Auditors and to fix their remuneration		
Resolution 6 Ordinary Resolution No. 1 – Payment of Directors' Fees		
Resolution 7 Ordinary Resolution No. 2 – Authority to Issue Shares		

Dated this _____ day _____ 2017.

Shareholder's Contact Number

Signature of Member/Common Seal

(A) Information for Shareholders/Proxies

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- A proxy may but does not need to be a member of the Company and 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.
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- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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(B) Audited Financial Statements for the financial year ended 31 December 2016

- This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 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

ECS ICT BERHAD

(Company No. 351038-H)

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Taman Sains Selangor,
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